



# Winning with managed services in the age of InsurTech

Five steps to success

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JUL 20, 2017 | BY MANISH KHETAN and AMIT TIWARI

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*Other industries are pushing insurance to innovate through increased personalization, better access to products and information, and improved self-service opportunities. (Photo: iStock)*

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In today's business ecosystem, it's an understatement to say there are many drivers of change in the insurance industry.

Blame it on the 'next Industrial Revolution,' which is sometimes referred to as the **fourth Industrial Revolution**, or 4IR. It threatens to change the traditional power structure and hierarchy in the insurance industry through the democratization of data, the rise of automation, and the use of intelligent machines. Point the finger at the speed and ability of other industries to adopt emerging technologies that allow for increased personalization, better access to products and information, and improved self-service opportunities.

Or, point to **the rise of InsurTech**.

Regardless of the reason, and comparisons to other industries aside, there is now widespread acknowledgement that insurers are under a frontal assault, which demands change and evolution. This assault is forcing rapid reassessment of current business practices, reviews into new sources of expertise, and the reality that a hefty portion of transactional control must be relinquished to the all-important policyholder.

Amid this fast-moving data and technology environment, insurers are searching for successful engagement models that will enable differentiation from the competition. It's a model and level of agility not conducive to antiquated business models. And it requires transformation into more customer-centric workflows, along with digital enablement and automation of outdated processes and workflows.

In this fluid environment, once-maligned service providers are **enjoying a renaissance as agents of change and innovation**. The most visionary and successful among service providers have evolved to become managed services partners, recognized for their industry-focused expertise to help insurers address challenges and opportunities in insurance operations and IT. Today, managed services providers can tailor and deliver a strategic approach or "DATA" model (Differentiation, Agility, Transformation and Automation) for insurers determined to advance and win in the age of InsurTech.

## Differentiation

Once based solely on price, successful competitive differentiation in today's insurance industry is comprised of multiple and complex elements. Price certainly remains a contributing factor. But insurers must now also find ways to implement emerging technologies, build a culture of innovation, and improve processes, workflows and results.

Managed services partners provide an easy mechanism for bridging the widening skills gap, while also enabling a discrete environment where insurers can test emerging technologies against products and processes without necessarily impacting downstream results. The tricky part, and where the appropriate, skillful partner can help, is for each insurer to determine the right mix of inputs based on strategic goals.



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## Agility

**Traditional insurance business models and distribution channels** are constantly being challenged in the age of InsurTech. New entrants into the market are forcing incumbents to consider agility and adaptation in terms of modified business models, hybrid operating stances and fast revisions to standard processes. Hybrid business models offer startup InsurTech market entrants a level of flexibility that traditional or incumbent insurers may not have enjoyed in the past. Some managing general agency (MGA) business models are an example of agile adaptation in the InsurTech landscape.

In extreme cases, and in an effort to compete better, many well-established insurers are setting up greenfield subsidiaries with the mission to leverage InsurTech's agility. Instead of modifying legacy technology and existing product portfolios, the greenfield approach attempts to incorporate clear customer preferences for digital enablement, including on-demand service and choices in transactional relationships, including billing and payment methods.

Within such new or evolving organizations, business-focused managed services partners can productively supplement the internal resources or act as a knowledgeable surrogate resource, providing knowledgeable talent without the need for extensive investment or training. Industry-focused partners can also support growth and scalability without insurers having to repurpose existing project teams at the expense of other strategic priorities and projects.

## Transformation

The insurance industry has long viewed the customer as an attribute of the policy, while other industries have worked quickly and intentionally to place the customer at the center of all business processes. This dichotomy is rapidly changing in the insurance ecosystem. True customer centricity must be achieved for a marked improvement in the perceptions of the industry and consumer relationships with insurers. Indeed, the global insurance industry is taking steps to strengthen customer analytics and digital customer service, with many companies developing virtual agents and chatbots to provide more immediate and informed customer service at the point-of-sale.

Nevertheless, many insurers continue to struggle with the task of modernizing technology and processes to enable more personalization, self-service and transparency; as well as to transform traditional thinking across the enterprise around customer centricity. Managed services partners can take some of the burden of core processing off the shoulders of insurers, and they can bring expertise and focus on speed-to-market for new business, new products, and new service paradigms. As a welcome consequence, insurers may well achieve reductions in operating costs, which could be passed along to policyholders to boost competitive differentiation.

## Automation

For years, insurers have been applying patches to legacy systems, and tending to technology modernization as an ad hoc priority. Traditional approaches to modernization, including projects that would require a large-scale rip and replace — typified by core policy or claims administration platforms — have been approached cautiously by risk-averse insurers. And, for good reason. There is an understandable anxiety in being too far tilted toward the “bleeding edge” of adopting emerging technologies. But, InsurTech and the momentum in adjacent industries are pushing automation, and especially intelligent technology, into every facet of business.

Insurers are taking cautious steps towards introducing emerging technologies — including telematics, robotic process automation (RPA), augmented reality, machine learning, blockchain, IoT and drones (TRAMBID). There are many signs of measurable impact and productivity. However, multiple factors, including pressurized budgets, data strategy, maintenance constraints, integration with existing systems, and good old-fashioned risk aversion often conspire to hold the industry back.

## Going forward

Managed services partners can provide insurers a measured gateway to modernization, incorporating talent and expertise, not only with new technologies, but also with best practices, processes, and regulatory considerations. As such partnerships evolve, insurers have the low-risk option to decide if and when to accelerate or decelerate the engagement, depending on prevailing outcomes and priorities.

The traditional brick-and-mortar business mentality is fast evolving, and insurers are beginning to acknowledge and embrace the value of modified business models, technologies, distribution channels and strategic partners. One way to further uncover and enable the paybacks of InsurTech is to engage in the managed services partnership model. Once thought of merely as “outsourcers” for cost-arbitrage of mundane processing tasks, modern, insurance-savvy managed services providers are today’s strategic partners, helping progressive insurers to accelerate differentiation, agility, transformation and automation in serving the business conditions and policyholders of the InsurTech era.

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