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P&C Insurance Digital Transformation: Top 5 Challenges on the Minds of CIOs

Michael Douglas - June 29, 2020 - 7 min read

The COVID-19 pandemic has changed the world as we know it, affecting all spheres of our lives. For the insurance business, it has become more urgent than ever that P&C insurance executives accelerate digital transformation and product innovation.

The impact that COVID-19 has had on the insurance business is quite complex. According to a recent survey by McKinsey (<https://www.mckinsey.com/industries/financial-services/our-insights/what-insurers-can-learn-from-chinas-continuing-covid-19-recovery>), health insurance grew 17 percent in sales from the first quarter of 2019 to the first quarter of 2020, and life products were down just 1 percent. But for property and casualty (P&C), the pandemic is taking a harsher tone. Travel and auto insurance are likely to be hit the hardest, with one-third of the world's population under stay-at-home orders.

The impacts of the coronavirus, besides varying from insurance lines, also differ depending on the level of digital maturity of the company. Those insurers who already had a digital transformation in progress are in a better position to respond to communications, servicing, and new business activities as the coronavirus disrupts the traditional operating model.

A New Landscape Disrupting the P&C Insurance Business

The outbreak brought several behavioral and economic changes to insurers' reality. To survive and prosper, insurance companies need to adjust their business and digital strategy to a new reality that includes:

- **Premium reductions:** As mentioned above, certain lines of insurance will be more impacted than others. The ones that are expected to have a decrease in income should reduce costs. Otherwise, they'll see a deterioration of the expense ratios.
- **Ceased of face-to-face interactions:** Since WHO declared a worldwide pandemic, many countries have imposed social isolation measures, including, in some cases, temporary national lockdown. As a result, many insurance branches closed, and customers are now, more than ever, preferring the use of digital channels over face-to-face interactions.
- **Slower postal system:** The same way, postal systems were also affected, challenging insurers that still rely on paper-heavy communications and manual processes, to adapt and find new digital means of communication.
- **Remote work by default:** For insurers, this change impacts certain field functions, such as claims adjusting, and cross-functional collaboration, which is particularly crucial for the claims, underwriting, and actuarial functions. Insurers must be ready to adopt digital tools and platforms to enable an efficient remote workforce (<https://www.outsystems.com/blog/posts/remote-workforce-solutions/>).
- **Second-order challenges becoming more frequent:** Insurers must be prepared for an increase of fraud and ea

If insurers don't address and adapt to this new reality, they may face economic difficulties in the short and long term. That's why digital transformation is so urgent. However, establishing a digital agenda in a traditionally slow industry is not an easy task. As the market landscape changes and businesses design their digital strategy, there are several challenges they need to keep in mind to be successful.

Embracing Digital Transformation: The 5 Biggest Challenges for P&C Insurers

Executives expect technology to help them improve their competitiveness and customer loyalty while cutting costs and boosting growth. But to achieve a successful digital agenda, there are several hurdles insurers need to surpass. Here are the top five digital optimization and transformation challenges for P&C insurers in 2020.



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1. Grow Business Through Great Experiences

As observed in a survey from Ernst & Young, "40% of consumers decide to continue insurer relationships based on the quality of the experience." Insurers are expected to deliver omnichannel solutions across mobile, web, chatbot, and call centers, providing seamless experiences wherever they are and whenever they want.

But that's just part of the challenge. Although agents and brokers play a crucial role in the insurance business, most agent portals have poor experiences. In fact, the 2019 J.D. Power U.S. Independent Insurance Agent Satisfaction Study (<https://www.jdpower.com/business/press-releases/2019-us-independent-insurance-agent-satisfaction-study>) states,

"Overall independent agent satisfaction with personal lines insurers is 735 (on a 1,000-point scale). For commercial lines, that score falls to 720. These are among the lowest overall satisfaction scores in any business study currently conducted by J.D. Power, lagging even financial advisors (737)."

In a competitive market such as insurance, where agents and brokers' performance is critical for acquiring new customers and keeping existing ones, executives have a new mandate: optimize the experiences of their teams. Easy-to-use and friendly portals must be at the top of their agendas.

2. Speed Time-to-Market and Beat Insurtech Competitors

Insurtech has shaken up the insurance business. Taking advantage of data analysis and new technology like GPS car tracking, Insurtech has transformed the market with new solutions and better experiences. And, even though the startup activity in insurance has slowed, Insurtech continues to play a significant role in shaping the future of the industry.

The biggest challenge for traditional insurers is to align their years of experience—something Insurtech companies lack—with new ways of reaching customers, policyholders, agents, and partners. And, of course, do it all with speed, agility, and the right time to market.

3. Deliver Seamless Experiences Across Countries



As most insurance carriers operate across different states and even countries, companies need to ensure they deliver a seamless experience. But different countries have different regulations, and insurers need to adapt their policies and procedures to be compliant everywhere.

Not to mention that those regulations are getting tighter and tighter. In 2018, the European Union updated the Insurance Distribution Directive (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/insurance-and-pensions/insurance-distribution_en). And in 2016, the U.S. government expanded the Department of Labor Fiduciary Rule (<https://www.impact-tech.com/2017/10/30/advisors-impacted-dol-fiduciary-rule/>) to add stricter governance on how an advisor deals with a client in 2017. Although a Court of Appeals vacated the rule in 2018, insurers had already put measures in place to comply. In addition, the SEC is looking at it closely and might implement parts of it in 2019.

The challenge for insurance companies that operate in a multitude of countries is to be able to customize and adapt their business and user experiences quickly to comply with the different federal or state policies.

4. Ensure a Connected Digital Ecosystem

As competition continues to increase, many larger insurers are growing their business and services offerings by plugging other companies into their ecosystem. For example, Pay-As-You-Go insurance is an auto insurance program that adjusts rates based on the number of miles you drive. As a result, they're able to broaden their market to new customers, diversifying their product and services portfolio. But it also makes their business a lot more complex. Insurers must connect all these different components of their ecosystem seamlessly, ensuring a smooth experience for customers, brokers, agents, and partners.

5. Maintain Legacy Systems and Address the Increasing Backlog

As we mentioned, innovation is essential for insurers to stay competitive. However, the results can take some time, which can become frustrating. Many companies, especially mature ones, still trust their business to complex, disjointed legacy systems that consume not only financial but also human resources, hampering innovation.

At the same time, their backlog continues to grow. According to the State of Application Development, Insurance Industry Report (<https://www.outsystems.com/1/state-app-development-insurance/>), 65 percent of IT professionals said they have an app dev backlog, and for 10 percent of these respondents, the backlog was over 10 apps. Only 32 percent said their app dev backlog had improved in the last year.

In addition, according to the same report, development skills are hard to find: 65 percent of organizations have hired web or mobile developers in the past year. Eighty percent of respondents described app dev talent as scarce, with hiring taking longer and costing more.

Overcoming These Challenges With Low-Code

The question is: is digital transformation an opportunity or a threat? It's all a matter of adaptability, really. Forward-thinking companies will look at these challenges as an opportunity to differentiate themselves from their competition. And that's where low-code can help you.



Insurance companies like Liberty (<https://www.outsystems.com/case-studies/insurance-management-system/>), AXA (<https://www.outsystems.com/case-studies/insurance-portal/>), Fidelidade (<https://www.outsystems.com/case-studies/fidelidade-digital-transformation/>), FWD (<https://www.outsystems.com/case-studies/fwd-insurance-customer-centric-innovation/>) and Zurich (<https://www.outsystems.com/case-studies/cross-platform-digital-experience/>) have been using the OutSystems platform (<https://www.outsystems.com/home/GetStartedForFree.aspx>) to deliver next-generation agent portals and customer experience capabilities. The result is better engagement and communication with their agents and customers across any channel or device.

With OutSystems you can:

- **Increase your time to value:** Build customer and agent portals up to 10 times faster than your competition.
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- **Break down silos:** Knock down all the siloed legacy systems and orchestrate all data streams into a single viewpoint and achieve the holy grail of a 360-view of the customer using the OutSystems API layer.
- **Improve your flexibility:** Build a customer portal or rewrite a core legacy system. OutSystems is a highly flexible platform that grows and flexes with your business.
- **Write and reuse:** Reduce the need to rebuild and save time and development resources by reusing “objects” across applications that require the same piece of functionality.

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Michael Douglas has spent the past 10 years in enterprise application development software helping companies transform their business with enterprise mobility and now low-code. As Vertical Product Marketing Manager Michael helps companies across multiple verticals understand how low-code can impact their business.

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