



The evolution of distribution



As years go, there will be few in living memory that can beat 2020 for change and disruption. As the dust settles, Insurance Innovators and Guidewire brought together a panel of experts to discuss what this means for the insurance industry in North America and what might lie ahead. One thing is clear, the panellists on The Evolution of Distribution webinar agreed, the last 12 months saw an unprecedented acceleration of the industry's digitisation journey.



"2020 transformed engagement"

Matthew Kirk, The Hartford

"Transformative is the word," said Matthew Kirk, Senior Vice President, Chief Sales & Distribution Officer, Small Commercial at The Hartford, reporting that digital engagement on a daily basis doubled between January and December 2020. "From paper, email and phone to digital, 2020 transformed engagement."

Marcus Oberholzer, Head of Growth & Strategy at Spire Nationwide, agreed that 2020 had accelerated trends already underway and that there would be no going back now. "There was already a shift to digital as digital native folks aged into the market, bringing their expectations for convenience and simplicity with them," he said. "I fully expect this to be permanent."

To respond to rapidly changing world, insurance companies had to work faster and smarter than usual. Some adapted better than others.

"When the pandemic struck, we saw our carriers move very quickly and nimbly to take care of their customers in terms of payment relief and premium rebates," said Neil Betteridge, VP Strategy at Guidewire, which has developed a cloud-based platform that delivers digital, core, analytics and AI solutions to insurance companies around the world. He said his company's customers were able to use the platform to pivot to adapt to the changing pandemic landscape, quickly rolling out the right

products at the right time to the right segments. “There’s been increased interest in telematics auto products, for example, because customers were driving less so they wanted to pay less,” he explained. “Another one of our customers was targeting ride hailing at the start of 2020 but that was quickly adapted to focus on delivery services.”

“Carriers are having to step up their game to keep up with constantly evolving customer expectations”

Neil Betteridge, Guidewire

Betteridge said the pandemic forced carriers to reach out for help because they didn’t have the right digital platform to adapt to this fast-changing world. “They’re all feeling the pressure to adapt and are having to step up their game to keep up with constantly evolving customer expectations,” he said.

Graham Haigh, VP, Broker Distribution at Canada’s Wawanesa, said the pandemic had exposed a gap between those who had done the heavy lifting of getting their technology stack in shape pre-pandemic and those who had not. “Even with the downward pressure during the pandemic, some of our agents knocked growth out of the ball park and did much better compared to those who were waiting on some magical trigger to move their business forward,” he observed.

Legacy technology, legacy thinking

The panellists agreed that legacy issues are a real obstacle for an industry striving to keep pace with changing customer expectations.

“Legacy technology stack is outdated and highly customised and that limits the freedom to experiment with new models”

Marcus Oberholzer, Spire Nationwide

“Legacy technology stack is outdated and highly customised and that limits the freedom to experiment with new models,” said Marcus Oberholzer, Head of Growth & Strategy, Spire Nationwide. “The industry needs to invest in capabilities to identify customer needs, understand them and respond to them quickly, using test and iterate.”

The need to embrace innovation has never been important as the platform economy starts to gain traction. “Most of the platform economy is driven by apps, which facilitates switching to more on demand type coverage,” said Neil Betteridge of Guidewire, which, he said, has more than 100 InsurTechs tapped into its platform. “It gives our customers a huge raft of new capabilities, whether it’s online payments or better risk understanding, and it means traditional carriers can tap into these new solutions quickly.”

“Technology is a tactic not a strategy... You need the right mindset first”

Graham Haigh, Wawanesa

Graham Haigh of Wawanesa made the good point that technology is a tactic not a strategy. “You need the right mindset first,” said Haigh.

Culture change is, of course, notoriously difficult to achieve. “Challenging the status quo takes time,” agreed Oberholzer. “There needs to be a tolerance for fast and imperfect experiments, knowing that something might fail but that you can iterate and improve.”

Matthew Kirk of The Hartford agreed, saying the industry need to learn to “stamp on the fear of making a mistake or a bad buy”.

The biggest mistake, it seems, will be to do nothing in the face of relentless disruption and rising customer expectations.

Changing customers, changing needs

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Marcus Oberholzer, Spire Nationwide

Those expectations may force profound change on the industry. Marcus Oberholzer of Spire Nationwide said many younger digital-first customers have a problem with insurance. “They see it as overly complex and unfair and its historically intangible value proposition doesn’t do it for them,” said Oberholzer. “So how do we show more tangible value in their daily life? The good news is we have more tools in our toolbox now, new mechanisms such as telematics, which allow us to share information back with users and engage in new ways, through gamification and safe driving rewards. Expectations are rising but we also have new tools to meet those expectations.”

Matthew Kirk of The Hartford said the ability to understand customers, capture insights and deliver guidance as it’s needed will prove winning. “It’s about the buying moment,” he said. “During the policy term and at renewal, there are all sorts of different interactions and at that moment when the customer is adding something to their policy or changing something, if you can give them that real-time insight and advice that’s tailored to their unique need, then they will buy.”

New technology enables insurers to craft new propositions for customers, which are personal, meaningful and add real-value to daily life. The crux of this is access to data – and the ability to turn that data into meaningful insights that can be shared with customers in compelling and engaging ways.

“Telematics got a lift last year and insurers are now leveraging that to help coach their drivers to become safer drivers”

Neil Betteridge, Guidewire

“Telematics got a lift from Covid over the last year and a number of our clients are now leveraging what they got out of telematics to help coach their drivers to become safer,” said Neil Betteridge of Guidewire. “It’s moved on from renewal once a year to ongoing risk management, where the insurer is looking after the customer’s family day in, day out.”

He said this kind of ongoing partnership between insurer and insured doesn’t stop with telematics. “A convergence of the ubiquitous smartphone and AI visualisation means we can guide people through a range of risks,” he said. “They can take video or photos of their home and we can use that to identify potential fire or leak risks, or using aerial imagery and AI we can recognise issues to do with wildfires and whether trees and shrubbery are too close to property lines. It’s really helping with risk management.”

Efficiency and costs

Digital solutions can also prove cheaper than their analogue counterparts. Graham Haigh of Wawanesa said there was no doubt investment in the right technology stack could improve efficiency and reduce costs, both for direct to consumer and intermediary distribution models. “It used to take us three weeks to distribute a policy document to the customer by post but now, using Guidewire, it’s immediate,” he said. “And we

should expect to see similar cases in the intermediated business because as our agents and vendors consume the APIs, real-time connectivity will take off.”

“Failure to leverage connectivity in data exchange will be catastrophic for agents and brokers”

Graham Haigh, Wawanesa

He said this will be essential for the success of insurance intermediaries in the new digital age. He said those agents and brokers that are ready to consume APIs and digitise their businesses “are growing like crazy” and gave a warning for those still dragging their feet. “Failure to leverage connectivity in data exchange will be catastrophic for agents and brokers engaged in that distributed model,” he cautioned.

“There are some very sophisticated private equity investors who are spending a lot of money on intermediary distribution and financing M&A activity,” said Haigh. “They are pretty confident that investment will pay off over time.”

He, too, is confident that the intermediary distribution model will survive for decades to come. The key, our panellists agreed, is making sure that companies have the digital capabilities to understand what customers need and have the systems agility to meet those needs in a way that’s convenient, transparent and adds real value. Put customers first and the rest takes care of itself.

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