



**Insurance: Accelerating for Tomorrow**  
**March 2021**  
Event Summary Report

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## Executive Summary

In March 2021 The Economist Events and IBM held a series of discussions on “Insurance: Accelerating for Tomorrow”. They were moderated by Patrick Lane, deputy digital editor, *The Economist*, and featured Mark McLaughlin, global insurance director, IBM, and Bea Elbert, global insurance general manager, IBM.

The discussions addressed several issues for insurers: How do we shift to viewing policyholders as customers? How do we unlock complete customer value? How can new technologies (cloud/AI/IOT) improve product lines and operational efficiency to drive down costs and increase speed to market? What parts of the insurance value chain are best suited to digitisation? What role do new products and services play in reinvigorating customer loyalty and engagement? How are ecosystems of partners driving innovation? How can these investments be unleashed at scale as new skills in the hands of employees? How big a roadblock do inflexible legacy systems and processes present to digital transformation?

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## **Covid-19 and customer expectations:**

Times of volatility consistently impact customer expectations, and today is proving no different. Covid-19 has accelerated pre-pandemic desires for speed—to connect with an advisor, to underwrite more quickly, and to get a claim paid more quickly. Customer tolerance for “bad” experiences is vanishing as Big Tech sets a new industry-agnostic standard for ease of use of products and services. Gone are the days of transactional relationships: consumers today are looking for a “risk partner”—an adviser who interacts with them continually and can personalise and tailor offerings to navigate an increasingly complex threatscape.

## **Technology 2.0:**

Insurance is embracing technology to become proactive, predictive and preventative and deliver to market a trusted customer experience more quickly, securely and consistently. There are enormous gains to be had: intelligent workflow can eliminate 70% of paper-processing cost and time, and AI can improve human productivity by 30%. Today less than 10% of the workload has moved to the cloud (and a lot of that is non-critical). There is an urgent need for insurers to simplify down from the average of 14 policy administration systems and eight cloud environments that they operate. More than ever the imperative is for a holistic digital transformation. After all, as insurers compete in a paradigm that no longer differentiates product value—but rather experiences—merely digitising outdated processes won't cut it.

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### **Overcoming legacy systems:**

Legacy systems are a ball and chain to innovation and prevent insurers from capturing scale. The cyber-security risks associated with outdated systems are also increasingly top of mind. There is a real need to learn from Big Tech—and replicate their “build to throw away” model. This ties into advocating for open standards that can be built on in the long term. Fintechs and insurtechs are unburdened by the costs associated with these inflexible legacy systems. They will continue to light a fire under traditional insurers until these in turn overcome these roadblocks.

### **Building out ecosystems:**

The need for insurance is a by-product of human activity, and it makes sense that it is sold in connection with products and services we use every day. In this new normal, insurers must be open to partnering with their competitors to build new risk experiences. This goes hand in hand with creating new revenue models. More insurers are offering up their own core platforms to third parties and gaining benefits of scale from being able to access the full value chain. The incentive to do so is heightened in a world that is increasingly interconnected via smart appliances. These supply us with mountains of data which, if successfully operationalised, could empower insurers to intervene earlier to mitigate risk. When it comes to leveraging digitally enabled technologies to become data-driven though, as in other industries, regulation continues to lag. We'll need to ensure companies are able to deal with regulatory changes by having the freedom to adapt their policies as needed.

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It is resoundingly clear that the insurance industry has rid itself once and for all of its conservative reputation. The digital-first expectations of millennials and generation Z, coupled with the post-covid reality of online-only interactions, mean the industry must evolve at an unprecedented rate. As insurers embrace cloud and AI technologies, the very nature of what they are selling will be revolutionised. In this digital age building and maintaining trust will be essential to the relationship between insurer and insured—and as safeguarding that trust becomes significantly more challenging, insurers will have to innovate continuously to provide new and engaging experiences while reducing risk.

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Emerging technologies including hybrid cloud and AI are elevating policyholder experiences, reducing operational costs and accelerating new products and services to market. Learn more at [ibm.com/insurance](https://ibm.com/insurance).

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