Trust regained – How insurers can win back customers

Contents

The Chartered Institute of Insurance has some tough news for the profession. There's a crippling lack of trust in insurers.

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.**
>
> **CII report**

Customers and businesses don't trust insurers to pay out; they don't trust their own ability to find the right policy; and they don't trust their insurer to understand their needs.

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. These numbers are remarkable, given 98% of claims of most categories are paid out.

More than four-fifths of customers also say they would ignore their insurer's recommendations to update their payment plan. This is a wholesale rejection of the insurer as a reliable source of information.[2]

Under-insurance is the prime symptom of this. In the UK, one-in-four homes have no form of home insurance, rising to almost half in the capital.

Meanwhile, fewer than one-in-three Brits have life insurance.[3] This leaves families unprotected and vulnerable.

Corporate insurance is also under-used. Small- and medium-sized enterprizes (SMEs), in particular, risk ruin due to their lack of protection.

The pandemic has only served to aggravate the situation. As cash began to be squeezed, the willingness of consumers and individuals to pay for insurance fell.

Research shows more than half of small- and medium-sized firms cut insurance during the COVID-19 outbreak.[4] Coverage is falling across employers' liability insurance, followed by business property cover, professional indemnity, and cyber.

SMEs fact

One-in-five SMEs have stopped paying for commercial interruption insurance.[5]

The lack of trust has another result: the emergence of insurance startups, who hope to fill unmet needs. These insurtechs, however, are succeeding in winning market share from the incumbents.

Globally, there are 1,711 insurtech start-ups, which have cumulatively raised USD 53 billion.[6] These challengers are capitalizing on the lack of trust consumers have in existing providers.

Bigtech companies are entering the market too. Amazon now offers product liability insurance, via a partnership with Marsh, and business quotes in a partnership with Next Insurance. Google, on the other hand, is a serial investor in insurtech, while Apple is forming a partnership to leverage health data collected by the Apple Watch.

Research shows 30% of consumers either had tried or were very likely to try insurance from bigtech companies or insurtech. This was particularly true during the pandemic, when traditional insurers failed to deliver the expected customer experience.[7]

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So, what's going wrong?

This report takes a deep dive into the root causes of the lack of trust in insurance. It looks at shortcomings of the industry. For example, lack of digitization in the sector. Recent research found only 24% of small businesses across 14 countries bought insurance online: it's simply not customer-friendly enough.

The research also spells out the remedies. FintechOS was founded to help financial services companies be as agile as start-ups. We've talked to leading companies from established and insurtechs, to accelerators and consultants, to get to the heart of the question for this report. Insurance is vital for a happy society and trust is the foundation stone of insurance. If providers can't 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.

Section 01

The scale of the challenge

> Every survey I've seen confirms this finding – there is a lack of trust in insurance
>
> **Steve Devine**
> **CEO, 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 Charmain, Unilever**

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.

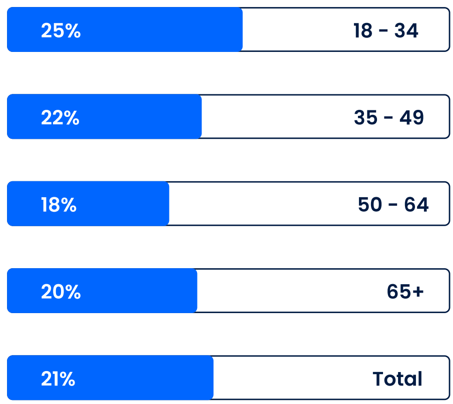
Many insurers struggled with claims. Fourteen went bust. Claims totaled 100 times the amount paid in premiums that year.[8] Insurers resorted to demanding proof as to whether buildings were destroyed by the earthquake, or fire, and withholding payment if the exact cause couldn't be determined.

One firm stood tall. A Lloyds underwriter 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.

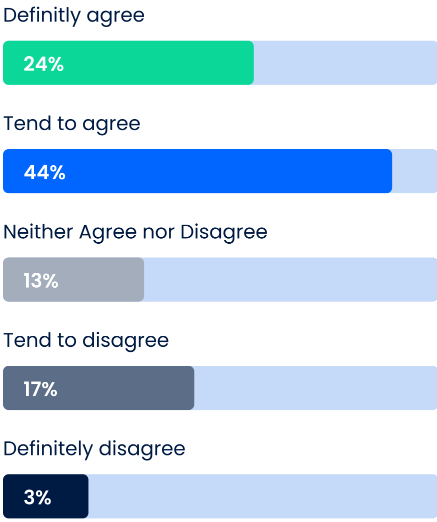
A Geneva Association survey points to low trust across generations. The survey covered seven major economies, and found only quarter to a fifth of respondents were prepared to say they trusted their insurer. Worryingly, the trend slopes downward: the more consumers experience and learn about insurers,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

Percentage of those who consider insurers trustworthy by age



Source:
Geneva Association Customer Survey

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



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 at the 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.

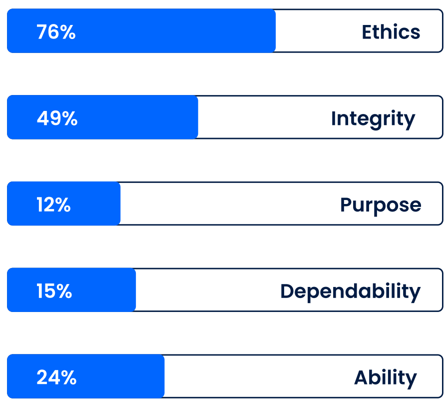
This may be surprising: Apple, Google, Intel, and Amazon, are struggling with clearly documented concerns over their attitude to data security and privacy; yet their reliability and perceived value to consumers clearly outweighs these anxieties.

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's 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.

The origins of trust: ethics more than competence

Percentage of trust explained by each dimension



Source: Edelman Trust Barometer 2020

Section 02

There are three consequences of low trust in insurance.

01 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%

of people have mobile phone insurance

3%

income protection and

14%

pet insurance, despite 50% owning a pet.[9]

> 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
>
> **Laura Hughes**
> **ABI Senior Policy Adviser,**
> **General Insurance**

The protection gap runs industry wide. Swiss Re estimates only half of catastrophic losses in 2018 were covered by insurance. The rest were paid by individuals, firms, and the government.[10] Capgemini found only a quarter of businesses believe their coverage is adequate.[11]

02 Lack of brand loyalty

Low trust means brands are forced to compete on price alone. When there's a better deal, consumers leave.

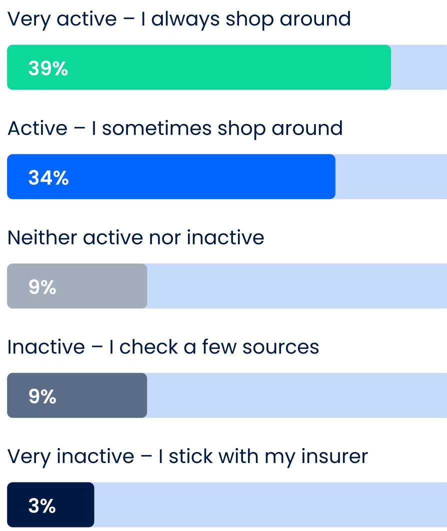
IBM data shows that dissatisfied insurance customers are six times more likely to switch insurers.[12] Across sub-sectors of insurance, there is conclusive evidence that low trust leads to insurers being left with no option but to compete on price. Loyalty is rare, and falling.

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.[13] Consumer Intelligence says 85.1% of car insurance customers compare prices before renewal, up 300,000 on the year before.

Do you search for a better deal on renewal?



Source:
YouGov Better Safe than Sorry, April 2019

03 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 "interactive" policies, whereby discounts are offered in exchange for fitness data from wearable devices. There is evidence, however, 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 telematics for car insurance.[14]

Skeptics argue their doubts are well founded. For example, Victoria Palmer, senior research fellow at the University of Melbourne, warns against the fall-out for those who refuse to offer up their data.

Research by the RAC found 40% of businesses faced staff concerns about the possible privacy intrusions of telematics tracking systems.[16] 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?

70%	NO

Source: YouGov Better Safe than Sorry

“

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 stigmatized, or portrayed as social deviants through non-compliance[15]

**Senior Research Fellow,
University of Melbourne,
Victoria Palmer**

Section 03

How COVID-19 accelerated the move to digital

Insurers were able to hide their shortcomings for a long time. The nature of the sector – in which customers interact as little as once a year – meant low trust could be tolerated. The pandemic changed that.

The two-year trauma of lockdowns, interrupted cash flow, and economic turmoil, changed the industry forever.

> Covid has been the greatest accelerant of change. We've seen waves of insurtech innovation coming through. More money is continuously arriving to affect growth.
>
> **Matt Connelly**
> **Founder and CEO at Sønr**

Increase in stress

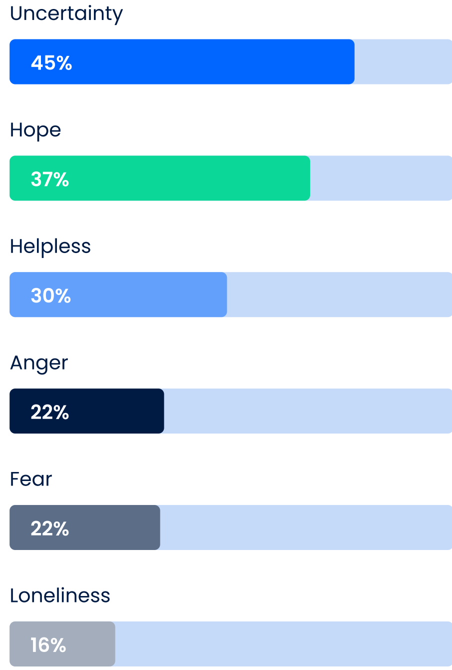
The pandemic wrought tension and misery worldwide. Concerns increased in almost every category of human relations.

The long timeframe of the pandemic acted as a multiplier, aggravating the impact. As the senior director at the American Psychological Association put it:

> We just weren't built to maintain this level of stress and hypervigilance and hyperarousal for this length of time
>
> **C Vaile Wright**
> **PhD, APA Senior Director of**
> **Health Care Innovation**

The result is a lack of acceptance of old norms. Stressed and worried individuals were given both the motivation and time to re-assess big life questions, from how to work to where to live.

How would you describe your current emotional state?



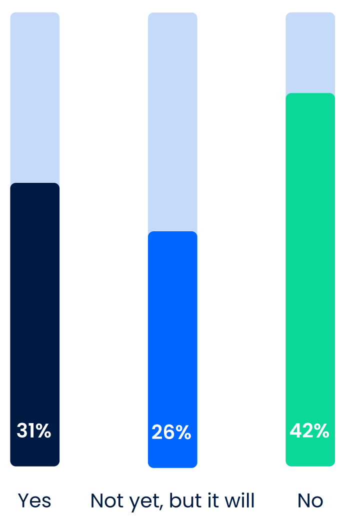
Source: Eurobarometer[17]

Cost sensitivity

The hit to the economy is both profound and global. More than three in ten Europeans say that the crisis has already impacted their income. A quarter predict the pandemic will affect their income at some point in the future.

Economic instabiliy is a common concern. Inflation, particularly in food and energy sectors, threatens to erode spending power still further. The budget for insurance will be stretched, just as the need for coverage rises.

Has Coronavirus affected your personal income?



Source: Eurobarometer[17]

Rush to digital

The order to stay at home changed working habits forever. Zoom calls replaced meetings, online collaboration tools boomed, and remote working went mainstream.

Retail changed too. As the Wall Street Journal put it: "the pandemic altered shopping habits beyond return".

Not only are consumers shopping in new ways; they also have higher expectations for brick-and-mortar retailers.

Basic goods such as food and household categories saw an average of

30%

growth in online customer base across industrialised nations.[18]

In Thailand, downloads of shopping apps leapt 60% in a single week.[19]

In financial services, the onus is on insurers to create world-class digital experiences to meet this rush of consumer demand.

Impact of COVID-19 on financial services

54%

of consumers use digital banking more due to the pandemic

80%

prefer to manage their money digitally[20]

46%

of insurance CEOs say that progress has been accelerated by "years"

Source: KPMG[21]

"

Consumers across the globe have responded to the crisis and its associated disruption to normal consumer behaviors by trying different shopping behaviors and expressing a high intent (65% or more) to incorporate these behaviors going forward."[22]

Christophe Courbage and Christina Nicolas
'Who trusts insurance? empirical evidence from seven industrialized countries'

No shift back to old habits

The changes imposed by COVID-19 show a remarkable degree of stickiness. Consumer attitudes and behaviors are not quickly reverting.

A McKinsey study noted more than half of consumers tried new shopping behaviors as a result of the pandemic – reaching as high as 96% in India. The report concluded these new habits would mostly stay.

54%

of insurance CEOs say Artificial Intelligence investments "accelerated" due to COVID-19

Source: KPMG

The result: a surge of investment in disruptors

Funding to fintech companies in Europe soared in the first half of 2021. European fintechs raised USD 12.9 billion almost, in H1, almost 50% more than the entire year before. Insurance led the market, but insurtech companies raised USD 1.8 billion of investment – quadrupling quarter-on-quarter.[24]

In the field of health insurance, one forecast estimates the value of premiums written by insurtech will grow 1,000% between 2020 and 2025, to exceed USD 95 billion globally.[25]

> Insurtech companies raised a record amount in Q2 2021, up 4x on the previous quarter

Customers are ready. Half of consumers say they are willing to seek coverage from bigtechs and new-age digital players.[26]

Big winners include

Akur8
($30m in Series B)

Wefox
($650m in Series C)

Alan
($223m in Series D)

Bought by Many
($350m in Series D)

Shift Technology
($220m in Series D)

Section 04

The root causes of low trust

The CII calls low trust “bleeding obvious”. What we need is a reliable analysis of the causes. University research is patchy.

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.[27]
>
> **Christophe Courbage and Christina Nicolas, 'Who trusts insurance? empirical evidence from seven industrialized countries'**

There's some evidence that trust is higher among women than men; the young are more trusting than the elder; and less educated than highly educated.

Outside academia, there are two sources of evidence to identify the causes of low trust:

- consumer research
- insights from insurers themselves

Across these two sources, there's a growing consensus of the causes of low confidence. It's also clear that insurtechs thrive on market opportunities – confirming a shortcoming in incumbent providers.

The six toxins of trust in insurance

Lack of clarity on policies

What does the wording of this policy mean?

Obscure pricing

Is the price fair? How was it calculated?

Privacy violations

Is my data secure?

Impersonal products

Is it the right policy for my needs?

Crude UX and CX

Is the sign up process quick and clear?

Quibbles over payouts

Will I get the money I believe I deserve?

Lack of clarity on policies

Too often, buyers are unclear what they are buying. The Financial Conduct Authority (FCA) 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 confuse consumers.

> “
>
> **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 digitalized context.**
>
> **The FCA**

Industry bodies agree. Airmic, the association for risk managers, advises members to hire a coverage lawyer to scrutinize 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 differently to accountancy.[28]

Consumers feel they have neither the time, nor the motivation, to wade through turgid terms and conditions (T&Cs).

A survey by Ey reveals only

65%

of fintech adopters and

52%

of non-adopters read the T&Cs when signing up for a new financial product.

The majority of consumers remain uncomfortable using a fintech service without a branch. The security of knowing a face-to-face conversation remains highly valued, which is 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.

Obscure pricing

The spread of quotes offered by price comparison sites remains extraordinary. Premiums can vary by 200-300% for essentially the same product.

> “
>
> Consumers are skeptical because they don't understand how insurers arrive at a price. 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 being penalized, 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
>
> **Manan Sagar**
> **CTO EMEIA, Fujitsu UK**

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.

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.

Over the 2010s, Cambridge Analytica conducted research through Facebook that was used in the campaign to elect President Donald Trump.

Once this was revealed, campaigners quickly called for their supporters to “#deletefacebook”. Facebook was ordered to pay a USD 5 billion fine to the US Federal Trade Commission and Cambridge Analytica filed for bankruptcy.

Privacy violations are a serious issue and could have far greater consequences than a loss of customer trust.

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.
>
> **Peter Colis**
> **CEO and Founder, Ethos Life Insurance**

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 that offer either one-month or annual policies, and nothing in between.

It may be too inflexible, such as home insurance that's 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 personalization, but this remains in its infancy among established providers.

How insurtechs are winning trust

Zego offers 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.

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 they can become addictive for their users.

Insurance, by contrast, is lagging in the customer experience (CX) stakes. From the first interaction, there's much to be desired. Onboarding can take weeks as paper forms are processed. Know your customer (KYC) processes can be intrusive and clumsy. Policy information is often buried in obscure sub-menus, or not accessible online.

How insurtechs are winning trust

Hippo is an insurtech phenomenon. The Hippo proposition is based on a simple and clean UX and CX. The company boasts:

> Hippo streamlined everything and made it modern. Which means we can save you time and money. 60-Second Quote: Get a quote in less than a minute. Then purchase a policy online in as little as 5 minutes.
>
> Source: Hippo

$22bn v $7,006bn

Total value of publicity listed insurtechs 2020 versus Google, Apple, Facebook, Amazon

Source: Cap Gemini

Quibbles over payouts

The main event of an insurance relationship is the settlement. In fact, the industry boasts a strong record on approving claims. In the UK, 99.9% of life insurance claims are paid out, 91.6% of critical illness, and 88.1% of income protection, according to the ABI.

Customer satisfaction is also about the process, and time taken.[29] The ABI states the average life insurance claim is paid out within a month, down from four months a decade ago.[30]

It's the perception that seems to be the issue, along with speed. The positive impact of a full settlement can be undermined if the cash takes nine months to arrive.

How insurtechs are winning trust

Super-fast payout is a hallmark of insurtech. Laka, a bike insurance brand, states:

> All claims are handled by our expert team and usually agreed within one day. Depreciation or excess? £0. 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.

Founder, Lemonade
Tobias Taupitz

Section 05

Lemonade uses AI to pay claim in three seconds

Lemonade is an American insurtech co-founded by entrepreneur and CEO Daniel Schreiber who declared:

> It's almost self-evident that there's something profoundly broken in the world of insurance.
>
> **Daniel Schreiber**
> **CEO and Founder, Lemonade**

His view of incumbents is of archaic goliaths ready for toppling:

> In the US, almost 10% of the Fortune 500 [are] insurance companies. Their average age is 95 years old...[their] corporate structure is a byproduct of the industrial revolution.
>
> **Daniel Schreiber**
> **CEO and Founder, Lemonade**

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 USD 300 million in a Series D round, valuing the company at more than USD 2 billion. Lemonade uses artifical intelligence (AI) and other tools to transform the customer experience.

Quotes take 90 seconds or less. Onboarding takes minutes. Claims are processed by an AI engine called Jim, which scans videos taken by customers using a smartphone app. There are no forms. In a "new world record" a customer received a payout of USD 729 in just 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!
>
> **Brandon**
> **Lemonade customer**

> 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.
>
> **Dan Ariely**
> **Chief Behavioral Office, Lemonade**

Ariely says AI can change the way consumers see insurance. Rapid payouts, for example, are step-change improvement over previous processes:

> That changes everything. 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.
>
> **Dan Ariely**
> **Chief Behavioral Office, Lemonade**

Section 06

The burden of legacy systems

Lack of trust requires a response from insurers. The problem is that simply maintaining current systems is a challenge.

> Insurers are stuck with legacy systems. 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.
>
> **Sabine VanderLinden**
> **CEO, Startupbootcamp InsurTech**

The impact of legacy systems is a roadblock to reform. Incumbent insurers are crippled by archaic back-end systems. Large insurers spend hundreds of millions of pounds a year just to keep these systems running.

Research by Crest in eight countries found 69% of insurers run Cobol, a programming 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.[31]

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.

> Firstly, let's recognise not all insurance companies are the same. 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.
>
> **Martin Sincup**
> **Head of proposition, Holloway Friendly**

Many insurers are still grappling with basic digitisation

16%

of brokers are all or mostly digitized and,

6%

of insurers selling directly to customers are digital.

Source: LexisNexis survey of commercial property and business insurance underwriting and pricing

The majority of both categories still perform all or most of processes manually: 60% among brokers and 72% among insurers. Digitization is poor in quoting too. A remarkable 48% of commercial property and business insurance brokers quote using either entirely or partially manual processes, compared to 16% who say they have gone completly digital.

About 64% of brokers and 69% of direct insurers said they handle claims manually.32 If traditional insurers want to rebuild trust with consumers, as insurtech companies are doing, they need to adopt cutting-edge digital technologies.

Dangerous legacy:

The impact of legacy systems

Data duplication

A lack of a single source of truth results in customer data being stored in different 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 staff can access data easily when it is trapped on legacy systems

Cost

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

Section 07

The path to insurtech agility

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

The dynamics of low trust in insurance are now clear. The mission for insurers is to address each concern, with the passion and agility of an insurtech.

A systematic method is to segment the challenge into three steps

- Remodel the front-end UX and CX
- Upgrade internal systems to improve the staff-facing tools
- Master the back end. Create flexible, API driven systems able to integrate third-party apps.

The UX and CX are the quickest to fix. The availability of pre-built modules, which can be configured via low-code/no-code interfaces, makes it possible for an insurer to acquire and deploy a new interface within weeks.

Cutting-edge UX is more than aesthetics, however. A web interface can be optimized to deliver personalized experiences, reconfiguring automatically to display the most-relevant information. Forms are auto-filled for the customer and extraneous steps are eliminated.

Cloud-hosted, third-party solutions can accelerate modernization. Sumit Bahukhandi, director of corporate ventures at Direct Line and founder the company's experimental startup Darwin, put it this way:

> 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.
>
> **Sumit Bahukhandi**
> **Director of Corporate Ventures, Direct Line**

The second step is to address internal tools. Staff must be empowered to deliver next-level customer experience. Product teams should be able to innovate at their own speed: altering product logic, and improving customer processes, themselves, without involving IT.

> Personalization is a great way to build trust. It communicates to consumers that the insurer knows them, and understands their needs. A lack of it can be frustrating. For example, asking a customer to input their address when the insurer already has it. It says the insurer has forgotten the consumer, and the interaction becomes tedious, cold, and transactional. Personalization is when the insurer harnesses every drop of data to create a bespoke solution for every interaction. It's the gold standard.
>
> **Vitor Baros**
> **Head of Platform Evangelism, FintechOS**

Finally, insurers can accelerate development by building an infrastructure able to integrate third-party services. When data flows freely across the enterprise, free of silos, it can also be shared via APIs with the outside world.

For example, AI fraud detection services are available for insurers to plug into. Insurers can take years developing their own rival system, or simply partner with the best-in-breed and deploy.

> The analogy I would use is the iPhone. It revolutionized everyone's lives. But the truth is that the iPhone wasn't about new tech. It harnessed technology that was already available. In the same way, the insurance industry can modernize legacy systems. There's no need to re-invent everything. The technology they need already exists. They simply need to harness what is out there to make the best experience for their customers.
>
> **Steve Devine**
> **Protect Association**

A flexible IT stack means outside innovations can be installed rapidly, saving both time and money.

This model is now mainstream. Admiral and Geico are harnessing Tractable's machine learning platform for analyzing vehicle images. Photos taken by the customer are examined by an AI engine 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. In both cases, the IT systems of the incumbent were able to interface with the third-party, to unlock the power of their proposition.

> IT is a massive investment. Upgrading legacy systems can be a GBP 100 million 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. The running joke is that by the time you've finished an upgrade it's time to start over.
>
> **Jeffrey Skelton**
> **LexisNexis**

The mission to regain trust

Insurance today is a technology industry. The future market leaders will be masters of the full stack, from the front-end to back.

Insurers know they need to upgrade. The emergence of insurtech and bigtechs into a market already disrupted by the pandemic, adds to the urgency.

Research by McKinsey shows insurers with modernized IT substantially outperform their peers: the total number of policies written per full-time employee is more than 40% higher in companies with agile digital infrastructures.[33]

The problem is that many insurers struggle with digital transformation. Even market leaders are hampered by archaic legacy systems. Agility is thus difficult. Innovation is 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 fit for the demands of the digital world. When insurers trust their own IT systems, they can win back the trust of their customers.

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