

Insurance: Moving towards modern digital opportunities

For insurers, digital technologies offer opportunities to use data, shape products and deliver new value to clients in ways that were previously impossible. Insurers have always had access to vast amounts of client information and have historically demonstrated strong integration and knowledge-sharing in certain core functions such as sales and marketing and customer service. Accordingly, insurers that embrace digital technologies could supercharge their organisations, underwriting more accurately, better serving clients and even anticipating client needs. At a time when both insurers and brokers increasingly want to engage in consultative relationships with clients rather than simply be transactional partners, digital technology is essential to meeting that goal.

Indeed, the success of direct-to-consumer insurers with digital models has forced other personal lines companies to respond. Life insurance companies are using digital tools to introduce more opportunities for customer engagement between the time a policy is sold and when a claim is made. Ultimately, both personal and commercial lines companies are recognising the value that technology can provide in allowing them to underwrite more effectively and to operate more efficiently.

A recent Economist Intelligence Unit survey on digital and business strategies, sponsored by DXC Technology, suggests insurance industry companies recognise this opportunity. Insurance industry executives, of whom there were 51 in the survey, expect their companies to be much more digital in the years ahead—as much or more than other companies. Most insurance companies' primary

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concern is developing collaboration software and sharing information more effectively across functions. And, like most companies, there's also a strong focus on the efficiency that digital investments can deliver, as well as the potential for cost-cutting and better meeting customer expectations.

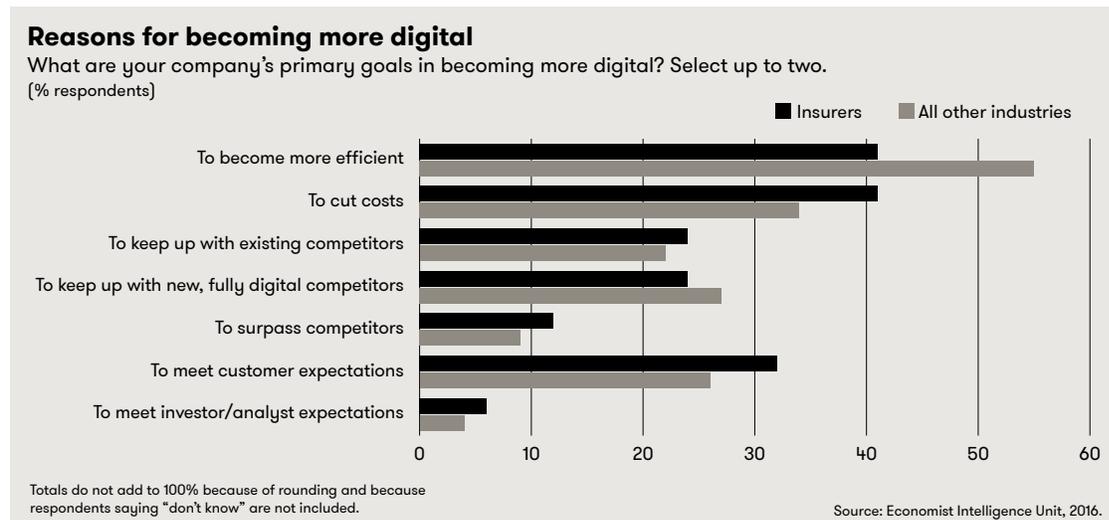
Leadership and goals: More focus on functions

While executives from many other industries are evenly split on whether the CEO or the CIO is their company's primary driver of IT strategy, insurance executives lean much more towards the CIO (43%) than the CEO (29%). Notably, 14% of respondents indicate that a C-level executive other than the CEO or CIO is responsible for IT strategy (compared with 8% at other companies), suggesting that IT is, in some cases, already integrated into selected business centres of insurance organisations.

Describing the approach to IT in his organisation, J. Patrick Gallagher Jr, chairman, president and chief executive officer of Arthur J. Gallagher & Co., says, "Every division has its own CIO. Those CIOs report into their division leader as well as our corporate CIO. The whole thing is about making sure that the expertise, wherever it's located in the world, can be at the point of sale or point of need for a client 24/7 anywhere we are."

Among industries represented in the survey respondents, the insurance industry ranks in the middle in terms of the degree of digitisation of its major functions, so it's not surprising that IT is still largely treated as operational rather than strategic by many executives. Insurance companies have two primary goals in becoming more digital: to become more efficient and to cut costs (41% each). Compared with respondents from other industries, insurance executives are less often concerned about efficiency and more often concerned about costs, perhaps reflecting the cost constraints many companies in the industry have faced in recent years. The third most often cited reason for becoming more digital is meeting customer expectations, which, with 32% choosing it, is more often cited by insurance executives than by any other group of respondents. Sales and customer service are vital functions at insurers (claims settlement, for example), so deploying IT to better meet customer expectations is a natural offshoot of insurance companies' typical customer interactions.

Insurance executives are more often focused on customers than on competitors and relatively rarely cite surpassing competitors in itself as a goal for becoming more digital.



IT spending and investment priorities

Insurance companies' IT budgets reside within the central IT function somewhat less frequently than among all companies (57% v 63%). And functions other than IT have some control of the IT budget at nearly one-quarter of insurance companies, significantly ahead of other companies (22% v 13%). This could reflect that IT is already tightly integrated into some areas of operation, or it could suggest that some insurers still struggle with the inefficiencies of ad-hoc "shadow IT" initiatives introduced by employees eager to claim digital benefits.

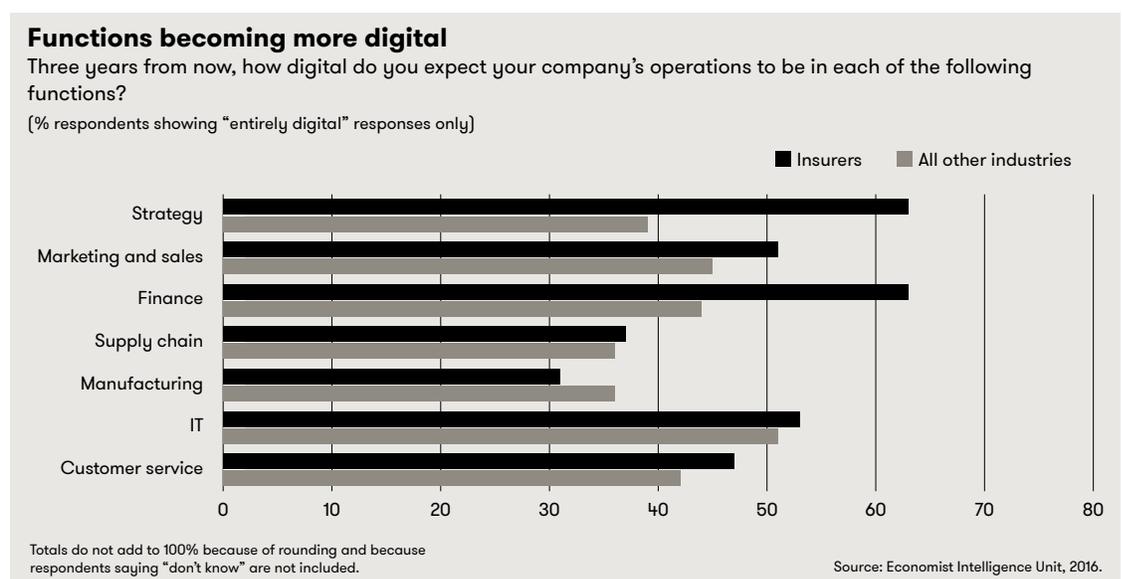
However, Mr Gallagher adds, "there's an insatiable appetite for IT spend. If I said your budgets are unlimited, they'd overspend it. So the moderation that I put on it is a budgeting moderation, working with our CIO, to make sure that what we spend is appropriately spent and that those IT solutions are deployed effectively in the divisions."

While 98% of insurance companies use traditional on-premises servers, executives say they have also invested more frequently than other companies in the public cloud (96% v 82%), the hybrid cloud (94% v 83%) and collaboration software (96% v 62%). Nonetheless, legacy technology is hanging on: Insurers indicate they will less often reduce or stop using desktop and/or laptop PCs than other companies (6% v 10%).

Overall, these spending patterns reflect a slow move towards modern digital technologies and a continued focus on collaboration. "We were all paper all day ten years ago. We didn't have a general ledger that was common across the enterprise 14 years ago," Mr Gallagher says. "We couldn't be the company we are today without [technology]."

Insurance companies' efforts to improve IT capabilities will largely focus on using new software development platforms and application modernisation (each chosen by 37% of insurance executives). Further, insurance companies expect employees across the organisation to develop skills in collaboration (67%), data analysis (49%) and IT literacy (47%)—an indication of the growing importance of technology in driving improved performance across the board.

All in all, this suggests that overcoming their legacy systems to derive greater benefit from IT is the core priority for insurers.



Constrained but confident in IT

Insurance executives are focused on becoming even more digital. Over the next three years, insurance executives say they expect to be entirely digital in greater numbers than other respondents in functions such as strategy (63% v 39%), finance (63% v 44%) and customer service (47% v 42%).

Like executives at many companies, insurers see budget constraints as the largest barrier to meeting their IT goals (41%). The second most cited barrier, however, is a lack of vision at the corporate level about how IT can contribute to meeting strategic goals—nearly twice the share of insurance respondents say this as those in other industries (24% v 13%), perhaps suggesting that insurance executives place particular importance on having the connection between IT and strategy made at the highest level of the organisation. Insurance executives less often than those at other companies see the dedication of resources primarily to existing IT workloads as a barrier to meeting strategic goals (20% v 32%).

Still, on the whole and consistent with other industries, insurers are overwhelmingly confident in IT's ability to support business strategy in the coming years, with 88% of them confident in IT's ability to deliver on both technologies and capabilities.



Insurers now have the opportunity to harness new technologies and vast amounts of data to better serve customers, tap new markets and attain greater levels of efficiency. IT might be viewed operationally rather than strategically by many in the industry, but some already see it as a key enabler of business strategy. Insurers appear committed to investing in modernisation and collaboration as they become ever more digital.

About this research

What makes digital leaders: A full C-suite perspective, a survey conducted by the Economist Intelligence Unit and sponsored by DXC Technology, explores links between digital technologies and strategic success, current investments in IT and how companies plan to use digital technologies going forward. This report's analysis is based on a sample of 514 respondents comprising CIOs and senior executives at companies across a range of industries and regions. Complete details on the survey can be found **here**.

We would like to thank J. Patrick Gallagher Jr, chief technology officer at Arthur J. Gallagher & Co, for his insights.

This report was written by Scott Leff and edited by Josselyn Simpson.

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