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Digital or bust: the now and the next for Australian insurers

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By Marianne Hutchinson, Insurance Lead, Accenture Australia and New Zealand

While the COVID-19 pandemic has disrupted the global economy on a scale we've not seen in generations and impacted every element of our daily lives, it has also reshaped – and is still reshaping – every industry.

It is creating a myriad of challenges, as well as opportunities, and requiring swift action in order to keep afloat in this age of “never normal”.

The crisis has also fundamentally altered the way we shop, what we value, how we live, work and interact with each other.

We are looking at everything through a new lens, including brands and products; consumer trends that were only emerging pre-coronavirus have accelerated and evolved at an incredible pace.

Digital technologies have played a central role, as we supported friends and family via video calls during isolation and purchased goods and managed our finances digitally as a health safeguard.

Looking specifically at the Australian insurance industry, we've seen a robust industry response: they moved swiftly to remote working practices, prioritising the health and wellbeing of their workforces while maintaining business continuity, and ramping up support to customers and the community.

Due to the virus and the associated lockdown, people are driving less, unable to holiday internationally, spending more time at home and managing their finances digitally at new levels.

Consequently, premiums are shrinking in many lines of business and operational costs are rising. Global Accenture research (<https://www.accenture.com/gb-en/insights/insurance/coronavirus-human-business-impact-insurance>) found the average insurer has lost 35% of its market capitalisation between March and April.

While these conditions won't be permanent, the attitudes, purchasing habits and behaviours which have manifested through the pandemic are likely to prevail. With the future of billions thrown into doubt, the Australian insurance industry can play an important role to help customers through the resulting economic hardships.

It will therefore be essential for Australian insurers to establish themselves as trusted partners, and to up the ante when it comes to meeting new consumer preferences for digitally led services.

The trends that were shaping and influencing the insurance industry over recent years were intensely accelerated in a period of six to eight weeks as a result of the COVID-19 crisis. Digital is now firmly intertwined and central to our lives in every way – and it is likely to stay that way.

As such, insurers must ensure their products and services are in line with current and future customer expectations.

Traditionally, insurance has lagged many other sectors in adopting digital technologies to transform its core, embrace customer-focused experience design and weave its offering into people's daily lives and organisations' daily operations.

Insurers that were well advanced with digital transformation responded to the pandemic with greater speed and agility than their more cautious competitors.

The digital investment strategies of Australian insurers will vary greatly. The digital leaders are already in pole position and can now focus on growth whereas the digital laggards will have tough decisions to make about how they accelerate their digital transformation and prioritise their spend in the face of looming budget cutbacks. Should they invest more in product development or rather digitise their sales, support or claims-handling?

Many insurers implemented short-term fixes and “work-arounds” in their organisations' processes to enable their employees to work from home and continue serving customers.

The success of these interim measures has shown that simpler customer journeys can be very effective. Insurers should capitalise on this insight. They should re-evaluate the customer experience they deliver, accordingly.

Greater use of artificial intelligence and smart automation technologies will enable them to provide customers with exceptional experiences, for example in claims, advice and marketing.

How to implement future-ready insurance systems and derive optimal benefits? CEOs need to develop both a tactical and a strategic vision, and plan and execute at pace and scale.

A vital component of this is an appropriate investment plan that includes many new technologies, from artificial intelligence and automation, to data and analytics.

Insurers should focus on three practical steps to maximise the business impact of this digital vision and plan:

- Focus on important non-IT-related areas
- Break down technology silos across data, infrastructure and applications and establish a technology ecosystem within, and beyond, the organisation
- Modernise legacy technology by leveraging the cloud and unravelling the IT stack to enable customer-centricity

We don't know what lies ahead in this pandemic and the full extent of the economic downturn. Insurers that speedily respond to the challenges will be able to reconfigure their businesses to meet the shifting needs of their customers while bolstering their resilience and creating a buffer against future threats.

We believe that the strategic use of digital will be the path forward for Australian insurers, underpinned by trust and support for customers in these uncertain times.

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