Digital transformation in the life insurance & pension sector

No time to lose

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In the life insurance and pension sector, there are three main technological themes on everyone's agenda:

1

How can we use technology to optimally support our business across the whole spectrum, so that we truly become 'digitally transformed'?

2

How can technology drive down our cost structure to the levels needed to compete in the marketplace of tomorrow?

3

How can we utilise add-on technology with our core platform to stay flexible and remain at the forefront of innovation?

This note deals with the first of these three questions and forms part of the Keylane series to be brought to you in 2018.

Start with transforming your mindset

The first tenet of any digital business model is that the balance of power has shifted to the customer, in most cases even to the end consumer. For an operator in such digital models, it is thus no longer all about you, your technology, your process, or the position you held in the pre-digital world.

For all companies in the life insurance and pension sector making the transition to a digital business model, it starts with this recognition and its consequence: shifting towards an outside-in approach in all areas of your business and forcing your organisation to make this shift with you.

Technology must 'help you help your customers'

Any discussion on technology starts with this customer-centric model. If you embrace the need to empower your customer, instead of fighting it, you can start the technology discussion from the correct vantage point: 'How can technology help me make my customers' lives easier?' This main question has far-reaching consequences for the system architecture of a life insurance and pension provider. We will discuss a number of these in detail below.

"HOW CAN TECHNOLOGY HELP ME MAKE MY CUSTOMERS' LIVES EASIER?"

Your platform is open architecture

Your customer increasingly determines the distribution and point of contact. In all business areas in the digital world you can see this shift in balance: you no longer own the customer, the customer owns you. Portability will be demanded, aggregator platforms will be created and the smart operators in the market will embrace these trends, rather than fight them.

This means that connectivity, interfacing and data-sharing will have much more of a priority than in the past. Future-proof architecture should ensure that every event, data entry and calculation is just as accessible to the outside world as it is to the internal system.

"YOU NO LONGER OWN THE CUSTOMER, THE CUSTOMER OWNS YOU"

A customer-centric core administration

All systems and databases used in customer-facing software and applications are (by definition and by design) customer-centric. We see this principle being applied to mid and back office systems and software as well. This makes sense from a conceptual standpoint. First of all: if it is all about the customer, then it makes sense to extend this principle to the core administration: the customer and not the policy is the basis on which everything else is organised. But there are other arguments: in a digital world, more and more of the changes to the system and mutations to the going concern, will be driven directly by the customer. This will lead to a greater number of mid and back office mutations at an individual customer level (rather than at collective level) than in the past. And lastly, from a customer communications perspective, being able to readily and easily extract all policies belonging to a customer in one go, is clearly advantageous. Customers are of course more interested in the holistic view of their retirement instead of in a fragmented perspective of multiple policies.

"THE CUSTOMER AND NOT THE POLICY IS THE BASIS ON WHICH EVERYTHING ELSE IS ORGANISED."

Guided, data-driven, advice

One important driver in the life insurance and pension sector lies in offering tailor-made 'advice', based on smart data solutions. 'Advice' is defined as guidance, showing relevant defaults, product options and other possible actions based on the persona of the customer (or even on the persona of customers with similar profiles!). Your technology must be able to deliver these guided advice solutions automatically, paving the way for Robo-advice and other kinds of digital customer care.

The technology involved is the next level in database technologies but, even more so, it is the next level in business rule automation, utilising the available data to create automated and highly personalised calls to act, alerts and default settings.

Compliance, control and the importance of management steering information

In an increasingly individualised life insurance and pension arena, management steering information is necessary. First of all from a compliance and control perspective: have we gathered all the necessary information ('know your customer'), communicated all of the (investment and other) risks and do we have the audit trail to prove it? And going beyond the compliance argument, if a winning business model is a customer-centric one, we need as much information on the customer and the customer's behaviour as possible.

Smart software is needed to gather and present this information in such a way that compliance, control and of course marketing, operational and commercial managers are serviced to the highest levels.

Digital Transformation:
make sure you're a winner

In this note we have shown the reasons why existing players in the life insurance and pension sector must reconsider their architecture approach and their existing (legacy) systems.

Our view is that the life insurance and pension sector is gearing up at a relatively late stage to digital transformation, as there are structures in place that have offered a larger measure of protection than in other industries. But if we can learn one lesson from

the digital era, it is that in the end all industries will succumb to the new rules and will be forced to adapt their business models. In the life insurance and pension market we feel that, precisely because the market is gearing up to transformation at a relatively late stage, the changes will be even faster and more dramatic.

The winners of tomorrow are those who get a head start on the competition. And do so today.

Three ways to jump start your own digital transformation

1

Put the customer first, not your own system or process

2

Review your architecture from this customer-centric perspective

3

Invest in the technology you need to be competitive today, and tomorrow

About Keylane

Keylane is a leading European supplier of SaaS based software solutions for insurers and pension institutions. More than one hundred financial service providers in Europe use Keylane's software and achieve measurable results such as a reduction in costs, a reduction of the time-to-market and higher levels of customer satisfaction. Thanks to its in-depth knowledge of the industry and world-class technology, Keylane is able to offer its clients an excellent service.

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