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Trust Regained

WHITEPAPER

How insurers can compete with insurtechs and win back customers

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The greatest challenge facing insurance

TEODOR BLIDARUS
FintechOS CEO & Co-Founder

The Chartered Institute of Insurance has some brutal news for the profession. There is a crisis of trust in insurance.

A report for the CII stated: "*Many consumers and small businesses don't trust the insurance industry. You may be thinking that's a statement of the bleeding obvious – but while we've known this for years it has been an intractable problem.*" The data is shocking. Just one in five customers across the United States, the United Kingdom, France, Germany, Italy, Japan and Switzerland consider insurers trustworthy.[1] In the UK, two-thirds of consumers believe their insurer will do what it can to avoid having to hand over money. A remarkable figure, given 98% of claims of most categories are paid out. Only 17% would follow their insurer's recommendation to update their payment plan – a wholesale rejection of the insurer as an reliable source of information. [2]

The results?

Under-insurance is the prime symptom. In the UK one in four homes has no form of home insurance. In London the figure is 45 per cent. Fewer than one in three Brits has life insurance. [3] It leaves families unprotected and vulnerable.

Low trust is also perilous for insurers. Consumers with a low sense of trust exhibit are flighty. Brands must compete on price, leading to wafer-thin mark-ups on policies with budget-grade coverage.

Worse, insurtech start-ups are hammering the incumbents. Globally, there are 1,552 insurtech start-ups. They have cumulatively raised $31bn.[4] Each one believes it can disrupt their niche and steal market share from what they perceive to be an inadequate incumbent.

So what's going wrong?

This report takes a deep dive into the root causes of the lack of trust in insurance. It also spells out the remedies.

I founded **FintechOS** to help financial services companies be as agile as start-ups. We've talked to leading companies from incumbents and start-ups, to accelerators and consultants, to get to the heart of the question for this report.

Insurance is vital for a happy society. Trust the foundation stone of insurance. If providers can not address the crisis in trust, they will continue to fail consumers, and risk being replaced by rivals who can.

Here's how the industry can win back trust.

1. The Geneva Association, The Role of Trust in Narrowing Protection Gaps
2. EY survey 2019
3. YouGov, Better safe than sorry
4. Venture Scanner, November 2019

The scale of the crisis

The scale of the crisis

"Every survey I've seen confirms this finding – there is a lack of trust in insurance"

STEVE DEVINE,
CEO OF THE PROTECT ASSOCIATION

"You can have all the facts and figures, all the supporting evidence, all the endorsement that you want, but if you don't command trust, you won't get anywhere."

NAILL FITZGERALD,
FORMER CHAIRMAN, UNILEVER

The scale of the crisis

In 1906 an earthquake devastated San Francisco. The city collapsed, and then a firestorm raged for four days. More than 3,000 people died and half the population was left homeless.

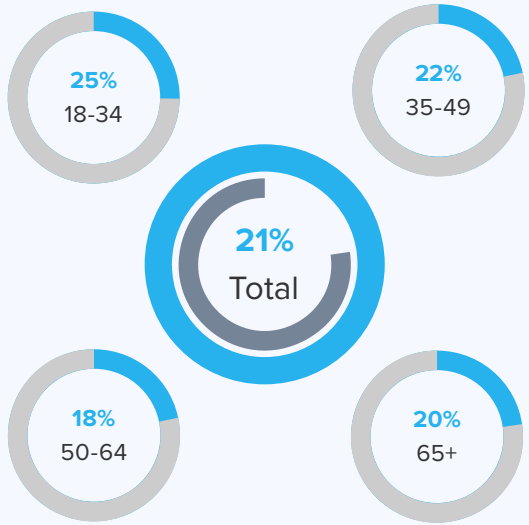
Many insurers struggled with claims. Fourteen went bust. Claims totalled 100 times the amount paid in premiums that year.[5] Insurers resorted to demanding proof as to whether buildings were destroyed by the earthquake or fire, and withholding payment if the exact cause could not be determined.

One firm stood tall. A Lloyds under-writer named Cuthbert Heath cabled his agent in San Francisco from London and said, "***Pay all of our policy holders in full irrespective of their claims.***" This bold act cemented Lloyds reputation, encapsulated in its motto: ***fidentia***, or utmost good faith.

Today the industry is struggling to find this magic touch. The metrics point to a deep crisis of trust in insurance.

A Geneva Association survey points to low trust across generations. The survey covered 7 major economies, and found only quarter to a fifth of respondents were prepared to say they trusted their insurer. Worryingly, the trend slopes downward – the more consumers experience and learn about insurers the lower their trust.

Percentage of those who consider insurers trustworthy



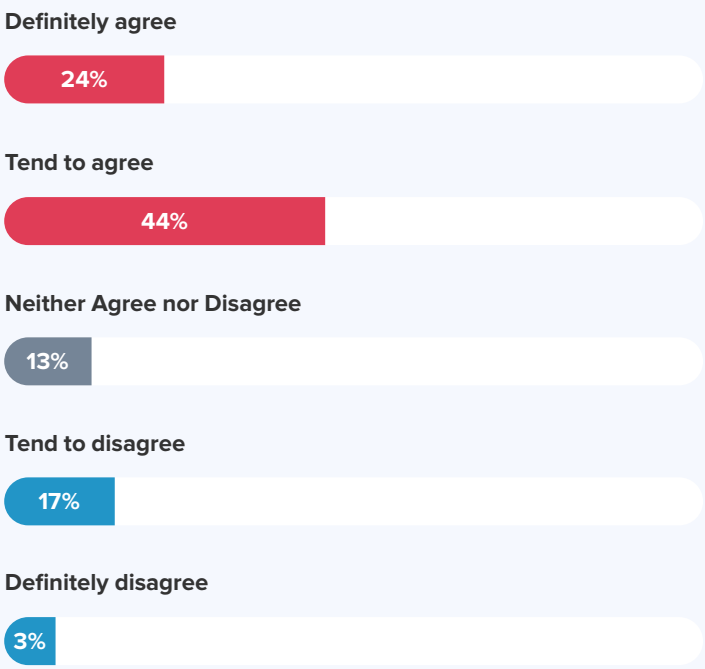
Source: Geneva Association Customer Survey

5. Insurance Journal

The scale of the crisis

A fundamental concern of consumers is the attitude of insurers. They are concerned insurers will fail to make good on claims, and do whatever they can to shirk their liabilities.

"Insurance providers will do everything they can to avoid paying out for a legitimate claim"



Source: YouGov Better Safe than Sorry April 2019

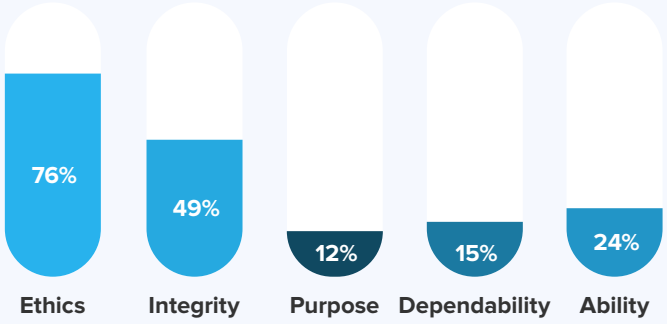
This lack of trust may be attributed in part to a wider dissatisfaction with financial services. The Edelman Trust Barometer 2020 places financial services bottom of the league table of economic sectors, trusted by 57% of consumers, compared to 75% who trust technology brands at the top of the table. This may be surprising: Apple, Google, Intel, and Amazon, are struggling with clearly documented concerns over their attitude to data security and privacy; yet their reliability and perceived value to consumers clearly outweighs these anxieties.

Naturally, financial services have improved trust levels since the 2008 crisis – the data shows steady year-on-year increases in trust since the nadir, up +12 over the last eight years alone.

Edelman also drills down into the composition of trust. It's clear there is a distinction: between competency and ethics. A brand delivering on what it promises is important. But more important is the sense that the consumer is dealing with a moral and altruistic counterparty.

Ethical Drivers 3x More Important Than Competence

Percentage of trust explained by each dimension



Source: Edelman Trust Barometer 2020

The scale of the crisis

There are three consequences of low trust in insurance.

1 Under-insurance

Confusion over policies, lack of faith that insurers will act as they claim, and uncertainty over pricing and payouts all lead to lower than optimal coverage. In the UK only 12% have mobile phone insurance, 3% income protection, and 14% pet insurance despite 50% owning a pet[6]. Laura Hughes, ABI's Senior Policy Adviser, General Insurance, commented on the under-insurance prevalent in the UK: "***While the average cost of home contents insurance is at an all-time low, too many households are still playing Russian roulette with their possessions.***"

The protection gap runs industry wide. Swiss Re estimates only half of catastrophic losses in 2018 were covered by insurance – the rest was paid by individuals, firms, and the government.[7] Capgemini found only a quarter of businesses believes their coverage is adequate.[8]

2 Lack of Brand Loyalty

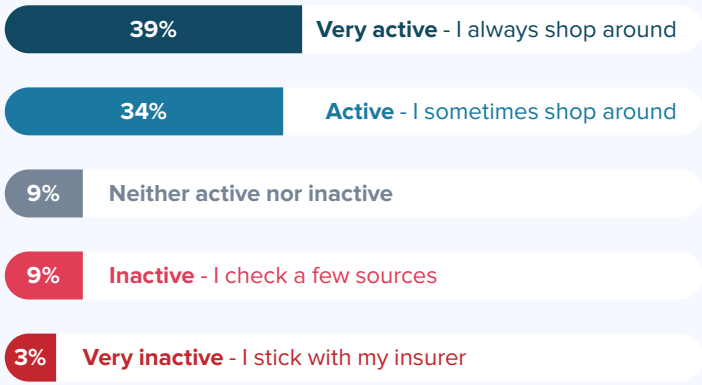
Low trust means brands compete on price. When there's a better deal consumers leave. IBM runs regular surveys on trust in insurance. IBM data shows that dissatisfied insurance customers are six times more likely to switch insurers.[9]
Across sub-sectors of insurance there is conclusive evidence that low trust leads to insurers reduced to competing on price. Loyalty is rare, and falling.

For example, in car insurance, JD Power found the number of consumers who will "***definitely renew***" their policy with their existing carrier has fallen from 59% in 2006 to 48%.

Price is the primary driver: 64% of car insurance buyers say price is their main reason for looking for a new insurer – clear evidence that policy quality, customer service, and engagement is not delivering. In the UK, the numbers of switchers are even higher.[10] Consumer Intelligence says 85.1% of car insurance customers compare prices before renewal, up 300,000 on on the year before. For home insurance, 77.6% compare prices, up three percentage points in a year.

The demand by the FCA for insurers to state the previous year's premium on quotes may be driving this increase.

When your policies are up for renewal how active or inactive are you in searching for a better deal?



Source: YouGov Better Safe than Sorry April 2019[11]

6. YouGov Better Safe Than Sorry
7. Swiss Re Institute
8. Capgemini World Insurance Report
9. IBM, Do you trust your insurance company
10. JD Power US insurance shopping 2019
11. YouGov Better Safe than Sorry

The scale of the crisis

3 Resistance to innovation

The insurance industry employs intelligent and talented people who are constantly thinking of new ways to improve protection, prevention, and the customer experience. However, low trust may inhibit the take-up of innovations with the potential to help consumers. For example, Vitality in the UK and John Hancock in the US sell so-called interactive policies, whereby discounts are o, ered in exchange for fitness data from wearable devices. But there is evidence that many consumers avoid policies linked to wearable devices due to privacy concerns. In the UK, just 6% of Britons would contemplate wearing a fitness tracker for insurance purposes. Only 8% would use telematic for car insurance.[12]

Sceptics argue their doubts are well founded. For example, Victoria Palmer, senior research fellow at the University of Melbourne, warns, *"An insurance discount for your fitness data is a bad deal in the long run...Consider if a fitness tracking program offered by an insurer was linked with an employer. If data about who adopted the fitness tracking program and who didn't was made public, employers might offer additional rewards and benefits to those who take part. One consequence of this could be that people who choose not to participate in the program are stigmatised, or portrayed as social deviants through non-compliance."*[13]

Research by the RAC found 40 per cent of businesses faced sta, concerns about the possible privacy intrusions of telematic tracking systems.[14]

The insurance industry has been slow to rebut these objections, leading to low trust, and low adoption of innovation.

Would you consider dashcam insurance policies, smartphone driving apps, or other smart-device based insurance?

Source: Edelman Trust Barometer 2020

12. YouGov Better Safe Than Sorry
13. The Conversation: An insurance discount for your fitness data is a bad deal in the long run
14. RAC

The root causes of low trust

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The root causes of low trust

The CII calls low trust "***bleeding obvious***". What is less clear are the causes of public scepticism. Academic research is thin. Two academics from the Geneva School of Business and the University of Limoges researched the literature and concluded: "***While the importance of trust in insurance is widely recognised, surprisingly, existing literature on the determinants of trust in insurance remains scarce.***"[15] There is some evidence that trust is higher amongst women than men; the young are more trusting that than the elder; and less literate than highly educated. Outside academia there are two sources of evidence to identify the causes of low trust. The first is the growing wealth of survey data commissioned by insurers. The second is the success of insurtechs: these new providers exploit low trust to launch new business models. Their ability to leverage dissatisfaction is proof positive of where incumbents are failing.

Our research points to six causes of mistrust in insurance.

1 Lack of clarity on policies

Too often buyers are unclear what they are buying. The Financial Conduct Authority issued a rebuke to the industry in its report Smart Consumer Communications citing the "***fog***" of industry jargon, and the "***maze***" of bureaucratic processes that confuses consumers. The FCA stated: "***Consumers need: better practice and a more flexible approach around communications; simple, clear information and explanations; and to be able to trust firms. Moreover consumers, who choose to use digital channels, need communications that are suitable for today's digitalised context.***"

Industry bodies agree. Airmic, the association for risk managers, advises members to hire a coverage lawyer to scrutinise commercial policies. Relying on information provided by the insurer is not seen as prudent. Even basic terms, such as Gross Profit and Gross Income for insurance are defined di˛erently to accountancy.[16]

Consumers feel they have neither the time nor the motivation to wade through turgid T&Cs. A survey by EY reveals only 65% of fintech adopters and 52% of non-adopters read the terms and conditions when signing up for a new financial product. And the majority of consumers remain uncomfortable using a fintech service without a branch – the security of knowing a face-to-face conversation is possible remains highly valued: a huge cost burden for providers.

How insurtechs are winning trust

Pluto is shaking up travel insurance simply by explaining terms more clearly: "***Explanations in plain English, and it's easy to tailor your cover and see instant price changes. So it's clear what you're buying and what you're covered for.***" All data policies, encryption, data sharing, and hosting is explained in plain English on one page, clearly signposted online.

2 Obscure pricing

The spread of quotes o˛ered by price comparison sites remains extraordinary. Premiums can be x2 to x3 for essentially the same product. "***Consumers are sceptical because they don't understand how insurers arrive at a price,***" says Manan Sagar, chief technology officer EMEIA of Fujitsu UK. "***I was recently quoted £300 more for my car insurance renewal. Why? If the insurer could say it's because I did 40 mph in a 30 zone, and am***

15. Christophe Courbage, Christina Nicolas Who Trusts Insurance? Empirical Evidence from Seven Industrialised Countries, May 2019
16. Zurich, Loss of gross profit: the high cost of getting your sums wrong

The root causes of low trust

being penalised, then I would understand. In that case, there would be clear facts based on my driving performance data to explain the price rise. But in my case there was no explanation, and that is all too typical."

How insurtechs are winning trust
Wrisk offers contents insurance based on its proprietary Wrisk Score – a risk number calculated with a clearly explained basket of ingredients. Consumers are told how their quote is derived, and what action they can take to lower their premium.

3 Privacy violations

Data breaches destroy trust in financial services brands. Alas, often the insurer perpetrates the violation via a misguided assumption of what consumers will tolerate. Even the best can err. Admiral Insurance built a policy around using Facebook posts to analyse the user's personality. It claimed Likes, the tendency to use well constructed sentences, and precision on times when meeting friends, could o˛ er insights. The Facebook policy was pulled two hours pre-launch amidst privacy concerns.

How insurtechs are winning trust
Ethos life insurance offers coverage with an emphasis on data security and clear boundaries. Founder and CEO Peter Colis says: "***We live in a world where incidents like Cambridge Analytica are becoming the norm — which is why I'm an advocate for consumer privacy. The insurtech space — and the life insurance space specifically — should question any practice that interferes with fostering customer trust.***"

4 Impersonal products

Consumers want to feel their provider understands their needs. Unfortunately too many insurance products lack relevance. The coverage may be too broad: such as travel insurers which o˛ er either one month or annual policies, and nothing in between. It may be too inflexible, such as home insurance which is hard to upgrade when a new item is purchased. It may be hard for consumers to express personal circumstances, such as an unusual profession or the need to take policy breaks.
The industry talks about personalisation, but this remains in its infancy amongst incumbent providers.

How insurtechs are winning trust
Zego o˛ ers cover for couriers in the gig economy. Uber drivers, Deliveroo and Just Eat couriers, and other quasi-self employed persons are neglected by mainstream insurance. Zego offers policies lasting an hour to a year, and uses smart pricing based on actual work hours.

5 Crude UX and CX

We live in an era when user interfaces are intuitive and smooth. Elite technology companies experiment through multivariate testing to shape Graphical User Interfaces that are beautiful to look at, informative, and require no instruction manual. The very best, such as Netflix, Facebook, and Spotify, are so refined as to be addictive for users.

Insurance, by contrast, is lagging in the CX stakes. From the first interaction, there is much to be desired. On-boarding can take

The root causes of low trust

weeks as paper forms are processed. KYC can be intrusive and clumsy. Policy information is often buried in obscure sub-menus, or not accessible online.

How insurtechs are winning trust
Homelyfe o˛ ers home insurance via an attractive interface. The pitch: "***We hear you, no-one likes buying insurance. The least we could do is make it simple. Minimal questions, no paperwork and no fuss.***" Quotes take one minute.

6 Quibbles over payouts

Perhaps the biggest cause of reduced trust in insurance is the belief that insurers won't honour the policy. The concern is more than money. After all, 99.9% of life insurance claims are paid out, 91.6% of critical illness, and 88.1% of income protection, according to the ABI. It's also the process, and time taken.[17] The ABI states the average life insurance claim is paid out within a month, down from four months a decade ago.[18]

How insurtechs are winning trust
Rapid payout is fitted as standard to insurtech models. Laka, a bike insurance brand, states: "***All claims are handled by our expert team and usually agreed within 1 day. Depreciation or excess? £0.***" Founder Tobias Taupitz said: ***"With Fintech you see every vertical being challenged in financial services, except for insurance — this makes you think 'why has insurance not changed? Was it because we accidentally chose the best business model outright, decades and centuries ago? Or is there just nobody there to challenge it? The assumption I made quickly was that it is the latter.***"

17. ABI payout data
18. ABI historic data

The root causes of low trust

LEMONADE USES AI TO PAY CLAIM IN 3 SECONDS

Lemonade is an American insurtech co-founded by an entrepreneur and CEO Daniel Schreiber who declared: "***It's almost self-evident that there's something profoundly broken in the world of insurance.***" His view of incumbents is of archaic goliaths ready for toppling. "***In the US, almost 10% of the Fortune 500 [are] insurance companies***" he explained. "***Their average age is 95 years old...[their] corporate structure is a byproduct of the industrial revolution.***"

His mission is to use technology to shake up the entire value chain. Lemonade is considered one of the most disruptive forces in the industry, raising more $300m in a Series D round, valuing the company at more than $2 billion. Lemonade uses AI and other tools to transform the customer experience.

Quotes take 90 seconds or less. On-boarding takes minutes. Claims are processed by an artificial intelligence engine called Jim which scans a video submission taken by customers using a smartphone app. There are no forms. In a "***new world record***" a customer received a payout of $729 took three seconds.

The customer, called Brandon, said:
"***I signed up for Lemonade because it was no frills, the most affordable option, and took no more than two minutes on my couch...I already assumed there was no way that I'd recover my losses: other insurers either pile paperwork or deduct tons of charges that I don't understand. But this time was different. I signed an honesty pledge, answered a few questions, and Lemonade reimbursed me in a matter of seconds! The service is amazing and I am so happy that I signed up!***"

Lemonade chief behavioural office Dan Ariely says of the industry: "***When I look at insurance I see an industry that is antagonistic, annoying, difficult processes, with low trust. And the question is should we be satisfied with this? Absolutely no.***" Ariely says AI can change the way consumers see insurance.

Rapid payouts, for example, are step-change improvement over previous processes. "***That changes everything, says Ariely. "It allows you to bring the best side of human nature to the people. The upshot is greater trust. It's a virtuous cycle and that means everyone wins.***"

The road to redemption

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The road to redemption

Insurtechs are building trust by o˛ ering transparency on policies and pricing; improving privacy and consumers choice; using rich-data sources to personalise products; and delivering improvements in UX and CX. Payouts are faster than ever.
In every case, technology is at the heart of their mission.
Incumbent insurers both want and need to join this revolution. That requires attaining same agility of start-ups in technology, across the stack. Unfortunately, the industry remains crippled by legacy systems incompatible with innovation.

"***Insurers are stuck with legacy systems,***" says Sabine VanderLinden, CEO of Startupbootcamp InsurTech, Europe's leading accelerator. "***On average they have 26 systems they have to deal with because of the acquisitions they have made. They don't want to move them or change them. They keep their systems as they are until something cracks. It's not a strategy of resilience. It's a strategy of risk aversion. And because of those legacy systems it becomes harder and harder to integrate new technologies. You need a super ninja CTO to deal with all that.***"
This is a common assessment. Incumbent insurers are crippled by archaic back-end systems. The major insurers spend hundreds of millions of pounds a year just to keep these systems running.
"***Firstly, let's recognise not all insurance companies are the same,***" says Martin Sincup, head of proposition at Holloway Friendly. "***But generally it's a common problem in the industry. It's fair to say some insurers have spaghetti-like systems that have been added to again and again over the years. Some of them probably came into existence when Woolworths was selling vinyl. Untangling these legacy issues can be complicated, expensive and time consuming.***"
Legacy systems commonly run computer languages not recognised by the current cohort of computer science graduates.

Research by Crest in eight countries found 69% of insurers run Cobol, a language developed in 1959. The survey also revealed widespread use of applications written in the 1970s and 1980s, often preserved to maintain policies written in that era – particularly in areas such as life insurance. [19]

In order to regain the trust of consumers, insurers need to upgrade legacy systems to the point where innovation is possible. Currently, the gap is huge.
Many insurers are still grappling with basic digitisation.
A LexisNexis survey of commercial property and business insurance underwriting and pricing shows only 16% of brokers are all or mostly digitized, and just 6% of insurers selling directly to customers are digital. The majority of both categories still perform all or most processes manually: 60% among brokers and 72% among insurers.

Digitisation is poor in quoting, too. A remarkable 48% of commercial property and business insurance brokers quotes using either entirely or partially manual processes, compared to 16% who say they have gone completely digital. About 64% of brokers and 69% of direct insurers said they handle claims manually.[20]
If traditional insurers want to rebuild trust with consumers, as insurtech companies are doing, they need to adopt cutting-edge digital technologies.

19. Computerweekly
20. LexisNexis

The road to redemption

DANGEROUS LEGACY: THE IMPACT OF SPAGHETTI-SYSTEMS

Data duplication
A lack of a single source of truth results in customer data being stored in di¸ erent locations

Data errors
Duplication leads to multiple file formats run in parallel. Reconciliation is needed to correct errors as data flows between incompatible files

Innovation inhibited
Introducing fresh data streams to archaic applications is costly or impossible

Poor analytics
Fragmented data prevents data scientists running analysis. Data is siloed and left in storage

Poor CX
Neither customers nor contact centre sta¸ c an access data easily when it is trapped on legacy systems

Instability
Crashing systems are common in financial services, aˆ icted by legacy systems. The FCA recently called the frequency of outages “unacceptable”

Cost
The Bank of England estimates financial services providers can save 30 to 50 per cent of costs by moving from legacy systems to cutting-edge cloud applications

THE PATH TO INSURTECH AGILITY

Insurers need to modernise. But how? The options fall into three categories.

First, launch a greenfield operation. For example, Direct Line created Darwin, a standalone digital platform to experiment with technology. Darwin is built in the cloud on Amazon Web Services, and embraces Silicon Valley practices such as the “two pizza concept” - whereby teams must be small enough to be fed by two pizzas, to remain small and agile. Darwin runs fast by adopting tools built for the cloud. The need to maintain ownership of all hardware and code is seen as obsolete.

Sumit Bahukhandi, director of corporate ventures at Direct Line and founder of Darwin, explained: “***For example, in the past, if you wanted to build something such as an application to check customer details you would first have to buy a server, which at an insurance company would take six months. But does it matter where the technology sits? You can just consume a service.***” Darwin's cloud architecture means it can be tweaked a thousand times a day without interruption to consumer services.

The second path is to upgrade legacy systems using in-house tools. This is an option undertaken by this may seem prohibitively costly and expensive. “***IT is a massive investment,***” says Jeffrey Skelton of LexisNexis. “***Upgrading legacy systems can be a £100m a year investment, over many years. These projects are always over budget, and never on time. Insurers look at what their peers have gone through, and cringe.***”
Worse, an upgrade of legacy systems with in-house applications risks reinforcing obsolescence. “***The running joke is that by the***

The road to redemption

time you've finished an upgrade it's time to start over," says Skelton.

The third option is to embrace the agility of the insurtech industry, by adopting next-generation tools developed for tech companies. For example, KYC and onboarding tools already exist. Mature, proven applications are simply waiting to be added to the existing technology stack. This means leapfrogging intermediate stages of technology. Apps can be deployed within weeks, not months or years.

"***The analogy I would use is the iPhone,***" says Steve Devine of the Protect Association. "***It revolutionised everyone's lives. But the truth the iPhone wasn't about new tech. It harnessed technology that was already available. In the same way, the insurance industry can modernise legacy systems. There's no need to reinvent everything. The technology they need already exists. They simply need to harness what is out there to make the best experience for their customers.***"
A critical advantage of this third route is that modern cloud tools are **(a)** updated incrementally, via what is known as Continuous Integration, Continuous Deployment (known as CI/CD; and **(b)** Interoperable via the cloud and APIs.

a) CI/CD is a philosophy of multiple releases per day, or per week, so software evolves incrementally over time. There's no down-time: updates are rolled out in the blink of an eye. Amazon revealed it upgrades its codebase every 11.6 seconds via a CI/CD cloud based approach. This is in contrast to Big Bang quarterly updates historically used by software companies. CI/CD means companies are always at the cutting-edge, and able to experiment at low cost and little risk.

b) Interoperability via the cloud and APIs is another key concept. In this manner it is possible to connect services in a modular fashion. Use KYC from one provider, analytics tools from another. The era when an insurer needed to own and maintain it's own applications is long gone. Leading companies such as Netflix and Spotify make full use of cloud tools. Insurers can learn from their example.

Overall, the third option of deploying pre-existing apps ought to be the default for insurance companies. Cost is a fraction of in-house development. Time to market is cut to weeks. And reliability is proven. It is strategy tailor-made for a risk averse industry in need of predictable results.

The road to redemption

THE THREE PATHS AHEAD

1 Greenfield company, designed around fresh technology

Lose the value of the brand
Risk cannibalising own customers
Does not address legacy issues in the existing company

2 Use proprietary tools, built in-house

Expensive and labour intensive
No guarantee of success
Risks positioning the company in a technological blind alley

3 Adopt pre-built modular apps

Proven to work
Cheap to use existing applications
Rapid time to market

THE PROMISED LAND

Insurers know they need to upgrade. Research by McKinsey shows insurers with modernised IT substantially outperform their peers: the total number of policies written per full time employee is more than 40 per cent higher in companies with agile digital infrastructures. The best are already reaping the rewards. Ageas is using an artificial intelligence service provided by Tractable, a London AI start-up, to change the way it assesses vehicle damage.

Tractable's machine learning platform analyses vehicle images taken by the customer to calculate the likely payout. This can augment, confirm, or entirely replace human analysts, as well as expedite the ordering of new car parts. It can accelerate the claim journey time ten-fold, radically improving the customer experience at a traumatic moment in their life.

Hiscox is working with Eigen, an AI specialist in the natural language processing sector, to improve customer engagement via written communication. Eigen's AI service extracts information from written texts, allowing messages to be forwarded to the correct broker, and can automate the quotation process. The problem is these are outliers. Many insurers remain stuck in the pre-digital era, hampered by archaic legacy systems. Agility is thus difficult. Innovation costly and time-consuming. The result is an industry struggling to win the trust of consumers – across sectors and insurance classes.

The message is clear. To regain trust, insurers need technology able to handle the demands of the digital world.

The road to redemption

Why do insurtechs feel so emboldened to seize market share from incumbents? Robert Hartley, founder and CEO of Dinghy, a company providing flexible cover to freelancers and the only insurance company in the Disruption 50 ranking of hottest tech firms, explains why.

CAN INCUMBENTS MODERNISE? THE VIEW FROM THE INSURTECH

How can Dinghy offer a better service than a traditional insurer?
Excellent question! Legacy tech in big insurers is very limiting. It means you can't be agile and can't deploy quickly. The incumbents are spending a fortune trying to modernise. Look at Direct Line. They've spent £80m a year, every year, for a decade. That's almost a billion pounds to redo their tech! And the problem is technology moves so quickly they may overhaul but not necessarily get anywhere.

What about the culture of the incumbents?
There are two problems: Hippo and Death By Committee. Hippo means the "***highest paid person***". The guy at the top wants to be the one making all the decisions. They want sign-off everything. But the highest paid person isn't necessarily the best person to know what the customer needs. It's probably someone a lot younger. And Death By Committee is where you have a great idea which can change the world, it goes through endless committees, and by the time it emerges the world has moved on and the person who suggested it is no longer around. Combine the two and you can see why nothing gets done.

What makes Dinghy so innovative?
We are using a whole new code base. No legacy issues to deal with. This means we can innovate how we want to. Our platform integrates easily with other providers and services. Our whole outlook is lean. We are based on Ruby on Rails so we are very agile. We do multiple deploys in one day. It's easy to code, and easy to roll back if anything goes wrong. We are very slick operation. No committees. So you can see why can run rings round the traditional insurers.

Can traditional insurers modernise?
It is possible. I used to work for Simply Business. We used to have an operating system in Java. The CTO said we couldn't be agile with Java, we couldn't deploy quickly. My job was to move us over to Ruby on Rails. Today Simply Business has the right technology to handle its growth. Customer numbers have risen from 220,000 to half a million. If you want to do that, and do agile development, you need the right technology. Unfortunately, legacy systems are embedded in old companies. They are integrated into partner websites, such as GoCompare and MoneySuperMarket. It's hard and expensive to update legacy systems, and the boards have an undertaking to deliver return on investment for shareholders. To take that gamble they need to be sure it's going to pay off.

What's the future for Dinghy?
We've just had our best every month. We were founded in January 2017, and just keep growing. We have a partnership with Allianz. We'll stay agile, so we can respond to whatever our customers want and keep disrupting the industry.

FintechOS can help you

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We've worked with leading banks and insurers to hyper-personalise the customer experience, digitising and automating everything from onboarding and KYC to loans and claims.

Take a look at some our our references and what we've achieved together.

Hyperion Insurance Group

100% DIGITAL ONBOARDING SOLUTION. OMNICHANNEL.

8 WEEKS TIME TO MARKET FOR NEW DIGITAL PRODUCTS

3x DECREASE IN UNDERWRITING TIME THANKS TO AUTOMATION

75% DECREASE FOR SALES CYCLE TIME

Asirom Vienna Insurance Group

100% DIGITAL CLAIMS MANAGEMENT

LIVE IN **2 WEEKS**

78% REDUCTION OF CLAIMS PROCESSING TIME

Uniqa

100% DIGITAL QUOTE & BIND AND UNDERWRITING PROCESS

70% REDUCTION OF SALES CYCLE TIME

70% REDUCTION IN PROCESSING TIME

FintechOS can help you redesign insurance around your customers.

GROW YOUR BUSINESS AND DO DIGITAL BETTER.

- Launch Products Faster
- Go from Product to Customer-Centric
- Cut Operating Costs
- Open Up Innovation
- Ensure Security and Compliancy

FINTECHOS BELIEVES IN CHANGING THE WAY PEOPLE ENGAGE WITH FINANCIAL TECHNOLOGY.

The company's centrepiece technology, FintechOS 20, puts automation and personalisation at the heart of innovation, allowing insurance companies to transform the digital customer experience quickly and affordably.

The FintechOS portfolio of global clients includes ERSTE, Vienna Insurance Group, Orange Money, Hyperion Group, TBI Bank, Transylvania Bank and Idea Bank.

For more information, please visit: www.fintechos.com

Personalise. Automate. Transform.

Thank you.