COMMENTARY 💬

What's Slowing Down Digital Transformation in Insurance?

Insurers can allay their fears about investing in new technology by making compliance a priority, getting all stakeholders aligned around digital transformation, ensuring the technology scales, and working around the constraints of legacy back-end systems.

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Despite all the talk surrounding digital transformation, disruptors such as Lemonade and the changes that coronavirus has spurred on, the insurance industry is still moving slowly on digital transformation. Why is that? After all, the prospect of fulfilling customer expectations, saving on operational and processing costs, and improving efficiencies should provide plenty of incentive for insurance carriers and distributors to fully digitize their processes.

In this piece, we'll look at some of the real obstacles to going digital such as fears about compliance, stakeholder resistance, scalability issues, constraints of legacy IT systems—and how insurers can address these challenges to thrive.

A Digital Future for Insurance

Despite customers' widespread financial concerns, interest in purchasing insurance isn't going anywhere. In fact, 21 percent of all consumers are actively searching for new home or auto insurance, and 19 percent are looking to add more life insurance-related products. And of course, insurance claims aren't going anywhere either.

Yet a recent survey of US insurance policyholders found widespread dissatisfaction with insurers' insufficiently digital communications and interactions with only 34% able to easily connect with their insurers to ask questions or make modifications to their policy.

And while consumers are eager to communicate with insurers online, insurers aren't meeting that need, with 50% behind on consumer demand for online chat servicing and 25% behind on consumer demand for website servicing.

Failure to provide customer-centric, digital insurance journeys results in Not in Good Order (NIGO) documents, customer attrition, bloated overhead costs, and prolonged turnaround times—all of which ultimately damage insurers' bottom line.

Obstacles to Digitization––and Potential Solutions

Despite growing customer demand for digital services, insurance companies are lagging behind in their digital transformation. Choppy digital journeys, such as when customers attempt to purchase insurance or file a claim online but are then directed to a different channel, are unfortunately typical.

There are real reasons why insurers have yet to fully digitize, but each reason has solutions. In many cases, shifts in understanding what digital journeys are really about and gathering stakeholder support make a world of difference in expediting digitization. Below are the most commonly cited obstacles we've heard about digitizing from prospective customers, and potential solutions.

1. **Compliance Fears**

The concern: Compliance burdens have never been higher. Sure, it's now common for insurance customers to be able to apply for insurance products or even start the First Notice of Loss (FNOL) process online. But inevitably, there comes a stage when they are asked to meet with an insurance agent, fill out cumbersome physical paperwork, or show ID in person.

This is understandable: insurance companies are often dealing with high-value settlements and the possibility of fraud, and subsequent associated loses such as fines. Meeting in person or requesting physical paperwork seems to reduce the likelihood of those risks.

The solution: Many digital tools and forms meet or even exceed federal and state regulations such as ISO 27001, PCI DSS, ADA, and more. They tend to rely on encryption technology and are tamperproof to ensure data integrity. In addition, there are plenty of technological capabilities that are specially designed to help insurers stay compliant and prevent fraud, such as risk management information systems (RMIS) and automatic ID verification.

2. **Stakeholder resistance**

The concern: Insurance leaders who wish to bring more innovation into their company frequently encounter resistance from other leaders, middle management, salespeople, independent agents, and back-office employees––the list goes on. Other leaders may have different priorities, middle managers are often more concerned with the day-to-day, independent agents may worry about learning different technologies at different companies, and back-office employees may be accustomed to legacy systems.

The solution: Acquiring new technology is never just about getting approval from the IT and security team. For adoption to be successful, the vast majority, if not all of the people who will be using or potentially benefiting from the technology should be onboard.

Other executives should be shown how the technology can help them advance their own goals; middle management should be shown how the technology will make their teams more productive and effective; independent agents should be shown how the technology will save them time and effort; back-office employees should be shown how the technology will improve coordination among departments.

3. **Scalability Challenges**