

The Intricacies of Insurance Distribution and How Technology Can Transform Distribution

A Product Manager's Perspective

Insurance distribution is not just about selling policies. It is about creating value for customers and building long-term relationships that foster loyalty and retention. In the face of a complex and dynamic landscape that is fast evolving due to changing customer expectations, regulatory requirements, and competitive pressures, I share some of the key challenges and opportunities that insurance distribution faces today and how technology can help transform it for the better.

What are the current challenges in insurance distribution?

There are several challenges in designing and delivering insurance products and services that satisfy the customers, regulators, business and its shareholders. Some of the main challenges are:

- **Customer segmentation and personalization:** Customers are not a homogenous group. They have different needs, expectations, demands, preferences, behaviors, and risk profiles. Personalized, convenient, and transparent insurance solutions that match their specific situations and lifestyles is a minimum requirement. They want the choice of multiple and integrated channels to interact with their insurers, such as web, mobile, social media, call centers, agents, and brokers.

According to a survey by EY, 80% of insurance customers are looking for personalized offers, pricing, and recommendations from their providers, and 40% of them are likely to switch providers if they do not receive them.

- **Digitalization and disruption:** Digital technologies are transforming the way insurance products and services are delivered and consumed. They enable insurers to reach new segments, offer new products, and enhance customer experience. They also create new opportunities for data collection, analysis, and utilization, which can improve risk assessment, pricing, underwriting, and claims management. However, digital technologies also lower the entry barriers for competition. Innovative Insurtechs, FinTechs, and Bigtechs disrupt the market and challenge the traditional roles and relationships of insurers, intermediaries, and customers.

Regulation and compliance: *According to a report by Deloitte, 74% of insurance executives expect regulation to increase in the next three years, and 65% of them cite regulatory*

compliance as one of their top strategic priorities. Regulation can either enable or constrain the development and adoption of new distribution models and technologies. For example, regulation can promote innovation and competition by creating a level playing field, fostering customer protection, and encouraging transparency. On the other hand, regulation can also pose challenges and risks for insurers, such as compliance costs, data privacy and security issues, and potential conflicts of interest. Different markets, regions, and jurisdictions only add to the complexity and uncertainty for insurers.

- Innovation and differentiation: Innovation in distribution involves creating new value propositions, business models, and experiences that address the unmet or emerging needs of customers and markets. However, Innovation can often be costly, time-consuming, and risky. Innovation requires a deep understanding of customer and the market, a clear vision and strategy, a strong culture and mindset, and a robust process and governance. It also requires a balance between creativity and feasibility, between experimentation and execution, and between risk and reward.

According to a report by Accenture, 96% of insurance executives agree that innovation is essential for their long-term success, but only 12% of them believe that they are very effective at it.

How can technology transform insurance distribution?

Technology can play a vital role in transforming insurance distribution by enabling insurers to overcome the challenges and leverage the opportunities that the current trends present.

- *Enable customer-centric distribution*, which focuses on creating value for customers, delivering personalized, convenient, and transparent insurance solutions that match the customer's needs, preferences, and behaviors. Technology can facilitate omnichannel distribution, customer feedback, loyalty, and retention by offering rewards, incentives, and gamification.

Lemonade, an Insurtech company, uses AI and behavioral economics to offer personalized home and renters insurance, and to process claims and payments in minutes. It also uses innovative giveback models to create a social impact and build a loyal customer base.

- *Enable data-driven distribution*, which leverages data from various sources, such as customers, devices, sensors, and third parties, to improve risk assessment, pricing, underwriting, and claims management. An Insurer can create more accurate and dynamic risk profiles, offer more fair and competitive pricing, automate and streamline underwriting and claims processes, and provide more insights and recommendations to customers and intermediaries. Technology can also enhance data quality, security, and compliance.

For example, Progressive, a leading auto insurer, uses telematics devices and mobile apps to offer its customers personalized and usage-based pricing, discounts, and feedback. It also uses

advanced analytics and AI to improve its underwriting and claims processes, and to reduce fraud and costs.

- *Enable platform-based distribution, which creates or joins platforms or ecosystems that connect insurers with other stakeholders, such as customers, partners, suppliers, and regulators, to offer holistic and integrated solutions. Technology can expand the scope and reach of insurance products and services, by enhancing collaboration and integration, by enabling seamless and frictionless interactions and transactions, and by creating shared value and trust among the platform participants. Insurers can offer complementary or ancillary products and services, such as health, wellness, mobility, or security, and by creating network effects and synergies among the platform participants.*

Ping An, a leading Chinese insurer, uses cloud computing, big data, AI, and blockchain to enable its platform ecosystem that connects its insurance products and services with other offerings, such as health, finance, auto, real estate, and entertainment, and with over 500 million customers, 1.4 million agents, and 3,000 partners.

What are the benefits of low-code platforms for insurance distribution?

Low-code platforms, equipped with user-friendly interfaces and pre-built templates, offer a faster, more flexible approach to application development.

Perhaps the most exciting advantage is the innovation these platforms foster. They allow for quick customization and updates, enabling insurers to adapt swiftly to changing market conditions and customer needs. Plus, they promote collaboration and integration, connecting users, teams, and partners. Low-code platforms ensure high-quality, reliable applications with reduced risk of errors. They also prioritize security, offering built-in features for data protection and regulatory compliance.

The result? Faster, enhanced customer reach and a diverse range of products and services.

Conclusion

In conclusion, Technology can play a vital role in enabling customer-centric, data-driven, and platform-based distribution models. As a product manager, I believe "The future of insurance is not just about technology, it is about customer-centricity, data-driven decision making, and platform-based collaboration. Low-code platforms are the enablers of this future, and they can help insurers to transform their distribution models and create more value for their customers and stakeholders."