

## DIGITAL DISTRIBUTION

## How insurtechs can learn from e-commerce

By Arach Tchoupani   October 27, 2020, 4:32 a.m. EDT   3 Min Read



Perhaps it's human nature to reinvent the wheel. We tend to see complexity instead of simplicity, creating or over-inflating challenges because solving tough problems is somehow sweeter. I've seen this tendency over and over throughout my career.

While at my third e-commerce start-up, I realized that we were building a new e-commerce platform to solve essentially the same problem as my first two e-commerce platforms: enabling sales online. I came to realize that all e-commerce initiatives start with building an engine to enable online sales, and every engine is a little bit different - even though the primary function is the same.

Fast forward a decade and the e-commerce industry is now dominated by a handful of "engines," e.g., BigCommerce, Magento, Shopify, etc. Retailers are no longer focused on the engine layer, because the customer experience is what really matters -- this is where you can deliver a unique brand experience.

Today, as CTO of an insurtech, I see the insurance industry going through many of the same challenges that we faced early on in e-commerce. The big insurance carriers are trying to build their own digital solutions from scratch rather than building upon existing technologies. It's not only inefficient, but it also takes valuable resources away from building the customer and brand experiences that create competitive advantage.

### Lesson One: Focus on the User Experience

Delivering a great customer experience is why InsurTech insurgents such as Lemonade, Ladder Life, and Root have gotten a lot of attention - they've made it easier - i.e., faster, less cumbersome, more intuitive - to buy insurance products than the incumbents. But most existing insurance carriers have a different sales model - one that relies on

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with the digital tools they need to sell and issue policies is the fastest route to increasing sales. And when your advisor channel has several different product lines to sell, odds are that those producers will sell the lines that offer the best combination of ease of sale and customer fit.

Likewise, understanding how the end consumer experiences your brand is similarly important. Studies show that life insurance consumers begin the sales process through online research. If it's hard to find product information or connect with an advisor, consumers will look elsewhere. As the old saying goes, you have only one chance to make a good first impression.

## **Lesson Two: Time is Limited**

As the insurance industry is hard at work developing the "perfect" wheel, emerging competitors with a wheel that is "good enough" may overtake you. These are companies that already deliver great user experiences and know how to put data to work -- but they aren't insurance companies.

It's only a matter of time before the tech giants - the Amazons and Googles - decide to get in the insurance game. Amazon and Tesla are already offering auto insurance in some markets, and Apple is increasingly investing in health data collection. They may just be dipping their toes in the water now, but if these companies commit to entering the insurance markets, the existing insurance industry will be on notice. As we've seen time and time again, when tech companies decide to disrupt a market, these markets are forever changed. Look at what Uber did to the taxi industry.

## **Don't Waste a Decade Re-learning the Lessons of e-Commerce**

If the life insurance business wants to remain a standalone industry, then it has to figure out how to serve its customers—advisors and consumers—more efficiently and effectively. Pressure is coming from all sides, and time is running out.

For an industry founded on managing risk, the insurance industry doesn't like to take many—even those that have already been largely mitigated by past experience. Unlike e-commerce, the insurance industry has the opportunity to leverage existing technologies and platforms to fast-track solutions. Many of the challenges we face transitioning to digital have been solved already, a lot of the answers to our big questions about "how" already exist.

It's time for the insurance industry to embrace its legacy and focus on managing the myriad of risks that come with digital transformation. There are lots of good wheels in the market already, find ones that work well enough so you can focus on solving the problems that are truly unique to your business.

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David Paul Morris/Bloomberg

Arach Tchoupani CTO, Breathe Life



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