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The Insurance Industry's Pivotal Transformation

Visualising the future state of an insurer thriving due to ecosystem-driven principles contrasts sharply with the monolithic operating models still dominating the present. PAC considers that those insurers who cultivate an ecosystem-driven mindset accelerated through service-provider relationships will build a technological and organisational foundation ideally positioned to thrive amidst the industry's evolution.

Expert View level: Strategic

Sectors concerned: Insurance

Topics covered: Digital ecosystems, AI, IoT, service providers

Priority: ●●●

It is evident to PAC that the insurance industry stands at a pivotal juncture, facing rapidly evolving customer expectations that challenge traditional operating models and drive a quickly changing landscape. PAC considers that the demands on the industry being driven by consumers and businesses are akin to what other industries have already experienced and evolved because of. This report explores the critical business challenges insurers face today and emerging technologies' role in supporting and enhancing existing workflows and creating new product and engagement models.

How consumers continue to shape the industry's future

Consumer and corporate demands are the driving force reshaping the insurance industry. Customers now expect seamless, digitally enabled experiences like those from other service industries. They want easy access to tailored products through their preferred channels. Antiquated processes like tedious form-filling and manual underwriting no longer meet modern expectations.

However, PAC continues to witness insurers being constrained by legacy systems and product-centric models that must evolve to an experience-driven operating model to meet demand. Attempting transformation without the right technology foundations risks creating new layers of complexity atop pre-existing and

potentially convoluted business applications. It is evident to PAC that reconciling evolving demands with technical debt from decades of assorted system integrations remains an enormous hurdle.

Continuous insurance evolution through emerging technologies

To pivot towards customer-centricity while modernising operations, insurers must embrace emerging technologies like artificial intelligence (AI), the Internet of Things (IoT), and digital customer engagement platforms. PAC already sees use cases for AI in data entry, underwriting, and claims processing through automation and predictive analytics. IoT provides unprecedented data inputs for customised risk modelling and pre-emptive services with digital engagement channels enabling seamless omnichannel experiences tailored to individual preferences in B2C and B2B contexts.

From PAC's experience, changes to core insurance systems are disruptive events, and these technologies establish a flexible foundation for subsequent continuous transformation. Insurers can augment and gradually migrate legacy systems to an open ecosystem accommodating traditional and new digital services. This allows insurers to unlock efficiencies, reduce operational friction, and rapidly prototype innovative offerings without

discarding entire existing technology investments.

Why an ecosystem approach supports the full insurance spectrum

PAC advises that established insurers aiming for customer-centric and digitally-driven offerings should transition to a curated ecosystem focused on unifying legacy systems, third-party data sources and service providers, and new digital capabilities. An ecosystem approach, in this manner, functions as an experience layer atop an insurer's current technology investments that provides a means to incrementally evolve their operating model and services aligned with the changing needs being demanded of the industry.

An ecosystem approach provides a modular, interoperable solutions and services architecture for orchestrating insurance product bundles, streamlining internal workflows like underwriting and claims, and integrating external touchpoints like IoT and mobile apps. It allows insurers to collaborate with a broad array of partners (inside and outside of the industry) and rapidly experiment with new business models to meet the full spectrum of modern insurance demands as they evolve.

Rather than attempting an overhaul of entrenched monolithic systems, an ecosystem approach enables business operating model transitions at an insurer's desired pace while generating new revenue streams from day one. However, this can only occur by first cultivating an operating environment based on flexible platforms that provide insurers with the means for continuous improvement. This amplifies organisational agility while laying stakes in evolving markets instead of ceding them to disruptive start-ups and sector dynamism.

PAC believes the insurance industry's path forward necessitates embracing a customer-first, experience-driven mindset enabled by emerging technologies within an open ecosystem paradigm. This allows continuously evolving products, optimised operations, elevated engagement, and access to new value streams from changing consumer behaviours and expectations. By strategically partnering with service providers with expertise in modern

insurance ecosystem operating models, insurers can accelerate their transformational journeys and thrive in an ever-competitive digital service-driven insurance landscape.

Accelerating transformation through strategic partnerships

Orchestrating the transition to an ecosystem-driven, experience-centric insurance model capable of continuously evolving is a substantial undertaking. Established insurers must thoughtfully navigate this journey while balancing existing operations with sustainable transformation initiatives. From PAC's experience, this is why partnering with an experienced service provider like PwC is critical.

The right strategic partner brings vital capabilities spanning deep insurance domain expertise, a modern approach to software adoption, advanced data and analytics proficiency, and leading-edge AI skillsets. They provide the technical foundations, implementation resources, and strategic advisory to design, build, and integrate an ecosystem layer to evolve and change legacy systems to manage a transition to a state of operational and service innovation.

Furthermore, they cultivate a broad ecosystem of complementary solution providers across the whole insurance value chain. PAC considers a partner that curates an ecosystem focused on insurers' offers, integrated services, and data sources for rapidly composing and deploying innovative new offerings. A partner-led ecosystem expands insurers' reach into profitable adjacent opportunities, from IoT and telematics to smart home and digital health.

PAC regards PwC as a prime example of a service provider with the depth of experience and capabilities to provide the level of assistance for insurers to meet the industry's evolving demands. PwC has demonstrated to PAC that they have the expertise to align with an insurer's goals to guide organisational change management by upskilling talent, instituting agile processes, embracing DevOps cultures, and optimising for perpetual transformation readiness. In doing so, they help insurers become adaptive and highly responsive to

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changing conditions while retaining core operational resilience.

Ensuring the future of eco-system-driven insurers

Visualising the future state of an insurer thriving due to ecosystem-driven principles contrasts sharply with the monolithic operating models still dominating the present. Static distribution processes, policy management, underwriting, and claims handling processes hamper the industry's ability to adapt and grow. In contrast, PAC considers an eco-system approach that provides a foundation that evolves alongside emerging technologies, data sources, customer behaviours, and business models to be critical to the industry meeting the needs of its clients today and in the future.

At the heart of an eco-system approach are rich sources of third-party data continuously streaming from smart home sensors, connected vehicles, wearables, and other IoT devices that provide for pre-emptive modelling of personalised risk and the proactive delivery of prevention services. This is achieved through ecosystems of partners, from internal and external to the industry, collaborating and orchestrating offerings from complex data models that provide specialised capabilities for digital health, mobility solutions, and cyber protection into holistic policy bundles optimised for individual context at scale, volume, and velocity.

PAC is already witnessing the pace of change provided by AI, which can automate historically manual processes across underwriting, policy management, claims assessment, and related customer service interactions. In doing so, continuously captured data feeds machine and

deep learning models to enhance service response quality and streamline a range of back-office operations for maximum efficiency. AI-supported digital customer engagement channels provide a means to guide customers through tailored journeys that seamlessly onboard prospects, upsell ancillary coverage, process claims enquiries, and deliver proactive advisory services through a client's or prospect's preferred modality (i.e. app, voice, messaging, etc.). Each interaction collects more data to enrich a customer's digital profile, which allows for further orchestration of hyper-personalised experiences and products.

PAC considers this much-needed evolution within the insurance industry akin to the journey other industries have been navigating over the last ten years and is continuing to do so. Taking learnings from other sectors to accelerate the digital modernisation of the insurance industry provides insurers with an operating model that can seamlessly reconfigure services, processes, and partnerships across their ecosystem rapidly as situations arise. Providing a means to perpetually experiment with new use cases, products, and business models where legacy systems remain largely abstracted, functioning as systems of record orchestrated through an experience layer of a modern insurance eco-system operating model.

While this approach remains broadly elusive for the insurance industry today, PAC considers that those insurers who cultivate an ecosystem-driven mindset accelerated through service-provider relationships, with the likes of PwC, will build a technological and organisational foundation ideally positioned to thrive amidst the industry's evolution.