



## VIEWPOINTS ON INSURTECH AND SERVICE PROVIDER MODELS

Q&A

*A member of the Xceedance board of directors shares insights on the re/insurance industry's workforce, the proliferation of insurtech, and partnerships with service providers.*



**JOHN BEGLEY**

John Begley was appointed to the Xceedance board of directors in January 2017. He previously worked at Aon UK Ltd for 13 years in a variety of roles, notably Chief Operating Officer – Global Broking Centre and Director, Operational Excellence, EMEA. Prior to joining Aon, John worked for BAA (UK airport's operator including Heathrow and Gatwick) as Group Financial Controller. He also worked at Royal Mail (UK Post Office), with responsibilities for shared services and the implementation of SAP. John is a qualified accountant with an MBA from the Manchester Business School.

**Q The pressure of finding and replenishing talent in the global insurance industry is well documented. Can some talent depletion be alleviated through the thoughtful implementation of intelligent technologies — for fresh and fast momentum in both market-facing and operational priorities?**

This issue speaks to ambition. At a strategic level, the implementation of intelligent technologies should underpin an operating model that has already addressed key service delivery mechanisms, including the availability of talent and skills.

For example, the servicing of higher volume transactions would always benefit from intelligent technologies. At a more tactical level, the same technologies can help alleviate staff shortages or peak seasonal workloads. Both strategic and tactical deployments will bring benefits, and I would hope to see an appropriate balance of both in most organisations.

**Q What are some compelling examples of technology advantageously complementing or backfilling for people in critical insurance functions?**

Claims processing is one key area where timely and consistent interactions with clients can have major financial benefits, as well as delivering higher client satisfaction and improved regulatory compliance from treating customers fairly. Higher volume claims such as personal accident can produce backlogs. Seasonal claims such as travel insurance can produce peak workloads. Such cases are not always fully addressed by staffing levels that are randomly impacted by skills availability, attrition, hiring freezes, available office space, sickness and holidays to name but a few. Re/insurers should be looking to work with technology partners — in the same way that HR teams work with recruitment agencies — to manage the risk, share the workload, and harness the benefits of smart people-management in conjunction with technology.

**Q In the next 5-10 years, the re/insurance industry is expected to witness widespread proliferation of technology-centric jobs. Which are the core functions most likely to see greater penetration of digital technologies?**

Digital technologies, particularly Blockchain, will make significant inroads in traditional re/insurer support functions, such as finance, human resources, and procurement. And when robots can perform better than highly trained surgeons in complex surgical procedures, the sky really is the limit and we will see similar role transformations in the insurance industry. Xceedance is already engaged with clients on exposure management and catastrophe modelling services. This area is a good example of digital technologies proving their worth and extending their reach. Those technologies will also inevitably grow in previous “no-go” areas such as client contact, claims management, and customer service. Especially for larger clients, the traditional re/insurance industry, still largely operates on a traditional weekday, 9 to 5 support model and that is not sustainable in today’s

24/7 global business environment. In a marketplace where digital technologies make re/insurers more accessible to their clients, overcome language barriers and time zone differences, and address foreign currency and regulatory/disclosure challenges, there will be big winners and unfortunately, some losers.

**Q In the era of intelligent technology, is traditional outsourcing still a viable growth model for re/insurers?**

This question requires both a yes and no answer. No, it is not a viable model if outsourcing is seen as a purely labour arbitrage play, underpinned by a typical 7-10 year and possibly fixed-price contract. The world is changing way too fast for such long-term contracts, and I firmly believe outsourcing has much more to offer than just cost saving. On the other hand, yes it can be viable, if a more flexible partnership arrangement is put in place that leverages the much wider and deeper skills and domain knowledge available in the market place today. In essence, success of the model can often be determined by ambition of the parties involved.

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**Q If the value of BPO is declining, what support options do re/insurers have to ensure they are not left behind?**

Support that covers strategy, project implementation, and day to day operations can readily be found from partners who have acquired a wide range of knowledge and skills in recent years. For example, re/insurers looking for help with process automation or “robotics” can now tap into the knowledge of their key partners rather having to develop those skills in-house. I would see Xceedance as being ideally placed to help re/insurers in this area.

**Q What is your definition of insurtech and are insurtech providers bringing real value to core insurance operations?**

In my view, re/insurers have been trying to manage their end-to-end supply chain for far too long — including some elements where they do not necessarily have the core skills, expertise, or focus to deliver the seamless service demanded by clients. The whole industry has rightly valued longevity and tradition as part of a risk-averse culture. Against that backdrop, insurtech is looking to reinvent a supply chain, either in part or in full, for the benefit of both the policyholder and the re/insurer. But from a critical and innovative standpoint, the insurtech effort is not yet well-connected to organisational norms. In fact, in many ways, insurtech’s mission is to be disruptive. To an extent, re/insurers can fulfil that role themselves, but the risk is that the journey of innovation and positive disruption may take longer, cost more, and only solve the visible problems of today rather than seize the opportunities of tomorrow.

**Q How do you see the current age of insurtech evolving? For example, would it be fair to say “blended” offerings containing both strategic technology components and expert services is a manifestation of “insurtech plus” — providing rapid end-to-end/in-a-box/on-demand capabilities to re/insurers?**

Insurtech is still very much in its infancy, not all of it is good, and there will be the inevitable shake-out, bail-out, and fall-out stage where some prosper and grow while others fall by the wayside. Having multiple partners in this space may be difficult to manage, so working with a smaller number of trusted partners with proven track records would be a good starting point. “Insurtech plus” with expert services should then become a natural by-product of a successful and growing relationship.

**Q What guidance would you offer to re/insurers looking to introduce and adopt “insurtech plus” (i.e. expert services) in their operations?**

First, be very clear about the organisation’s core skills for which the client is actually paying. For example, let’s think about claims again where policyholders

select re/insurers more on their financial strength to pay claims rather than their ability to process claims. Equally they value re/insurers for the perceived value of the total premium charged rather than their ability to process the payment of that premium. When re/insurers critically review their operating models and supply chains, there are always elements that they don’t do well, where policyholders or regulators aren’t happy, and others can clearly do it better. Insurtech and other partners are already helping drive real and sustainable improvements to the “weak links” in those supply chains. For example, there can be no doubt that blockchain technologies such as [ChainThat Insurance Blockchain Framework](#) will solve the perpetual client money/unallocated cash conundrum for early adopters leaving laggards to explain their relative poor performance to the regulator. At the same time, insurtech partners are sharing the risk and freeing up both re/insurer capital and scarce resources to focus on the core skills most valued by their clients.

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**Q Should re/insurers be cautious and deliberate in adopting process automation, including AI and robotics?**

Absolutely, first-mover advantage can be a double-edged sword and we should all be wary of repeating the same mistakes of the dot.com boom (and bust). As a first step, I would recommend finding a flexible and nimble partner who can share some of the risk, based on their own expertise in intelligent technologies. That said, most organisations know their real weak spots based on policyholder satisfaction, employee surveys and/or regulatory/audit feedback. With those metrics in hand, they should be ambitious rather than cautious as to the scale of improvement that is both achievable and required.

**Q What steps can re/insurers take to set the stage for success in adopting intelligent technologies?**

There are still way too many archaic paper processes and legacy systems in the insurance industry. Those must be updated, retired, or rebuilt from a customer service perspective, before embarking on any process automation journey. Having a skilled and trusted partner like Xceedance can significantly reduce the inevitable risk that journey entails. In parallel, some good old-fashioned project management continues to be a critical success factor and should not be ignored simply because disruptive, leading-edge technology is being deployed.

**Q Will the adoption of modern technology and process automation also enable strategic business transformation and top-line growth? Or will technology contribute more to the imperatives of cutting operational costs?**

This question comes back to the issue of ambition. Deploying all the current digital technologies simply to reduce cost may well be insufficient to maintain market share or customer loyalty in today's competitive markets. In my view, the starting point of the journey must focus on the organisation's operating model and customer segmentation. The relevant digital technologies coupled with clear HR and other strategies should then be leveraged to increase product differentiation, client satisfaction, and market share — all of which should help drive revenue growth relative to key competitors. Anything less will materially reduce the potential ROI. Above all, remember that digitisation is not a strategy, but it can be a very powerful enabler of a strategy.

**Q How would you describe Xceedance to the global insurance industry?**

As a relatively new entrant to the insurance industry, I would describe Xceedance as a flexible and nimble consulting partner with a proven track record across multiple insurance organisations and geographies. Xceedance excels in driving real improvements in policyholder, product, operational, and support functions.

**Q What is unique about the value proposition(s) of Xceedance for re/insurers?**

The Xceedance story is unique. Rather than initially acquiring several smaller clients and then growing from that baseline, the Xceedance journey started with a partnership with one of the most respected players in the market which was then quickly followed by engagements with a number of other "blue-chip" industry leaders. I am a big fan of learning from, and growing with, the best in the market and that ethos extends from commerce to other walks of life such as sporting achievement.

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**Q From your experience, what factors are most important in determining the success of a partnership between re/insurers and a strategic consultancy such as Xceedance?**

First, any partner must bring to the table deep industry knowledge, skills, experience, fact-based insights, and other perspectives that are valued by the insurance organization. I believe Xceedance has demonstrated those capabilities to multiple clients across industries and across geographies. However, even an abundance of skill is of limited value to the client unless the partner and all of its staff can gain trust and respect by being open and honest. In my opinion, this combination of domain expertise, skills, trust, and respect is the defining value proposition that Xceedance can deliver to its clients.



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