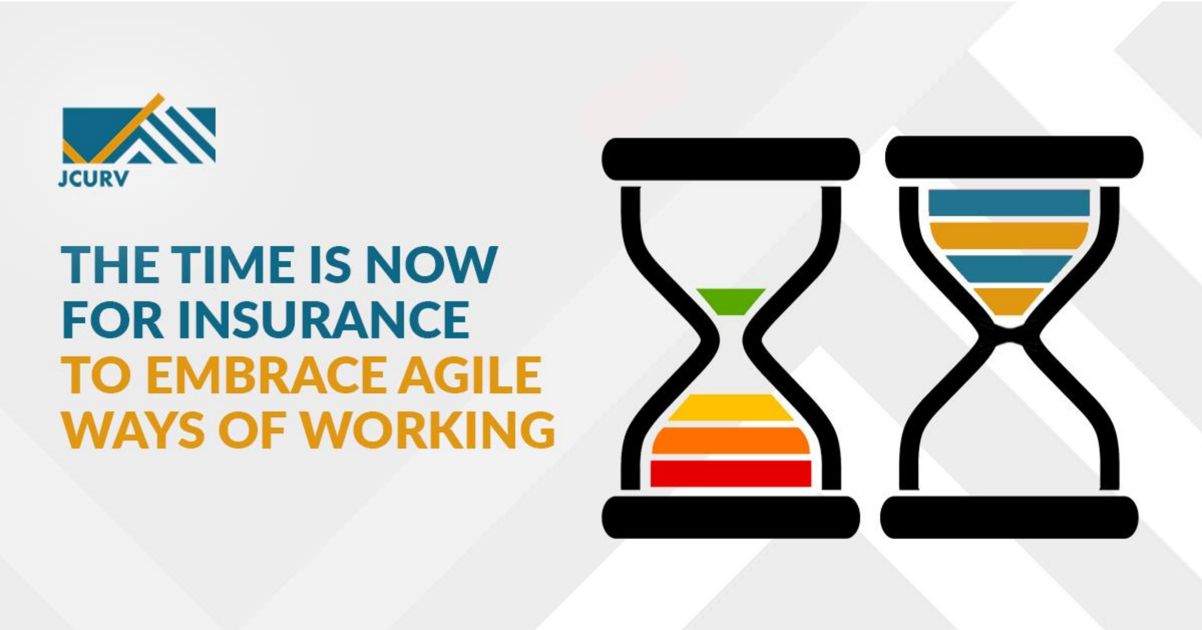
JCURV PERSPECTIVES

THE TIME IS NOW FOR INSURANCE TO EMBRACE AGILE WAYS OF WORKING



Agile ways of working have brought material benefits to many financial service organisations. Typically, they include up to a 70% faster time to market, a 40% improvement in productivity and a 30% improvement in colleague engagement scores. However, most enterprise-wide agile transformations within financial services have taken place in banking and the insurance industry is at least five years behind. The sector is missing a big opportunity, as our own experience of supporting several clients in the insurance industry demonstrates. So, why is there a reluctance to make this transition?

Challenges to agile working in insurance firms

Insurance companies still face many of the challenges that banks have started to resolve through agile transformations. They have huge legacy systems and entrenched processes in a heavily regulated industry. However, unlike banking, the insurance sector has been slow to embrace change in order to become more agile.

Saying that, there are exceptions. The competition in the home and motor space for general insurers has led some firms to start to embrace agile ways of working. For example, Aviva focused on developing agile champions across its organisation, as well as setting up a digital agile hub. While this resulted in some benefits in pockets of the organisation, this has led to a bi-polar business model rather than true enterprise-wide agility. Such examples are few and far between and, as with Aviva, typically only focus on digital or IT businesses rather than being enterprise-wide.

What insurers can learn from agile transformations in banking

In the UK banking sector over the last decade, there has been a lot of activity in delivering against some significant agile transformations. In 2012, Barclays started to introduce new agile ways of working and, by 2015, had over 800 teams adopting agile in the first year of a major agile transformation. By mid 2015, ING Group had

© 2019 JCURV

officially gone live as an agile organisation, operating more like a tech company than a bank, complete with tribes and squads, stand-ups and scrums, a hierarchical structure that was much flatter, and it was delivering award-winning customer-centric solutions. After completing an agile transformation, ING Group was awarded the Global Finance's Best Bank of the World award for 2018, largely due to its newly instilled ability to accelerate the time to market for new services and foster a wholly customer-centric mindset. Lloyds Banking Group is currently undergoing one of the largest agile transformations in Europe, investing £3bn over the next three years to transform the group (across all areas of the business, including audit, recruitment, training, data analytics, HR, risk, finance) for success in both a physical and digital world.

Why insurance has been slow to embrace agility

Compared to banks, insurance has generally operated in a sluggish growth environment, with a lack of market competition (up until now at least, and with the exception of motor and home insurance markets). This has caused it to operate in a cycle of underinvestment and cost-cutting rather than driving efficiency and growth.

This lack of competition and growth potential has meant that insurers have not had a burning platform to change their behaviour. They continue to operate in siloed organisations, with clear divisions between underwriting, actuarial, IT and sales functions. They are still very much organised under product-line structures, with the organisation built around risk and products. While seeing things from a risk and product perspective may help the insurer understand its risk portfolio, it can potentially push unwanted products and services to their customers as a result and fail to prioritise an understanding of things from a customer or service perspective.

The frequency of customer contact also has some bearing on the lack of customer-centric behaviour. In insurance, contact typically consists of the mundane annual renewal or the ad-hoc crisis claim situation, rather than day-to-day banking customer interactions. This can make it hard for the insurer to build up meaningful and consistent dialogue with the customer. This lack of customer perspective, as well as competition and growth potential, provide some explanation for the lack of the urgency to change in insurance up until now. However, in a faster moving world, customers are expecting more from the service providers they interact with.

Insurance is entering era of digital disruption and challenger brands

Insurance organisations now face increased competition, with the influx of dynamic new Insuretech players, such as Vitality in the health insurance market. These new players focus on being customer-centric and providing excellent service. Competition is also becoming more global, with insurers able to operate across international boundaries, removing the barrier of entry across different country markets. In addition, there is expected disruption and new competition to come from the giant tech firms such as Amazon and Google, as well manufacturers.

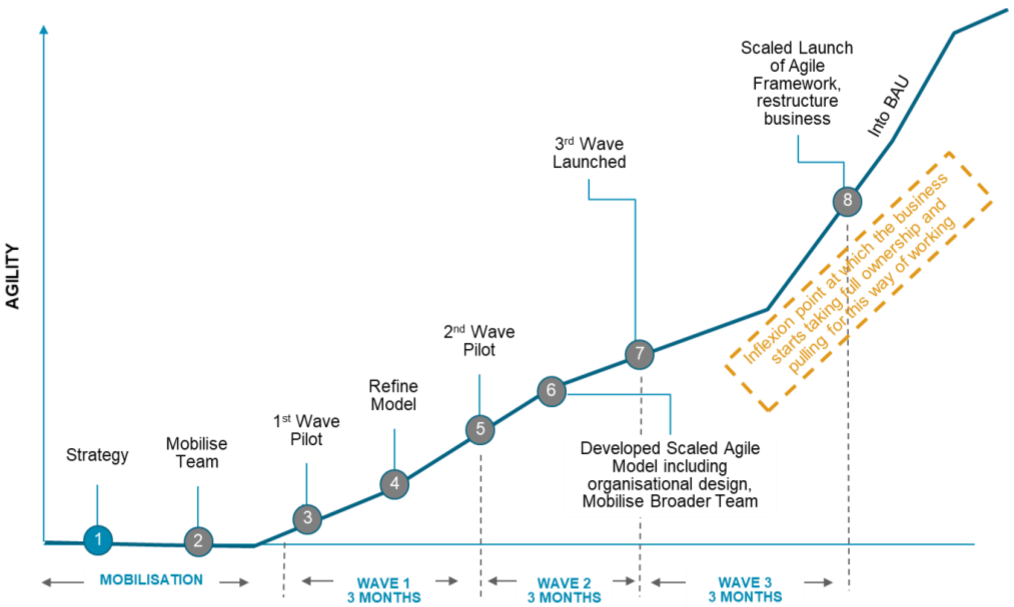
New technology, coupled with innovation, will provide more opportunities for new competitors, especially for smaller operators. They no longer need the infrastructure, specific expertise and scale of traditional insurers. The World Insurtech Report published by Capgemini and Efma, polled 140 traditional insurance and Insurtech executives across 33 global markets. Most respondents believe Insurtechs will be a major catalyst for redefining the customer experience, delivering widespread efficiencies and creating new business models. This comes in the wake of an Insurtech sector that saw investment increase at a compound annual growth rate of 36.5% between 2014 and 2017

As well as new competition, customers are also becoming more tech-savvy, informed and demanding. According to a report by McKinsey, when it comes to dealing with insurers, customers expect the following: service simplicity; 24-hour access across every channel; to be able to quickly find relevant information, particularly in relation to policy details and premiums; and innovative services tailored to the digital age.

This becomes a worrying trend when, according to research by LexisNexis Risk Solutions, 79% of personal lines insurers consider themselves digitally confident, yet only 4% claim that their business offering is completely or nearly digitised. Faced with these headwinds, the insurance industry needs to change. JCURV believes that these organisations can quickly start to deliver more quickly and more efficiently with a true customer focus through an enterprise-wide agile transformation. Key to successfully implementing this strategy include:

- **Buy-in and role-model from the top**
  Start with the leadership to create a clear and safe environment for the teams to be able operate in a truly agile way, allowing an empowered team to test and learn.

- **Test agile first**
  Experiment with this new way of working through pilot agile teams focused on key strategic business imperatives that are focused on business outcomes. Our experience has shown that it is critical to experiment with a few teams before scaling, to understand how an organisation's version of "agile" might work – each organisation is unique. The figure below demonstrates how this would work.



- **Set up cross-functional teams**
  Depending on the problem you are solving, consider the skills you might need. For example, would the team benefit from a mixture of underwriters, pricing analysts, actuaries, risk or IT?

- **Achieve agile at scale**
  Once agile ways of working have been tested and refined, an organisation can consider how to re-engineer it into value streams (typically based around the customer journey) and continue scaling throughout the business.

As we have already seen in the banking sector, agility will improve productivity, employee engagement (leading to talent retention), customer centricity and time to market. It also helps support the industry regulator's requirements, as a combination of greater transparency and customer focus supports their ambitions.

Tangible benefits of agile for insurance businesses
Our direct experience of supporting several insurance clients introduce agile ways of working was in response to our clients' frustrations of overbudget, late and failed delivery projects, and their IT and business teams working in silos with solutions not meeting end-user requirements. For example, at the existing speed of delivery, it would have taken one client a further 20 people years to deliver a new pricing platform even though they had already spent £15m per annum. By partnering up with leadership teams to establish a cross-functional delivery team and introducing agile ways of working, we have seen some of the following benefits:

- Project build timelines reduced by 75%
- Quote times for pricing reduced by over 80%
- Ability to write 20% more business through an updated pricing platform
- Proven success of creating cross-functional teams of analysts, underwriters, actuaries and developers.

The time is now for insurers to embrace agile

As stated at the start of this article, we believe insurers are at least five years behind the banking sector. For traditional insurers to survive in this increasingly competitive and customer-driven marketplace, there is a clear "call to action" to move towards becoming more agile. Insurance businesses need to embrace this need for change and undergo a similar agile transformation to banks if they are to survive in today's fast-paced financial services marketplace.

Learn more about how to increase UK agility in our recent article:
https://www.linkedin.com/pulse/how-increase-agility-productivity-uk-vikram-jain/.

JCURV is a London-based management consultancy working with FTSE 100 organisations, with a mission to increase the agility of the UK.

© 2019 JCURV