Insurance Reimagined - Part 1

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BRADLEY HOWARD (BH): Hello, you're listening to Tech Reimagined. I'm Bradley Howard, and today we're focusing on reimagining insurance. Joining me are two guests: Anne Nørklit Lønborg, CIO at Tryg Insurance and Kevin Crawford, the Group Delivery Partner for insurance at Endava. So let's get right into it. Anne, many of our listeners outside the Nordic region might not be so familiar with Tryg Insurance. So please, can you give us an overview of the company?

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ANNE NØRKLIT LØNBORG (ANL): Thank you. Yes. Tryg is a 300 years old insurance company. Its Nordic based. It's a PNC insurance company. We have 500 employees total present in Denmark, Norway and Sweden with the largest ones in Denmark and we have a market share of 22 percent. And then we're in the middle of an acquisition in the Scandinavian part of RSA. So we are growing by acquiring an insurance company and then becoming the largest insurance company in the Nordics. So we have both private, commercial and corporate areas of products and services with insurance.

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BH: And Kevin, how do you think that the role of IT has changed in the insurance industry since you started?

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KEVIN CRAWFORD (KC): So I started quite a while ago, and I think it's changed a lot since then. When I first started working, we were viewed as a necessary evil and IT was very much there to support systems, perform basic functions such as managing policies, claims and managing the transactions going in between underwriters, brokers, clients, third parties, reinsurers. It was a secure, functional way of storing and retrieving data, but it didn't really do anything too clever. And I think the business saw IT changes as an infliction of pain rather than doing anything value adding. And as an external software provider, I was viewed very much as an annoyance rather than somebody who is there to help. I think the focus of change at that point was very much on managing platforms to make sure that they were in support and maintainable. I think now IT is very much seen as an enabler of change, provide a real competitive advantage to stop the industry being disrupted by other people. So I think at the moment change is really exciting in the IT industry for insurance, something which is very different from where it started.

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BH: And Anne, would you agree with that?

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ANL: Yeah, very much, and I would say we have with the 300 year old company, we can see that evolvement with the IT and also the role that we have now where we require that that we are working business oriented. We are working in teams together with the business, and we have to also understand how the customer acts because all our solutions are now directly interfacing with the customers. So there's I.T. and everything all at the edge with the customer, and that requires another I.T. function than the one that Kevin just described.

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BH: So one of the insurance industry's main challenges is that many large insurers like yourselves are still using some old legacy technology, including some insurers using mainframes still. And a big task for that is that many of these companies are trying to replace some of these legacy systems. What's the process been like at Tryg for you, Anne?

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ANL: We also have mainframes still, actually acquired a couple of them. But if we look at it, if we went back to our - I think it's 2017, just like four years ago, we acknowledged that we needed a structured renewal of our I.T. landscape. So our supervisory board approved an extraordinary investment in long term renewal. And then we have had a very structured approach to an investment portfolio. Where we prioritize what to renew and in what pace.

That is seen from both an insurance value chain view, which means what are the business demands? But because they are changing a lot and they're changing at a very fast pace. So we need to keep up also as an IT organisation on what's the business requirements towards our landscape, but also, of course, a technical step, where we are ensuring that our technology landscape is technically viable. And in that sense, we are also very close in this transformation of our old systems, because some of them servers will also now. But others are simply even if they are quite new, they're simply not keeping up the pace. So our whole strategic investment is based on a long road map where we are renewing, but we are keeping an eye on what serves the business because that's changing all the time.

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BH: As part of that strategy, do you see a move towards cloud technology or are you waiting for the next big thing such as quantum or whatever might come next?

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ANL: Well, you could say I would love to, but we are not a first mover in technology in the insurance industries, I would say. And also based on our long history of quite old technology, we are getting the basics right first before we're moving into cloud technologies. We are a regulated industry. So cloud is used within the financial regulations and picked for purpose. We use it where it gives us value. We are, for instance, also playing a new claims system into our landscape. And that future solution is, of course, also with a cloud perspective. And working with an enterprise data hub also has a cloud perspective. And we have software as a service, solutions like pricing and internal tools. So we are playing with these solutions, but we are not the first movers on this and we love to see how others do. And then we are kind of the fast follower on those new technologies and quantum computing, yes. But that's also in the future.

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BH: And Kevin, do you see this as a general trend across other insurance clients?

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KC: I think that just going back to the sort of the point that Anne was making around the legacy, I think it is very important to say that it's not just a mainframe issue. There's a lot of people who have bought into core packages – sort of underwriting or broken packages that have created the next level of legacy. Some of the legacy mainframe systems which are recording is the core policy information are probably sort of fit for purpose from that perspective.

What the challenge is, is people sort of moving away and having something that they're able to componentize, modernize, innovate and integrate into other platforms. And I think a lot of the challenge around that is around migrating data away from those systems and persuading the business that they don't actually need to keep every single piece of data at the most granular level, some of this data they didn't even know existed in the first place. The move to cloud is something that people are realizing is really important at the moment.

It's something that in order to innovate and to release things more quickly and be more agile, that they need to move things into cloud and need to automate processes and automate testing and automate releases. I think without that is going to be very difficult for them to move forward. I think as far as things like quantum computing goes, I agree with Anne, it's there are certain things that organizations have to have in place first, and I think that is a very risk averse environment, and baby steps are needed before going that far in advance.

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ANL: To add to your point about the cloud, I totally agree. It's not that we are reluctant to do it. We just want to do it in a kind of a controlled way and where it gives us the value. And that's especially in the whole HR where the pace should come up. Automating HR. We are looking towards the cloud and we have just put us in the place where we are right now, we are right now moving a data center from where we are owning the hardware to move it into a managed service, so that's where we are. And then the next step is then to move into the cloud where it makes sense. Right.

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BH: Sounds like you've got a lot of work to do at the moment, especially under the lockdown. So, Kevin, you touched on data earlier. So insurers use historical data sets to calculate the risk of a payout. So with Internet of Things and connected devices, including even cars, which are providing real time data, do you think that insurers are going to move from what I would describe as a batch model today, which is take the data and then work out what the premium pricing will be, and then some of the claims data afterwards? Or do you think that will be moving towards more of a almost real time streaming data model?

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KC: I don't think we're going to be able to move away completely from a historic model to work out at least a baseline premium. But I think going forward, a lot of the insurance that will buy, especially in something like personal lines, will come from a hybrid approach where the premium then flexes up and down depending on the behaviour of an individual or the surroundings in which the insurable asset exists.

And I think as consumers, we are continually demanding products that fit better with our lifestyles. So, for example, now I look out of my window, I've got two cars parked in my driveway during the pandemic. They're getting very little usage. If anything, we perhaps use one car for half the amount of time that we used to. If we bought a policy where we pay a basic premium for having it parked on the drive and then we get charged per mile, then we'd probably save ourselves quite a lot of money. On top of that, I'm quite a cheap person, so if I was paying for every mile that I drove, I probably would actually then go and reduce my life insurance premium because I'll be walking rather than taking the car. So my life insurance policy will be collecting my number of steps in my heart rate via my Apple Watch. So that premium will go down and I probably take the dog for a walk as well, which then may affect my pet insurance. So I think all of these things will become more connected and it is much better for the consumer and it should be better for the underwriter because they're able to manage their risk a lot more effectively.

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BH: You've definitely had a few thoughts about this before, haven't you, Kevin? Anne, from an insurance industry insider, do you agree with this approach of more streaming data from connected devices, and some of the scenarios that Kevin just described?

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ANL: Yeah, we have just started, but we have experimented a lot. We see opportunities in, for instance, as you mentioned, driving your car and pay for how much you're driving. It's also a prevention thing because we monitor your driving behaviour and give you a reduction, if you behave well in the traffic. That benefits, of course, everybody. We also see something in the travel insurance where you only pay when you travel. But to be honest, we actually see a lot in bundling products for convenience so that people just buy, you know, three and a package and then they know they both have a car insurance and home insurance and the travel insurance and they don't really bother about all the tracking on this.

So we see both the convenient consumer and also the ones that that, as you, Kevin, are going to be pay-per-use, right. As a large insurance company, we want to have served both types of customers. So we see that we are working on all the trends, experiment with it. And some of it makes sense and some of it we don't get traction.

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BH: that's really interesting, because if you think about insurance, it's still a very granular product set, isn't it, where we select those policies that we want rather than those bundled approaches which we might be more familiar with from television and broadband and our telephone line all bundled together.

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ANL: Yeah, that creates stickiness. You could say that we keep the customer and they have the majority of their products in our portfolio. We add services, that's the thing that Tryg is also really good at adding services to our products so that it even gets kind of a - you get more value as a customer. So we have quite a large amount of the customers that stays with us for a long, long time.

I think that's quite different from the UK, actually, and that's a commonality in the insurance companies in the Nordics, that we actually having quite a stable customer portfolio.

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BH: I can definitely see this being a cultural approach. In some territories, people will want bundled products and in some they'll just want the cheapest for granular products. So it's good that you're testing different markets at the moment. So we've talked about calculating the cost of premiums, using connected devices, as Kevin outlined earlier. And there's also a growing trend in the insurance industry about parametric policies where there are trigger events where a claim might be paid even before the actual situation's actually happened. Anne, can you tell us more about how parametric policies work?

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ANL: We call it insurance moments where you are in some kind of an ecosystem. That could be in travel, for instance, when you're buying a ticket, flying somewhere one day after the pandemic, when you are out there in the ecosystem, you are also kind of asked if you want to travel insurance and you are triggered at the insurance moment at the time when you are buying the ticket. And we see more and more kind of, going towards these ecosystems where insurance

starts becoming important. You can say it's also in health. If you are in an ecosystem with health and then you are triggered to kind of make a life insurance or, make a health insurance, accident insurance or whatever. So it is the future. We are just preparing for it, you could say, because it needs open APIs and a way to engage in these ecosystems.

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BH: But surely you can use third party data for a lot of this, whether that's weather data or flight information data for missed flights or cancelled flights.

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ANL: Yeah, we might. We're definitely not out there. And we are also having a discussion, a strategic discussion on data and what data would we like to share because insurance companies want to be loyal to their customers. So they don't want to kind of share a lot of data about their customers or their behaviours. And they also in the other end, we don't want to kind of engage from a competitiveness point of view, we would like to not share too much about what we're doing internally. So it's, uh, it's a data ethics discussion and it's a data competitor discussion that we are having at the moment.

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BH: Insurers are looking to improve three dimensions of their businesses. That's number one, selling more policies which insurers often call distribution. Secondly, is improving the underwriting performance to calculate premiums, et cetera, and finally making their internal back offices more efficient. So Anne, how do you balance and prioritize these?

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ANL: Well, also, as I mentioned before, Tryg is working on all parameters, because there's IT solutions in all of these. So we have, both we want to sell more policies in terms of product development. We are also bundling the products, as mentioned before, we add service to the products and we have new distribution channels in terms of partnerships. And then we have also the underwriting which we focus on data and intelligent use of these and on the back office efficiency, we have initiatives like automation, RPA, chat boards and everything. So we have quite a large amount of our investments in development and we are working on all these parameters at the same time, actually.

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BH: And Kevin, across the wider insurance industry, do you see any particular priorities of those three?

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KC: I think it depends very much on the market in which the insurer operates, their behaviour is quite different and what is happening to them and what their own business objectives are for them or for their owners, if they're owned separately, and I think there's things like the pandemic and how that's affected them. So a really good example is we worked with a monoline travel insurer who had an immediate need of making processes more efficient when COVID first hit, so they had a staggering number of claims coming in from people who were either abroad and had to get back to the UK, or had their flights and their holidays cancelled at the last second because they weren't able to travel.

They were very paper-based. They had people who were no longer supposedly going into the office. So there was a huge effort in making their operations more efficient and turning things like paper into digital processes.

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ANL: And to add to, also in the Nordics, our whole back office is quite efficient compared to, I think the rest of Europe, actually, because we have like a cost percentage of 14 percent, which is the lowest in the Nordics, but also the lowest in Europe. So I think that is also a basic for us to be able to then be more kind of growing with products and so on, because we're quite efficient in the back office.

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KC: So I think that that change in the UK has been accelerated massively this year through digital necessity. For this travel insurer, I think, you know, their priority changed quite quickly once they managed to process these claims in the fact that they were no longer selling travel insurance because nobody was traveling. So their next challenge was increasing distribution, which wasn't through their existing products, but it was diversification into other markets, which they had to do very quickly in order to survive.

So I think the pandemic is actually really demonstrating why businesses needed to become more agile and innovative.

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ANL: Yeah, and to add to that in Tryg, we were actually, you could say maybe a part of it was luck, but we were actually implementing a new claims system and the first thing that we have implemented then went live one year before the pandemic started was cancelation of travel, which was luck, you could say, and the Guidewire implementation was enabling us to change quickly so that we could actually handle all the claims with speed and agility, just with a few changes. We could actually handle the situation we were in.

That's exactly what we're aiming for. When we place replace our old legacy systems with new ones. We want systems that can bring us into the future and be, uh, quickly kind of changing to the world and the setting that we the situation that we are in. And that was a fantastic example on that that helped us a lot in Tryg.

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BH: So it feels like everything that can be insured is already covered. Where do you see future opportunities for growth in the industry? Let's start with Anne.

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ANL: Well, I don't think that, everything that can be insured is already covered. If we look at the 2020 strategy that just ran out in Tryg we had an ambition of making the cake bigger, as we said. You could say we had invented 56 new products that we have sold during that strategy period, three years strategy period. And we still have great ideas because the customer, they, kind of also like new suggestions to what they can actually be insured for.

During covid-19, we have had customers calling us with pandemic subjects that they want insurance for that have never even thought of ourselves.. And also, we gave away a cyber security insurance to our commercial, SMB segment because they were quite exposed during covid-19. And then we gave it away and suddenly they turned around and they wanted to buy it in an extension.

So we see that the situation keeps coming up with new, insurance products and new insurance services that we can add to our portfolio. So I don't think actually that it's already covered. There's a lot of opportunities out there still.

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BH: And Kevin, any last thoughts for you?

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KC: I think from a personal alliance perspective, I can see us going to more all in one type policies that are highly tailored and interactive. So in the same way as in my house, I have a digital reader on my wall that tells me how much electricity I'm consuming at any given point, I think we will have a premium version of that that is going to cover you know, when I go out to drive my car, if I go on holiday, if I run a bath, there'll be a series of sensors and things monitoring what I'm purchasing and the Internet of Things that is going to calculate my risk at any given point in the day. And I think those sorts of tools will be used to continually reduce the level of risk and offer the consumer a better premium.

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ANL: Yeah, we just launched, just to give an example of an insurance that I would never have thought of myself, but it's called Tryg Car Service and it's added, of course, to your car insurance. It's a monthly fee where the product offers access to a number of light car service, such as car wash and change of tires and seasonal car check-ups and all in one package. As you also mentioned, Kevin, it's kind of the convenience kind of thing. And then then you could say maybe in the future we won't sell that to the end customer. We might sell it to the car manufacturer or the distribution channel might change. But we still have all these services that we can kind of add to our products, we are, at least at Tryg, very focused on … to still kind of invent for the customer and package them into the customers' products. We also have a Tryg health app. So health is a big thing for us now and we can see a big, huge potential. We have actually made a product that, where you can buy, a service for your parents and then they can buy this insurance and they can get help at their homes and stuff like that. So you can add all these services and people are willing to buy them because it's convenient to have them together with your insurance product.

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KC: I think it's moving a lot more towards risk mitigation than just a straight premium. It's, as you say, is more of a service.

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ANL: Yeah, so prevention. Yeah, yeah. Yeah.

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KC: So if you look at cyber security and it's a huge emerging market, nobody wants to pay out a claim on cyber. So the role of the underwriter is very much to guide their insurers through the process of never, ever being caught and giving guidance to what happens if there's a breach to try and minimize the damage.

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ANL: Yeah, I agree with that. I think that we are moving into the cyber insurance space, but we are also very cautious on the underwriting on that because it can be a disaster, right. If you don't get it right.

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BH: And can you see there'll be a time when we'll have personal cyber insurance cover?

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ANL: Yeah, I can see that, we might have that. We have a light version of that for people that are getting harassed on the social media and stuff like that. And to expand that into that people actually break into your stuff and steal your identity and stuff like that. I can see that will be coming also. We tried a couple of years ago, but it didn't get traction. So I think it's also a matter of timing.

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BH: Well, that's been really fascinating. And thank you both for your time today. In part two we'll be asking Anne and Kevin about their careers, how they've led successful projects and any advice they have to share with us. Please remember to like this podcast and hit the subscribe button.