



PROTECT AND PAY

TO PREDICT

AND PREVENT

EQUATOR
TAKE ON TOMORROW

INTRODUCTION

A look ahead at digital transformation in insurance

How insurers approach the market has changed dramatically over the last few years.

Historically, the focus was on paying to be protected: customers bought insurance products, paid a premium, and received a payout in the event of an incident or event.

While they may not have been entirely happy about this arrangement, customers had little other option; that's how all insurers operated.

That's all changing rapidly. New entrants, regulatory evolution and transforming customer expectations have shifted attitudes. The continued volatility of global markets has hit revenues, but raising premiums can only go so far in a cost-of-living crisis, particularly for non-essential products.

In response, many insurers are looking at how they add value throughout the relationship, not just when there's a payout.

What is that value? It might include bundling fitness memberships with health products, access to a 24/7 vet with pet cover, a discounted car service as a loyalty reward for renewing insurance. What it looks like will vary between products and sectors, but the focus is predicting what customers truly need and preventing incidents where possible.

It's about customer experience. One analyst noted that the industry's tech leaders are focused on improving CX and operational excellence over growing revenue. That's what's driving their digital initiatives. And insurers do need to become digital businesses. The ability to effectively use huge amounts of data is

at the heart of predict and prevent. This is only achieved through transforming organisations.

So, how do insurers become digital businesses and shift their focus to predict and prevent? That's the question we asked a panel made up of:

**Jamie Jefferson**

Chief Creative Officer and co-founder
Equator

**Maria Carmen Herrero**

Digital Platform Director
Lloyds Banking Group

**Shilpa Lindley**

Digital Director
Ardonagh Advisory

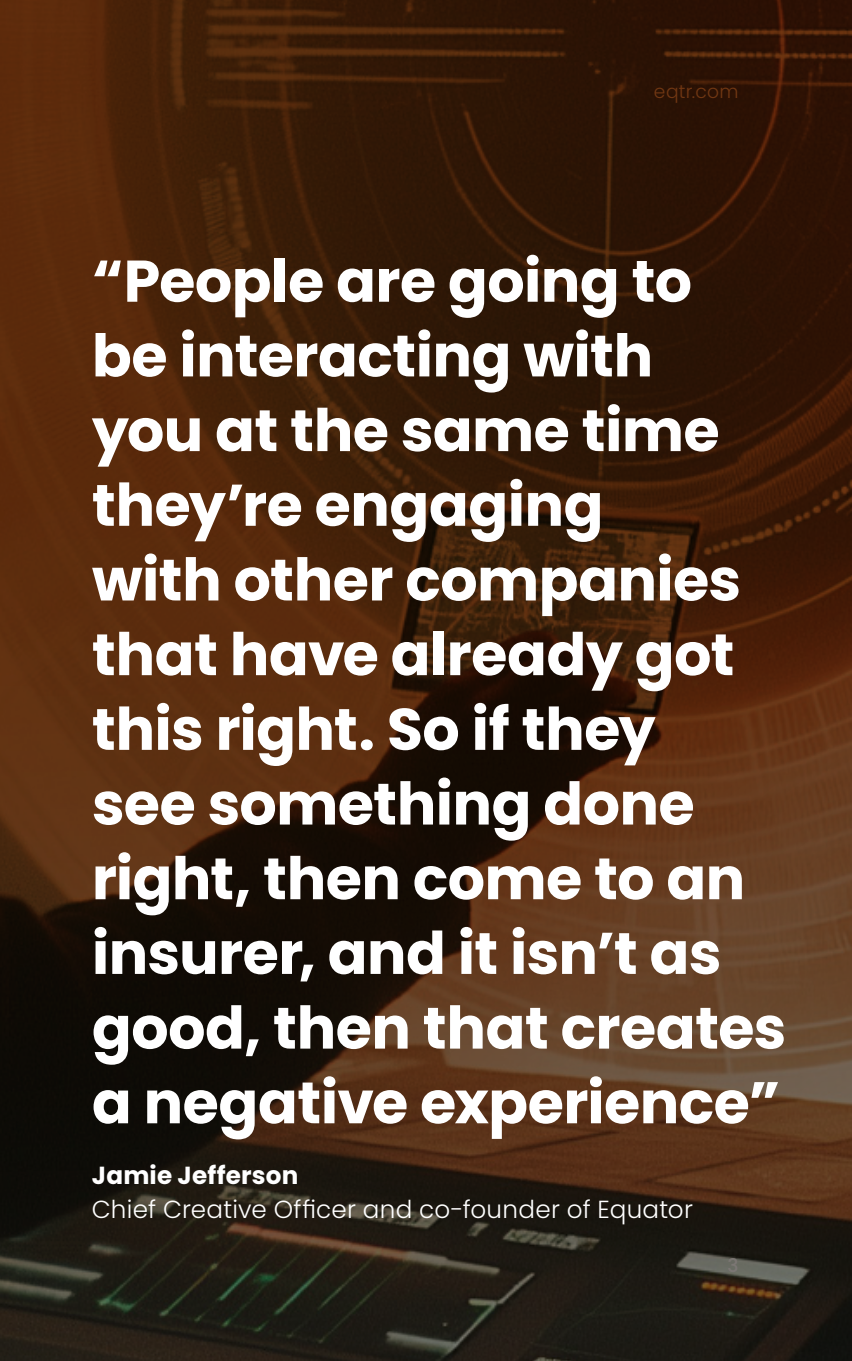
The trends shaping insurance

Several trends are shaping the insurance industry. Specifically, changing customer expectations, the demand for simplicity, being able to share data, and the rise of aggregators.

First, there's changing customer expectations. This is particularly true among younger generations who are buying insurance for the first time, but ultimately, all customers are influenced by their interactions with other companies. Their last-best experience raises the bar for what great looks like. This puts pressure on providers to meet those expectations. This is complicated because the last experience will likely not be shaped by another insurer.

JJ pointed out that "People are going to be interacting with you at the same time they're engaging with other companies that have already got this right. So if they see something done right, then come to an insurer, and it isn't as good, then that creates a negative experience."

Greater generational differences mean a one-size-fits-all approach, whether for products, channels, or communication, won't work. Customers expect a more tailored service.



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Shilpa Lindley

Digital Director, Ardonagh Advisory

That’s a new approach for an industry that is, in the words of Herrero, “a bit old-fashioned, so we have a bit of catching up to do. It’s hard because I don’t think we challenge ourselves when it comes to the need for change, but we need to simplify, make things easier for customers, and help them have the experience they want rather than having a product and pushing it to them.”

Simplifying means having clearer technical information and making it easier for customers to find and buy the right product for their needs. They want to know what they’re getting, and if they don’t, it’s easier than ever to switch. In the UK, 24% of customers switched their property and casualty insurance provider in 2022, up from 21% in 2016.

This all points to understanding the customer better. How do you do that? By acquiring, analysing and using the insights from data. While privacy regulation does mean insurers need to act responsibly when using customer information, consumers are open to working with providers. One survey found that 60% of consumers are willing to share personal, health, financial, or home security data with their provider. With data critical to digital transformation, this is hugely valuable, but insurers must be clear on how the customer will benefit. JJ said, “If you can see the value of giving your data away, it makes it much more worthwhile.”

For instance, with risk-based pricing, customers could see premiums drop if they reduce their risk exposure. However, while there is consumer appetite for risk-prevention services based on their data, just 2% of UK customers are using them. Finally, there’s the aggregator question and how insurers combat their impact and influence. It’s in the aggregators’ interests for providers to be reduced to the cost of their products and not have a distinct brand.

Yet while using a comparison service has become a fixture of buyer behaviour, there is a sense that some customers are using them often to see what’s available rather than just find the cheapest. “I think many customers know that buying through an aggregator, rather than direct, makes it more difficult to fix any problems because they have to navigate through a third party,” said Herrero.

That doesn’t mean insurers can be complacent or dismissive of aggregators. After all, being on a comparison site does get a provider’s brand in front of people who are actively shopping around. Lindley said, “The balance is between your brand having the exposure and the endorsement of being on an aggregator versus still having control over the distribution you get when customers come to you directly.”

What about regulation?

Those four trends are shaping the drivers for change. However, in an industry built on assessing risk, there is the potential that many companies will hide behind regulation as a reason not to innovate with their transformation. It is much easier, after all, to provide blanket protection than it is to predict what might happen and take steps to prevent events from occurring.

How do insurers avoid that? First, it's important to remember that customer needs drive the changes. How do you know what the customer needs? By looking at the data.

Therefore, the argument for change is data-backed, which diminishes the scope for resistance from elsewhere in the business.

Lindley pointed out that where changes "make things better for the customer, we're more in line with regulations, and we inevitably get a business benefit

from it. This removes obstacles for different stakeholders within the business."

Having data-backed change also presents an opportunity for a shift in mindset. Often, it isn't regulatory bodies blocking innovation but insurers inhibiting themselves by thinking nothing will get approved, so they never pursue ideas.

Herrero said, "If we're putting the customer first, but we're finding regulations getting in the way, then we should be brave enough to challenge those rules. With data, we can demonstrate how it will benefit the customer."

Resistance to change can be a result of the size of a business. As with many industries, large incumbents find adapting to the changing landscape more challenging. Yet more nimble operators are showing what is possible: for instance, insuring segments, such as gig workers, that traditional approaches wouldn't cover.

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Creating an innovation culture

Does that mean that only the newest or smallest providers can be innovative? No, what drives innovation is not size but whether the company has the right culture.

To do that, insurers need to have lots of internal conversations first. "You need to be prepared to have lots of interesting and positive conversations with people trying to stop innovation," explained Herrero. "Not because they are unwilling to improve things, but because they aren't comfortable with what they don't know."

Those conversations will be more productive if people can suggest ideas without fear of being dismissed or ignored. This relates to allowing teams the license to be brave, try new approaches, and be allowed to fail. "You've got to give your teams the space to fail and try things. Everyone talks about it, but I don't think many people deliver it well," said JJ.

A lack of fear does hamper innovation across industries: one study found that 58% of companies with low-fear cultures would be classified as leading innovators versus

just 11% of companies with high-fear cultures. Ideas backed by data demonstrating the demand for change will also help. "You need to make it easy for people to say yes," said Lindley. "We have reams and reams of data, so we use it to identify trends, highlight gaps in our CX, and then we can go to people and say, 'look at this, here's where customers are dropping off if we did X, it would give us Y.'"

Innovation backed by customer data will be more relevant, attuned to their needs, and ultimately more likely to resonate with target audiences. As JJ noted, it's also the only way to ensure that experiences remain relevant and engaging. "We've done online quotes, so what's the next level down? Is it live pricing, where the customer can see what they want, tweak their insurance, and see how that adjusts their premiums while still getting the coverage they need? To do that, the data has to continually uncover new insights."

A data-driven innovation culture will support insurers as they shift to predict and prevent. It provides a foundation for personalisation to enable and sustain that shift.

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AI-enabled, personalised insurance experiences

Personalisation is the holy grail of CX. Seventy one percent of consumers expect companies to deliver personalised interactions, with 76% frustrated when that doesn't happen.

Getting it right drives business success. Fast-growing companies drive 40% more revenue from personalisation than slower competitors.

This isn't just getting the right first names in emails or referencing what someone was looking at in a follow-up message; it's about offering an experience that's based on the customer's preferences and responds to their interactions, in real-time.

How do insurers manage that at scale?

With artificial intelligence.

As an industry, there's a huge number of applications where AI can have a major impact, from underwriting and claims processing to customer service and hyper-targeted communication. One estimate suggests that generative AI could lead to a three to four percent reduction in claims payout and a 20-30% reduction in loss-adjustment expenses.

Ultimately, AI in insurance is about productivity and how tasks can be completed faster, more efficiently, and with fewer errors, said Herrero. "Humans that classify claims usually get it right 50% of the time, which goes up to 80% if you use a machine instead. It's still not perfect, but it is a huge improvement over doing everything manually."

However, there is still a perception issue: machines are expected to be perfect every time, so errors are less acceptable, even when humans are more likely to make mistakes. Part of this is driven by a fear that when a person makes a mistake, it is just one person, whereas when an AI makes a mistake, that error can become embedded and scaled rapidly. "The risk of getting it wrong has bigger consequences because it's potentially going to be used by hundreds or thousands of people," said Lindley. "At the early stages, we need to have really firm controls around AI, with an awareness that whatever we create will only be as good as the data that we feed into it. This means your data needs to be correct."

The use of AI at scale is still in its infancy, but as JJ pointed out, there will be a moment when the technology becomes the expectation. "You have to be ready for it because there will be a change in the consumer's perspective when talking to a bot, receiving hyper-personalised information delivered by GenAI, and all of that is just expected. I want to check my insurance, and I don't care if it's the middle of the night; why can't I talk to a bot and get what I need? Why would I have to wait for a call centre to open?"

Who will come out on top in the new insurance landscape?

Being able to predict and prevent will be the differentiator for insurers in an increasingly crowded marketplace.

That can only be possible if providers know their customers, which comes from using data effectively. Consumers want insurance that meets their needs rather than being pushed into a one-size-fits-all box.

This is very much a mindset shift as much as it is an operational transformation. Insurers are being asked to offer greater levels of personalisation in customer experiences while keeping within regulations. But they shouldn't be scared of change: the data they need to know their customers is evidence of demand, which helps demonstrate how buyers benefit. To paraphrase Shilpa Lindley, that makes it easy for people to say yes.

About Equator

Insurers that want to become tomorrow's market leader need a transformation partner who fully understands your ambitions. One who challenges convention to equip their businesses to grow and adapt at pace.

With over 25 years' digital transformation experience across various industries, we specialise in companies with high-growth aspirations. We understand their unique challenges, including moving quickly, prioritising ROI and delivering results aligned with stakeholder expectations. From strategy through to complete digital transformation, we pride ourselves on delivering transformational change that is sustainable, measurable, and aligned with clients' strategic objectives.

The way we work is unique, combining a deep understanding of the latest digital technologies with a customer-centric philosophy. We collaborate with clients to understand their unique challenges and co-create solutions. This partnership approach ultimately delivers increased performance, accelerated growth, and real added value.

We are driven by data, powered by technology, and inspired by people.

Let's take on tomorrow, together.

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