All Aboard for Modernisation:

Next Stop Underwriting

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We help clients achieve operational excellence and improved returns through a combination of proven industry models, technology expertise and market insight.

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Foreword

The insurance industry is on the verge of the next phase of modernisation, with underwriting at the heart of this evolution. Traditionally a paper first, manually intensive process, underwriting has long struggled with inefficiencies across the insurance lifecycle. With underwriters estimated to spend 50-70% of their time on manual and multiple system data entry[1], document review and data collection, rather than core risk analysis, there is a clear opportunity to improve the beating heart of the insurance business.

The insurance risk landscape remains an ever-changing environment. Survival to remain competitive and relevant to customers takes several forms, but 'adaptability' is a core characteristic insurers are shifting to. Retail insurance business lines continue to pivot towards digitalisation to modernising underwriting. Advanced technologies such as machine learning and predictive analytics, are now essential for managing complex risk portfolios, improving pricing accuracy and enabling faster policy issuance. Ever increasing connectivity is enabling firms to improve their product offering; from monitoring driving behaviours, occupancy rates in homes, to health diagnostic and fitness tracking. All enabling a more accurate and personalised understanding of an individual's risk profile.

Automation and AI will play a crucial role in improving efficiency across the underwriting value chain. Modern underwriting platforms are beginning to solve the industry's data silo problem, consolidating fragmented information to streamline workflows and boost decision-making speed, meaning underwriters can utilise their core skills for the job at hand.

This whitepaper will explore how modern underwriting practices across the insurance market can address the challenges of the future, offering practical insights on leveraging technology, understanding core capabilities and building new processes, to not only enhance operational efficiency but also deliver more accurate, tailored risk solutions in an increasingly complex risk environment.

Mark Andrews
Insurance Director

[1] https://insuranceblog.accenture.com/why-underwriters-dont-underwrite-much

Introduction: Unique challenges of transforming the Insurance industry

The term Transformation has become so overused in insurance that it has almost entered the realms of cliché.

Everything, from a new system implementation to the addition of an app to the claims process, has been held up as an example of digital transformation, but more often than not, what has actually taken place is a tweak to an existing process, the digitisation of one aspect of one process in one business unit. This starts to explain why so many transformation programmes in insurance have ultimately disappointed – both the industry and its customers. This disappointment is not unique to insurance with various surveys indicating that 70-80% of digital transformation projects fail[2]; nor is it unique to underwriting. Delivering transformative change is far from easy and as we argued in A playbook for transformational change: "Change requires a broad set of resources, a team that is committed to the principle of modernisation, and skill in enacting change processes"[3].

The absence of these fundamentals is only part of the issue. Transformation programmes are failing, that much is clear, but why that might be is far less obvious.

Why is insurance still trying to transform?

Although definitive figures are hard to come by, it is estimated that collectively, the UK insurance sector has invested in excess of £15bn in digital transformation programmes over the last ten years[4]. Despite that huge level of investment, a recent survey found that only 20% of companies achieved more than 75% of the revenue gains they had anticipated. Despite the expectation that digital transformation would result in significant cost savings, only 17% of businesses achieved more than 75% of expected savings[5].

The key question is why? Some argue that the transformational approach simply hasn't been given enough time to bed in, but the Altus view is that these projects can only take a business so far while underlying process issues remain unaddressed.

The tried and tested methods aren't working and so a new track has to be laid, one that has modernisation as its next stop. To truly deliver change, organisations must focus upon modernising their operations incrementally, taking one thoughtful step at a time, in a process of ongoing continuous improvement.

[2] https://www.forbes.com/sites/forbesbooksauthors/2023/12/11/success-in-digital-transformation-when-to-call-time-out/
[3] https://www.altus.co.uk/insights/a-playbook-for-transformational-change/
[4] https://www.dnb.co.uk/perspectives/industry-insights/insurance-digital-transformation-trends.html
[5] https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/three-new-mandates-for-capturing-a-digital-transformations-full-value

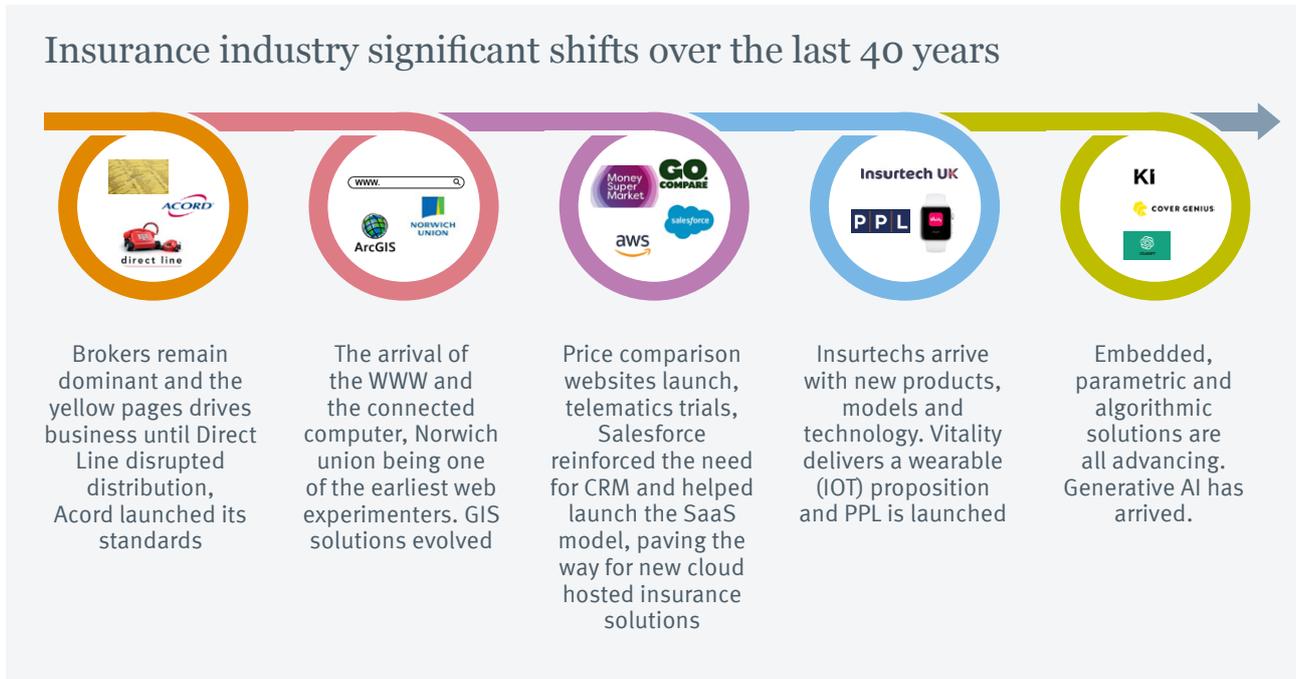# Introduction: Unique challenges of transforming the Insurance industry (cont.)

Insurance industry significant shifts over the last 40 years

| Brokers remain dominant and the yellow pages drives business until Direct Line disrupted distribution, Acord launched its standards | The arrival of the WWW and the connected computer, Norwich union being one of the earliest web experimenters. GIS solutions evolved | Price comparison websites launch, telematics trials, Salesforce reinforced the need for CRM and helped launch the SaaS model, paving the way for new cloud hosted insurance solutions | Insurtechs arrive with new products, models and technology. Vitality delivers a wearable (IOT) proposition and PPL is launched | Embedded, parametric and algorithmic solutions are all advancing. Generative AI has arrived. |

Figure 0.1: Insurance shifts over time

The chilling effect of outdated operating models

Over the last 40 years, insurance has shown it has the capability to transform but it remains at best a hybrid between manual and digital processes. It has adapted and evolved in discrete areas but wholesale modernisation remains elusive. The technology is available, the ability to implement it exists and the budgets are clearly there. So why haven't we seen more fundamental change?

At Altus, we believe transformation has failed because the technology is being used to update individual systems or products while ignoring the wider business architecture. Old processes and thinking resist, rather than support modernisation and have a chilling effect on the productivity of technology. When expectations are managed poorly, and so much digital investment has been made for so little return, the enterprise-wide enthusiasm required to make these programmes work just doesn't exist.

Rather than trying to transform in one huge, disruptive move, businesses will realise a far better return on their investment if they break their operations down into their constituent parts. Only then is it possible to understand how well (or otherwise) information flows back and forth across the organisation and externally. The best way to get a clear picture of this is to get down into the weeds of an organisation, down into the operating model and processes that dictate all activity.

Transformation vs Modernisation

Altus has been advocating for this model for many years. Our 2017 white paper "The Insurtech journey… are we there yet?"[6], highlighted that the travel industry had completed its own transformation within a 10-year window, on both the distribution and product side of operations. Sadly, it would seem that five years on, the insurance industry still hasn't managed to emulate that.

A transformation founded purely on technological changes can provide all the necessary tools to become a modern underwriter but without modernised processes, the effectiveness of those tools is necessarily blunted.

Transformation is often painful for the organisation. Modernisation is almost always empowering.

Before exploring what modernisation means for insurance, it's important to understand how it differs from transformation.

A transformation founded purely on technological changes can provide all the necessary tools to become a modern underwriter but without modernised processes, the effectiveness of those tools is necessarily blunted. That's why at Altus we believe that any modernisation programme should start with the process, and process always starts with purpose.
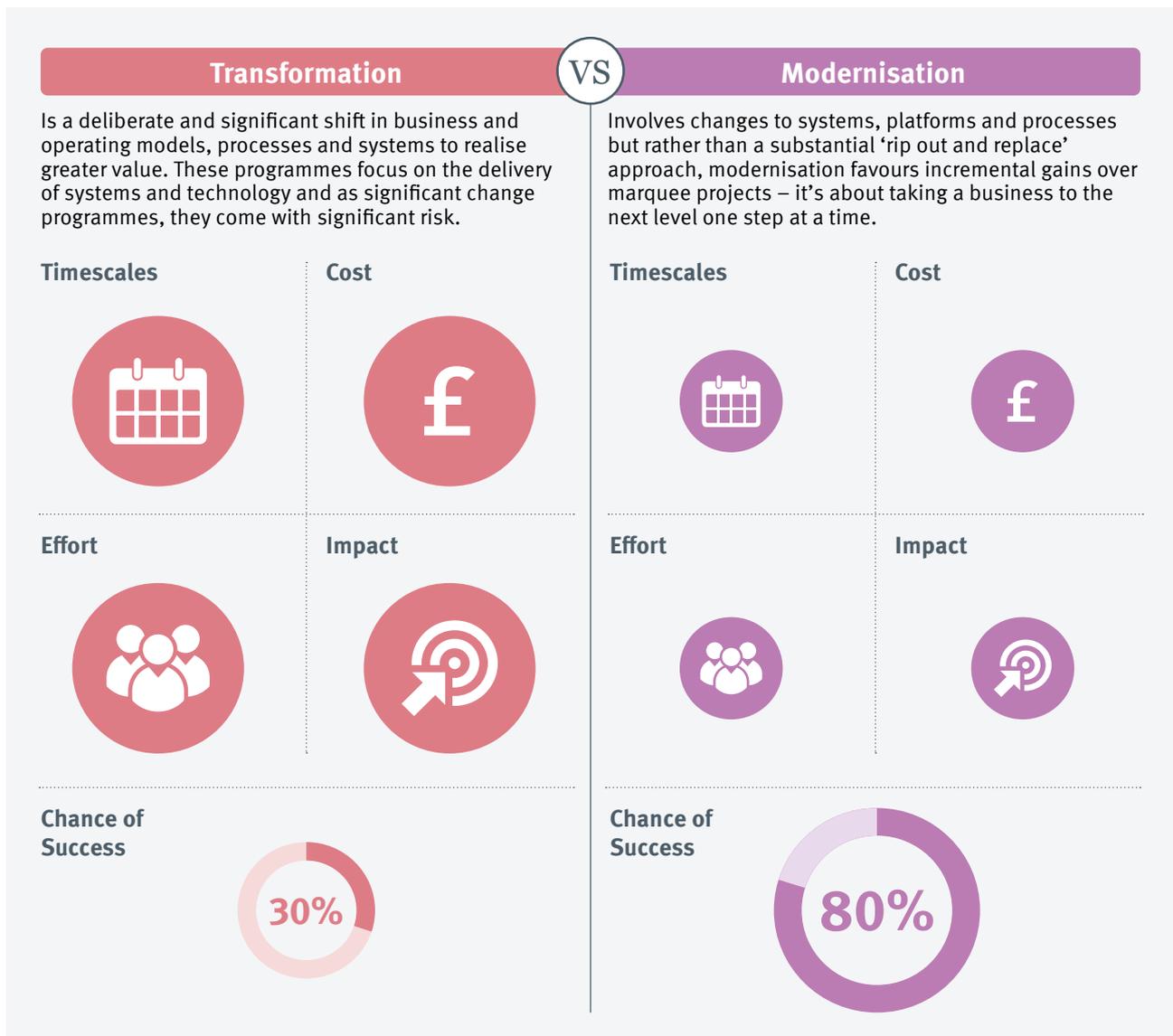
Transformation	VS	Modernisation
Is a deliberate and significant shift in business and operating models, processes and systems to realise greater value. These programmes focus on the delivery of systems and technology and as significant change programmes, they come with significant risk.		Involves changes to systems, platforms and processes but rather than a substantial 'rip out and replace' approach, modernisation favours incremental gains over marquee projects – it's about taking a business to the next level one step at a time.

Timescales	Cost	Timescales	Cost

Effort	Impact	Effort	Impact

Chance of Success 30%

Chance of Success 80%

Figure 0.2: Transformation vs Modernisation comparison

Evolution of Underwriting

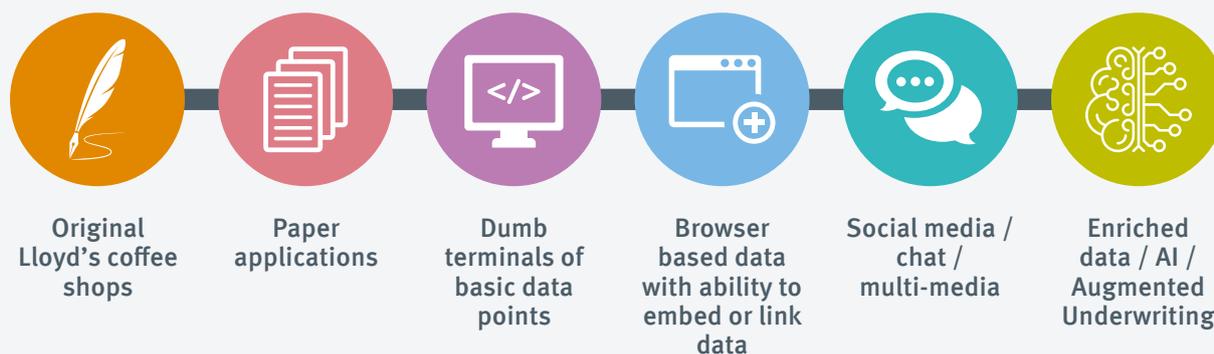| Original Lloyd's coffee shops | Paper applications | Dumb terminals of basic data points | Browser based data with ability to embed or link data | Social media / chat / multi-media | Enriched data / AI / Augmented Underwriting |

Figure 0.3: Evolution of underwriting

The core purpose of any insurance business is to underwrite risk, and without an effective underwriting function, the financials of the business become very vulnerable. With much of the insurance industry operating on fine margins, every single bit of underwriting efficiency and insight secured counts.

Even if an insurer could create as seamless a process as Amazon, or customer satisfaction levels comparable to Apple[7], outdated underwriting processes will continually fight against this modernisation, delivering sub-par underwriting results. Recent research estimates that 70% of digital transformations fall short of their objectives. In contrast, businesses that invested in modernisation, productivity improvements, and better customer experiences-true digital transformation outcomes – outperformed their peers by achieving 1.8x times higher earnings growth[8].

From conversations and contracts written up in Lloyd's coffee house, through to the arrival of dumb data terminals and on to the data-rich world we enjoy today, the way in which insurance ingests information has changed over time, and so too has its purpose.

In a previous whitepaper – Service disruption: next stop claims[9] – Altus dug deep into how the claims function and claims supply chain could be improved. In that, we highlighted the need for system thinking as well as process thinking: "While technology plays the key role, it cannot operate effectively in isolation. Technology must be the enabler, supporting and supported by well-designed, human-driven and led processes".

Modernisation begins with underwriting

The need to change track to reach modernisation is more urgent than ever with the 'high speed rail' effect of businesses scrambling to use Generative AI. The technology is sound, and a wide range of applications have been found, but many businesses will suffer from their lack of real transformative thinking. The lack of disruptive operational and technological design means they simply won't get the return that their investment in Generative AI deserves.

The need for a modernisation approach is most urgent in the underwriting function. It is the foundation of every insurance company and as such, should be the ground zero of all modernisation plans. Its role is heavily impacted by adopting technological advancements and shifts in business models and appetite. True modernisation will offer more effective, efficient risk selection and pricing, the ability to manage greater volumes of submissions and it will finally remove the weight of manual processes that dull underwriting effectiveness.

The success of any insurer is more dependent upon the risks it selects than the investments it makes or claims it pays out. Modernisation starts with underwriting but must be repeated across the whole business estate to realise the full benefits of the investment. It is only then that the true transformation of insurance will take place.

> "The insurance industry and underwriting in particular are great candidates for modernisation. Insurance is, culturally speaking, more conservative than many other sectors, and there can often be resistance to wholesale change. Which is why an incremental, methodical approach to modernisation offers the greatest chance of digital success to the insurance sector."
>
> **Mark Andrews**
> Altus Consulting

[7] https://www.digitalinformationworld.com/2023/05/apple-achieves-81-customer-satisfaction.html
[8] https://www.bcg.com/publications/2020/increasing-odds-of-success-in-digital-transformation
[9] https://www.altus.co.uk/insights/whitepaper-service-disruption-next-stop-for-claims-2/

Chapter 1: Underwriting doesn't need to transform, it needs to be optimised

The underwriting function has always evolved to respond to the changing risk landscape. Historically, these demands have been met by taking a rear-view mirror approach to predicting risk and using multiple, manual data points to form an underwriting opinion.

While historically successful, this approach simply cannot meet the client expectations of today or manage the dynamic nature of emerging risks. What is required is an approach that provides far greater access to data and relevant risk attributes in real time, but this requires a shift in attitude and approach at a personal and organisational level.

That shift, we believe, starts with underwriting but focusing all attentions here will not deliver a transformational result. It may be the engine of the business, but as in a train, that engine is useless without the cab to house it, the rails to run it on and a final destination to reach.
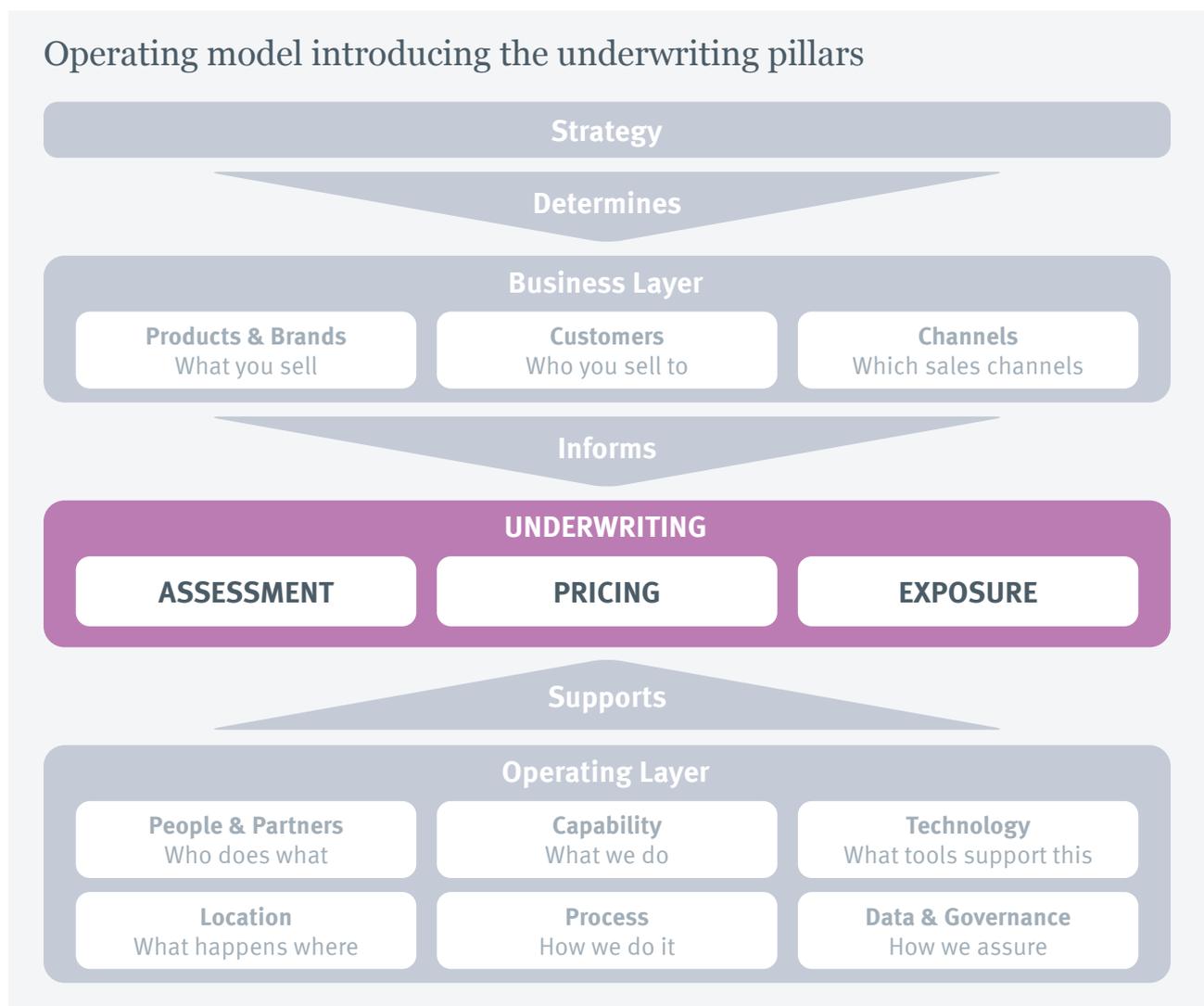
Operating model introducing the underwriting pillars

Strategy

Determines

Business Layer

Products & Brands	Customers	Channels
What you sell	Who you sell to	Which sales channels

Informs

UNDERWRITING

ASSESSMENT	PRICING	EXPOSURE

Supports

Operating Layer

People & Partners	Capability	Technology
Who does what	What we do	What tools support this
Location	**Process**	**Data & Governance**
What happens where	How we do it	How we assure

Figure 1.1: Altus Consulting Operating Model Framework

Chapter 1: Underwriting doesn't need to transform, it needs to be optimised (cont.)

Unlike a transformation project, modernisation doesn't require a business to optimise every element at once. Instead, it encourages a mindset of continual, incremental improvement, constantly moving the business forward, providing a flexibility that enables natural adaptability to changing conditions. Crucially though, before the modernisation process can begin, an element of transformation must be undertaken – the integration of modern software systems.

To truly optimise, every part of the business must be brought into scope. Whilst we encourage starting with underwriting, we must not ignore the other key capabilities – product development, distribution, claims management, policy administration, risk and compliance, finance and IT.

Modernisation transforms the underwriting process

The three pillars of underwriting – risk assessment, pricing and exposure (policy terms) – remain unchanged at the modern insurer. However, the overall assessment of that risk is much broader, supported by hundreds of data points for any one risk, requiring a greater level of systems support than we currently see.

Today, the way in which those pillars support the process is radically different. Traditional underwriting waits for the risk data to be submitted before being assessed and priced by the underwriter, requiring a significant amount of human input, and bringing significant potential for human error. In the modern insurer, the underwriter is pre- armed with relevant risk data rendering the submission itself more of a truth checker than fact gatherer.

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Transformation programmes have provided a glimpse of what this future might look like in practice with AI, data analytics, automation and cloud computing all significantly enhancing the speed, accuracy, and efficiency of underwriting. The journey towards algorithmic underwriting by default has begun but crucially, in the Altus vision of the future, humans are still firmly embedded into the underwriting process.

While technology – and AI in particular – has assumed an increasingly important role in underwriting, modernisation won't see humans relinquishing the underwriting pen to machines. In the modern insurer, technology and humans work hand in hand, picking up and laying off tasks back and forth, optimising processes as they go.

Making the most of the underwriting workbench

The benefits of these tools are undeniable. Embedding machine learning and automated underwriting into business processes has allowed some organisations to improve their process efficiency by 30%[10]. This is certainly true for Vitality where 70% of applications are now automated and underwriting in many other insurers is heading in a similar direction[11].

One of the more recent promises to transform insurer processes comes in the form of the underwriting workbench, and it perfectly illustrates the challenges of a transformational approach. Designed to streamline and enhance the underwriting process, the workbench seeks to bring underwriting into the modern age; but even here, outdated processes and systems are limiting its impact.

By stripping operations back to the bare bones of process, organisations can start to modernise in a more deliberate way and, whilst doing so, maximise the investment made in existing and future technology.

[10] https://www.mckinsey.com/capabilities/operations/our-insights/operationalizing-machine-learning-in-processes#/
[11] https://healthcareandprotection.com/ai-is-transforming-underwriting-but-advisers-still-see-long-customer-journeys-analysis/

Restrictions in modern underwriting

That deliberate approach begins with understanding why current underwriting processes resist, rather than assist, modernisation efforts. The number one factor is a lack of high quality, accessible data but even with the largest and deepest data lake in the world, outdated systems and processes make it impossible to access and use it to its full potential.

Which is why, to avoid a repeat of the transformation failure, it is vital that any modernisation programme is built upon modern software systems. Even with these in place, a host of issues – from poor workflows and target operating models, to inconsistent processes and slow reporting capability – will conspire to undermine the effectiveness of any software system and the digital tools it supports.
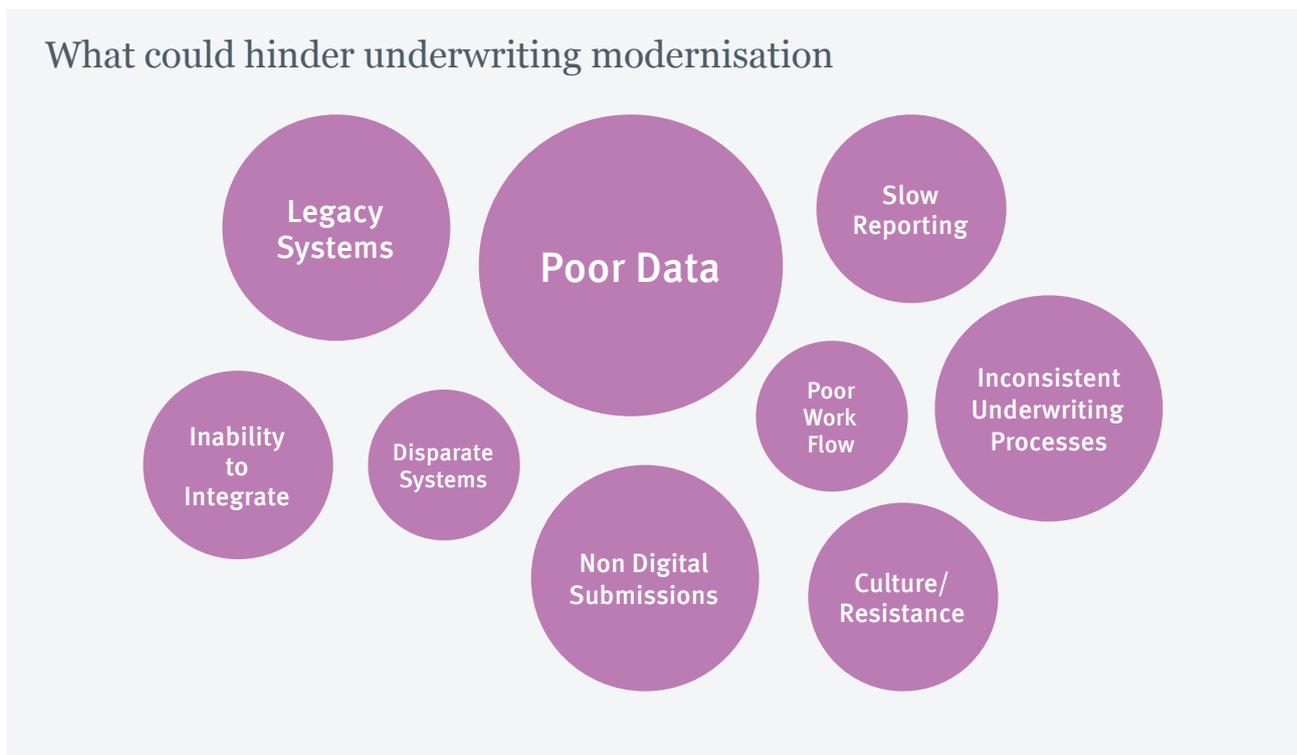
What could hinder underwriting modernisation

Legacy Systems

Poor Data

Slow Reporting

Inability to Integrate

Disparate Systems

Poor Work Flow

Inconsistent Underwriting Processes

Non Digital Submissions

Culture/ Resistance

Figure 1.2: Underwriting hindered

"Every underwriter craves absolute certainty and that remains as elusive as ever in the modern insurer, but technology allows the underwriter to be much more accurate and confident in their risk assessment, pricing and their overall exposure. The certainty that data delivers removes many of the assumptions underwriters have to make, and bias starts to fade away. This level of insight creates a more flexible underwriting environment where policies can be adapted throughout the year to reflect the circumstances of any given day. That's when we reach a completely different level of underwriting."

Matt Carter
Altus Consulting

Chapter 1: Underwriting doesn't need to transform, it needs to be optimised (cont.)

Potential of fully optimised underwriting

A fully optimised underwriting process supports faster decision making, delivers more accurate and personalised pricing, as well as delivering better data enrichment and more detailed MI. This level of capability allows insurers to actively pursue new growth opportunities rather than waiting for them to materialise.

To achieve this, organisations must operate as a single organism of connected experts, responding dynamically and in real time to a risk landscape that seems to be in a state of permanent flux.

An uplift of both people skills and technology is required to manage the huge increase in data points necessary to deliver effective, modern underwriting. To make real improvements to risk assessment and selection, underwriting needs to be both comfortable asking questions of technology and utilising the additional insights technology responds with, the entire organisation needs to be truly connected.

That connection manifests as a 'single screen' view of a risk, reducing the time underwriters spend on mundane tasks and giving them the space to bring their unique emotional intelligence to risk assessment. The human remains central to the underwriting process and the fundamentals remain unchanged – with one important exception.
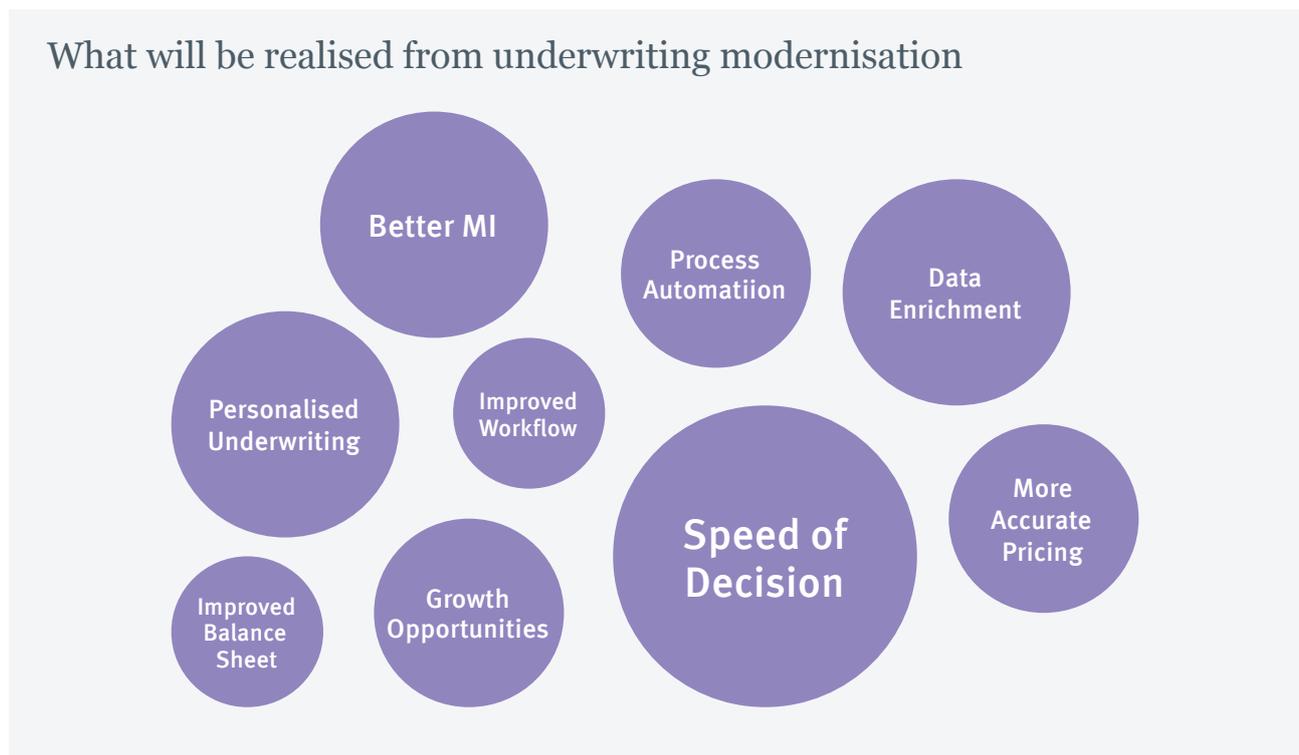
What will be realised from underwriting modernisation

Figure 1.3: Underwriting Modernised

Making a mindset shift to achieve modernisation

Modernisation enables underwriters to assess risk in real time by combining four key data attributes:

- historic information
- predictive information
- real time exposure & pricing assessment
- comparable 'on risk' policies

This represents underwriting at its optimum, with every perspective imaginable at the underwriter's fingertips.

> In the process of modernising the organisation, it is vital that the role of humans and their skillsets is kept front and centre.

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No matter how advanced it is, technology is only as good as the humans who manage it, so the training and development of people has to be undertaken in tandem with any technology implementation.

Modernisation is a process rather than a technology play and even in the most digitally optimised business, humans remain a key component of any process. They need to be engaged in the modernisation of the business, understand what is happening, what it will do, and most importantly, what role they will play in maximising the benefit of any technology and tools brought in.

The correct mindset is vital to creating a truly modern organisation, ensuring the whole business is on the same path of continual improvement, a concept we explore in the next chapter.

Starting a modernisation journey can end up transforming underwriting

Element	Start modernising	End transformative
Scope	Define all processes clearly	Reimagine existing processes
Role of the underwriter	Removing routine tasks and manual checks and balances	Focusing on oversight, unlocking new product opportunities or on perceived unwanted risks
Data	Incorporating external data sources to augment risk assessments	Dynamic and real time data assessments, delivering capability to personalise risk assessment
Customer Experience	Improve speed of assessment and response times	Create personalised propositions and value added services
Pricing	Responsive but dynamic rating	Predictive and adaptive rating to respond to multiple data points
Regulation & Compliance	Better reporting and regulation adherence	Integrating compliance into predictive models
Technology	Adoption of digital inputs and analytics	AI driven underwriting models (supervised by more informed underwriters)

Figure 1.4: Underwriting Modernisation to Transformation

Chapter 2: Building for Success: Essential Capabilities To Win

Just as the effectiveness of technology is undermined by inefficient processes, so too is the effectiveness of process when the right capabilities aren't present.

These capabilities – encapsulating everything from technology and people to organisational structure and culture – are what make business processes come to life and deliver the outcomes for which they were designed.

In the Altus Capability model below, we segment these capabilities into multiple distinct categories accounting for every possible piece of activity within an insurance company.
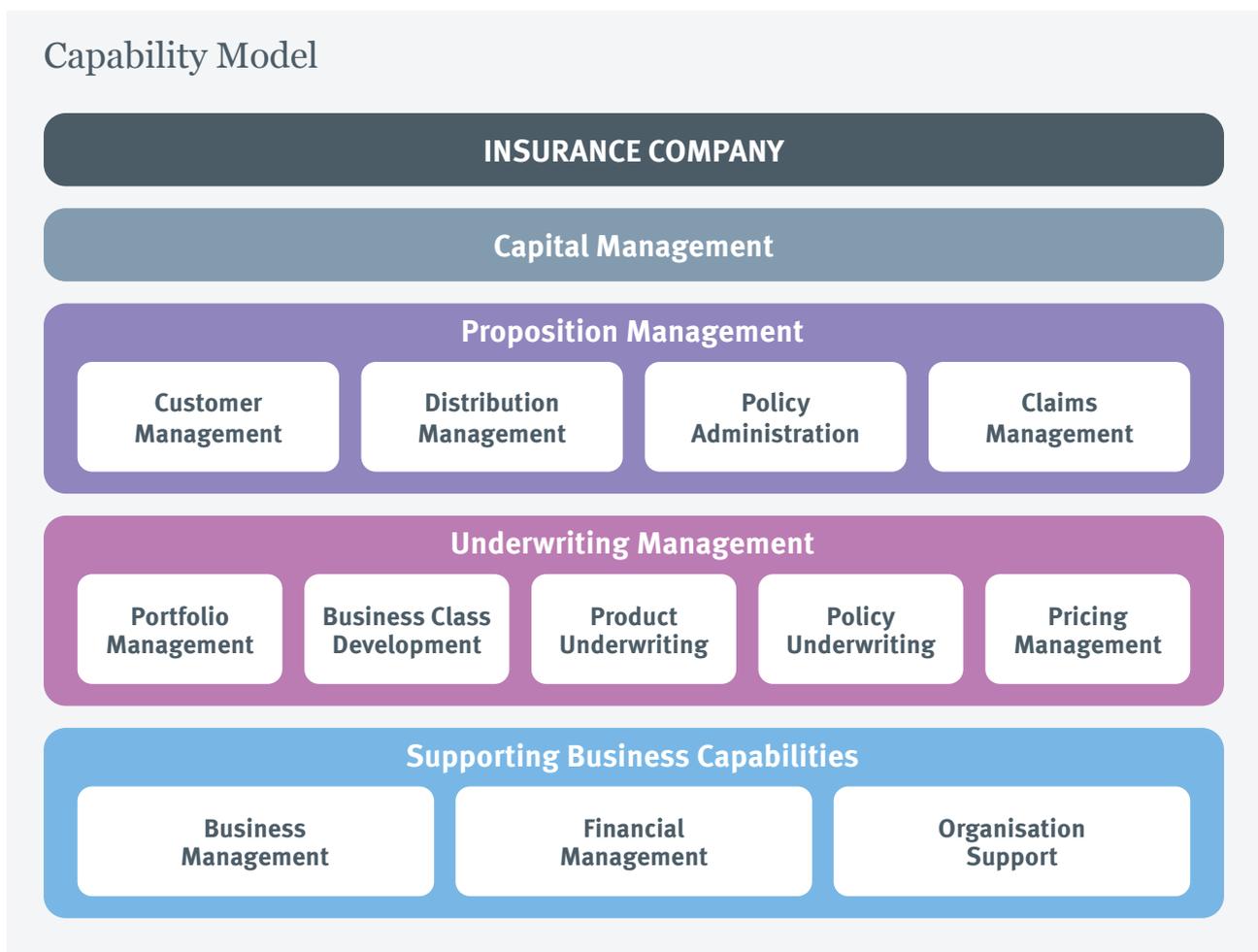
Capability Model

INSURANCE COMPANY

Capital Management

Proposition Management

| Customer Management | Distribution Management | Policy Administration | Claims Management |

Underwriting Management

| Portfolio Management | Business Class Development | Product Underwriting | Policy Underwriting | Pricing Management |

Supporting Business Capabilities

| Business Management | Financial Management | Organisation Support |

Figure 2.1: Altus Consulting Capability Framework

Underwriting Management more explicitly refers to the capabilities that support:

Portfolio Management	Business Class Development	Product Underwriting	Policy Underwriting	Pricing Management
Includes the management and control of policy volumes and exposures	Regulation and compliance, management of distribution channels, product design, risk criteria and research as well as new or reimagined propositions	Risk assessment, policy terms and working across team functions to deliver a balanced underwriting decision	Covering submission management, policy maintenance (MTAs) and renewal processing	Governing the management of pricing and the underlying pricing and rating models

Figure 2.2: Underwriting Management Capabilities

Securing a seamless flow of information into and out of an organisation – as well as between functions – provides a broader and deeper perspective of operations, giving a business the insight and the confidence to take opportunities where others only see risk.

It fosters an approach that favours 'perpetual evolution' over periodic 'big bangs'. The modular design of business capabilities enables an emphasis on continual change both for the capabilities as well as the technology that sits behind them, while the approach encompasses a range of widely known enterprise architecture frameworks.

Firing on all cylinders, on all fronts
Modernisation delivers the ability to compete on several fronts at once, attacking the competition with confidence and from various angles.

That is a realistic outcome, but it can only be achieved if the business can be visualised and understood, end to end. By mapping out how each part of the business interacts with, and impacts upon, the other, multiple pinch points can be tackled and removed simultaneously.

> Modernisation delivers the ability to compete on several fronts at once, attacking the competition with confidence and from various angles.

Successful modernisation results in:

Business / Customer Objective	Outcome
Improved customer experiences and increased retention	Delivering value and customer satisfaction through targeted and appropriate products
Faster and more innovative product development	Timely and effective response to changing customer needs
Operational efficiency and cost savings	Improved margins and better cashflow management
More accurate risk management and pricing	Better understanding of risk exposure and ability to price risk more accurately
Ability to adapt to new regulation	An operation with compliance built into processes allowing faster and more effective responses to change
More effective distribution and market reach	Greater ability to compete and more headroom to grow the business on all fronts
Greater levels of resilience and adaptability	Enhanced ability to minimise operational risk and a vast reduction in reliance upon legacy technology

Figure 2.3: Underwriting modernisation outcomes

Chapter 2: Building for Success: Essential Capabilities To Win (cont.)

Having a company firing on all fronts is what business leaders dream of achieving and while perfection is never possible, proper process mapping and capability development can get a business closer to being truly optimised than any single piece of technology can.

However, this is a complex interchange of information with hundreds of entry and exit points, so where does a business start in trying to understand the maturity of its capabilities?

Capability – or more precisely the lack of it – can often be identified by looking for the problems within a company. Pinch points, where processes start to slow down or seize up altogether, can often be smoothed over with technology. However, to really understand what's going on, it's essential to take a step back and look at the overarching operating model. To fix a process problem, it makes sense to start with business capability.
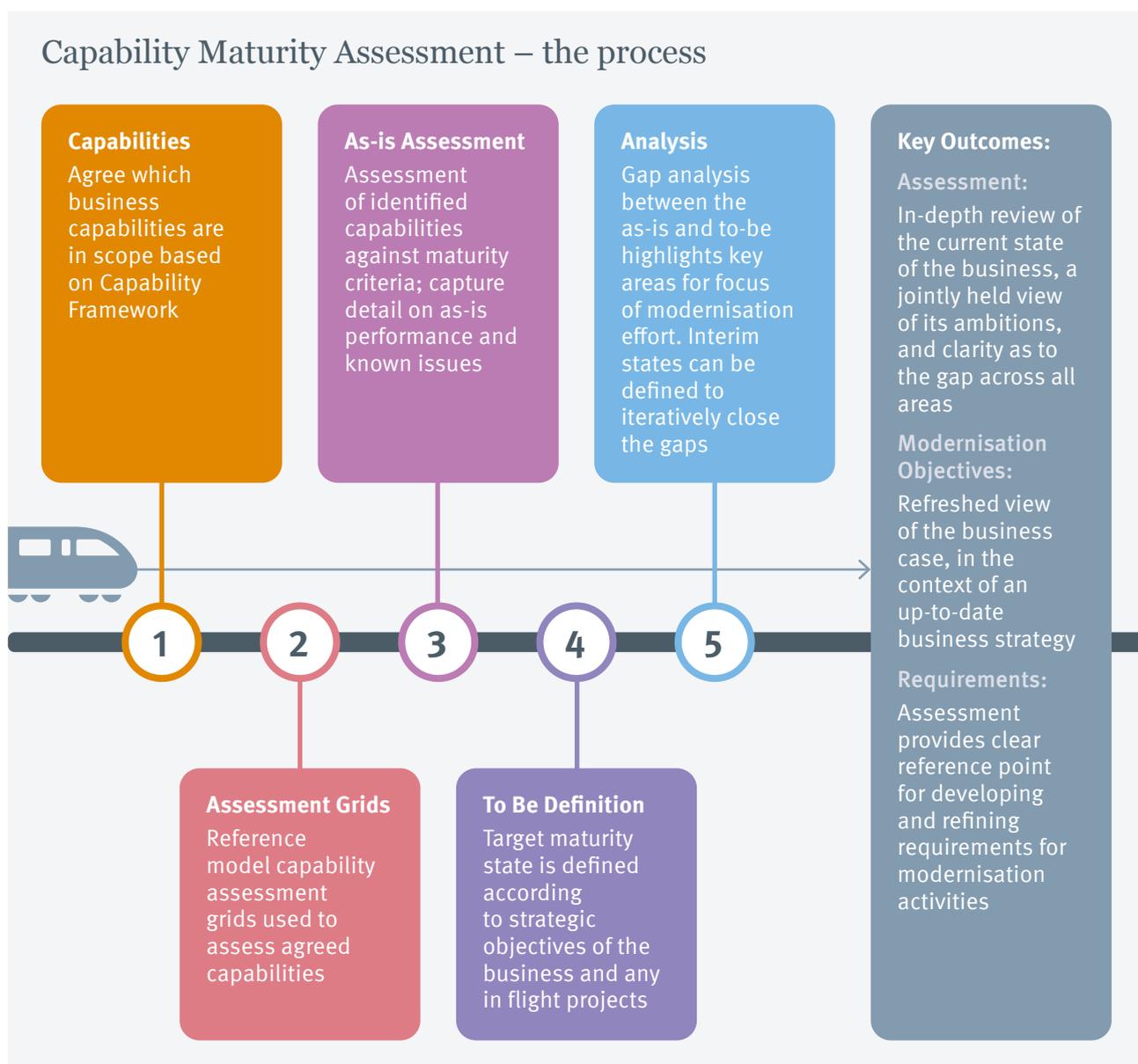
Capability Maturity Assessment – the process

Capabilities
Agree which business capabilities are in scope based on Capability Framework

As-is Assessment
Assessment of identified capabilities against maturity criteria; capture detail on as-is performance and known issues

Analysis
Gap analysis between the as-is and to-be highlights key areas for focus of modernisation effort. Interim states can be defined to iteratively close the gaps

Key Outcomes:

Assessment:
In-depth review of the current state of the business, a jointly held view of its ambitions, and clarity as to the gap across all areas

Modernisation Objectives:
Refreshed view of the business case, in the context of an up-to-date business strategy

Requirements:
Assessment provides clear reference point for developing and refining requirements for modernisation activities

1 2 3 4 5

Assessment Grids
Reference model capability assessment grids used to assess agreed capabilities

To Be Definition
Target maturity state is defined according to strategic objectives of the business and any in flight projects

Figure 2.4: Altus Capability Maturity Methodology

Question everything and make no assumptions

An insurer might want to understand why it takes three days on average to underwrite a risk. Are the systems too outdated to perform to the expected standard? Do underwriters lack the necessary data to make faster decisions? Or are they spending too much time on manual tasks? These are obvious questions, all of which have an obvious solution – technology.

However, applying a technology solution may indeed make a difference but it is unlikely to tackle the root cause of slow underwriting. In fact, it may simply push the problem down to another part of the process and another team. It doesn't tackle the fundamental issue which could be an unnecessary step in governance, a culture of fear in the underwriting team, or it could be

> ...identify the pinch points, question everything and make no assumptions.

any number of causes hiding within the vast estate of an insurance company. Technology can address the symptoms, but rarely can it tackle the root cause.

Which is why the best route through is to assess the maturity of the underlying capabilities for the end-to-end process, identify the pinch points, question everything and make no assumptions. To draw out the business steps, ask why things happen the way they do and if they have to happen that way, and then start to understand what capabilities currently exist and which ones need to be developed further.

Capability Maturity Assessment – Sample Maturity Criteria

Maturity Criteria		
Basic	**Managed**	**Optimised**
Underwriting principles and methodology only understood by underwriters	Underwriting principles and methodology understood by core functions, but limited understanding across the business	Underwriting principles and methodology fully understood across the business
Underwriting processes automated for low complexity cover decisions, otherwise manual intervention required, with limited integration	Automated underwriting decisions for simple to mid-complexity risks, high complexity cases referred to underwriters	Highly automated cover decision process for all risk types, with configurable rules / machine learning applied
Underwriting rules and question sets hard coded and duplicated across legacy systems	Underwriting rules and question sets for some product lines hard coded and duplicated across legacy systems, with a move towards a single, centralised repository	Single, central location for underwriting rules and question sets
Limited technical underwriting capability, limits ability to underwrite new products / target new segments	Technical underwriting capability to assess risk for targeting new customer segments	Technical underwriting capability to underwrite non-traditional products, e.g. usage-based insurance, smart home offerings, electric vehicles, and wearables
Rating factor selection based largely on historical data	Dedicated data analytics resource to support accuracy of rating factor selection, applying historical and third party data enrichment sources	Advanced analytics integrated to improve accuracy of rating factor selection through big data and machine learning
No / limited understanding of risk aggregation	Awareness of risk aggregation, supported by data enrichment sources, e.g. flood risk	Detailed understanding of current / potential risk aggregation, with KPI monitoring, linked to clear strategy for managing overall risk exposure

Figure 2.5: Sample underwriting capability maturity criteria

Chapter 2: Building for Success: Essential Capabilities To Win (cont.)

Keeping capability at the core

The acquisition of more external data may appear to be the answer to the slow underwriting problem but by looking at the core capabilities, it becomes clear that without the technical development of underwriters, the addition of more data will have a negligible impact upon turnaround times.

Despite being a fundamental element of any business, capabilities are seldom considered in depth unless there is an operational problem. By engaging with them as part of an overarching operating model review and classifying their respective maturity, an insurer can benchmark itself against competitors to get a better understanding of its position in the market and how far down the modernisation journey it has travelled.

If that market position cannot be identified, it is a very good indicator that a business has not yet modernised and there is work to do within the business capabilities to change that.

"I would want to look at the operating model for any problem that a company is experiencing. Sometimes the answer is pretty straightforward or we can discover that the problem only exists in one area. The capabilities provide a detailed picture of the maturity across the business and helps us understand where the opportunities for modernisation exist."

Mark McDonald
Altus Consulting

Chapter 3: Optimising Processes: The Devil is in the Process Detail

The insurance industry is both in thrall to, and in fear of, technology. It promises to deliver a bright future, one where data will deliver greater risk insight than ever before, providing underwriters with the confidence they need to make the right plays more of the time.

However, it also has the potential to significantly alter the insurance model itself. The Insurtech threat to disrupt the industry hasn't yet materialised, but the fear that technology will render people, particularly underwriters, obsolete remains.

With the reality that around three quarters of transformation programmes fail, it's no surprise that insurance has a love/hate relationship with technology – it has failed to take insurance into the future that was promised and has caused a lot of pain in the process, but that future is not yet lost. If a more fundamental approach to modernisation is taken –

focused on process, capability and connectivity – it becomes clear that optimisation, modernisation and ultimately transformation, can be delivered in a number of ways. Technology may be the star of the show but it's not the only answer.

To uncover the answers for individual businesses, it's necessary to understand the flow of that business, what operating models are in place and what capabilities exist. Stripping it back to the basics of process allows a business to truly understand why it operates in the way it does and how it can improve.
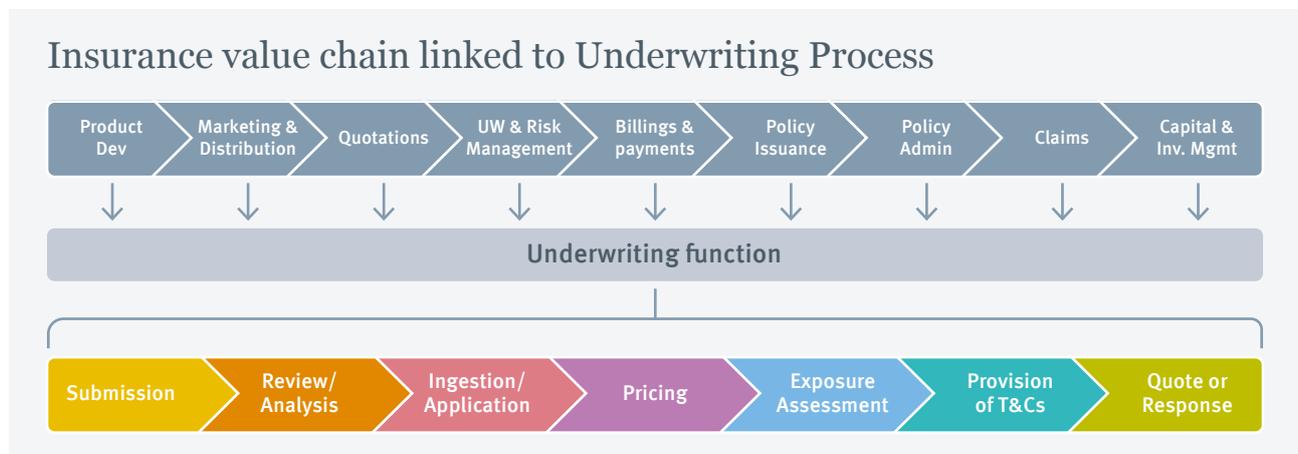
Insurance value chain linked to Underwriting Process

Product Dev	Marketing & Distribution	Quotations	UW & Risk Management	Billings & payments	Policy Issuance	Policy Admin	Claims	Capital & Inv. Mgmt

Underwriting function

Submission	Review/ Analysis	Ingestion/ Application	Pricing	Exposure Assessment	Provision of T&Cs	Quote or Response

Figure 3.1: Underwriting across the insurance value chain

Chapter 3: Optimising Processes: The Devil is in the Process Detail (cont.)

The foundational role of underwriting

The underwriting function directly influences so many aspects of the insurance value chain, that its modernisation is a pre-requisite for the transformation of the overall business. From capital management through to claims management, and policy issuance through to billing and payments, underwriting has a foundational role to play.

At the core of this underwriting process are the products it produces; products that in many cases, won't have changed significantly in the last 40 years. Most insurers would be able to identify hundreds of different policies and variations in policy wording across their estate and, in most cases, each variation will have a dedicated underwriting process sitting behind it.

Underwriter in the loop

Submission	Review/Analysis	Ingestion/Application	Pricing	Exposure Assessment	Provision of T&Cs	Quote or Response

Complex Risks:

All Underwriter 👤 → 👤 → 👤 → 👤 →

Intermediate Risks:

Underwriter 👤 → 👤 → 👤 →

🤖 Augmented Underwriting Tech →

Commodity Risks:

👤 UW → 👤 →

🤖 Tech →

Aggregator / Algorithmic Risks:

👤 UW →
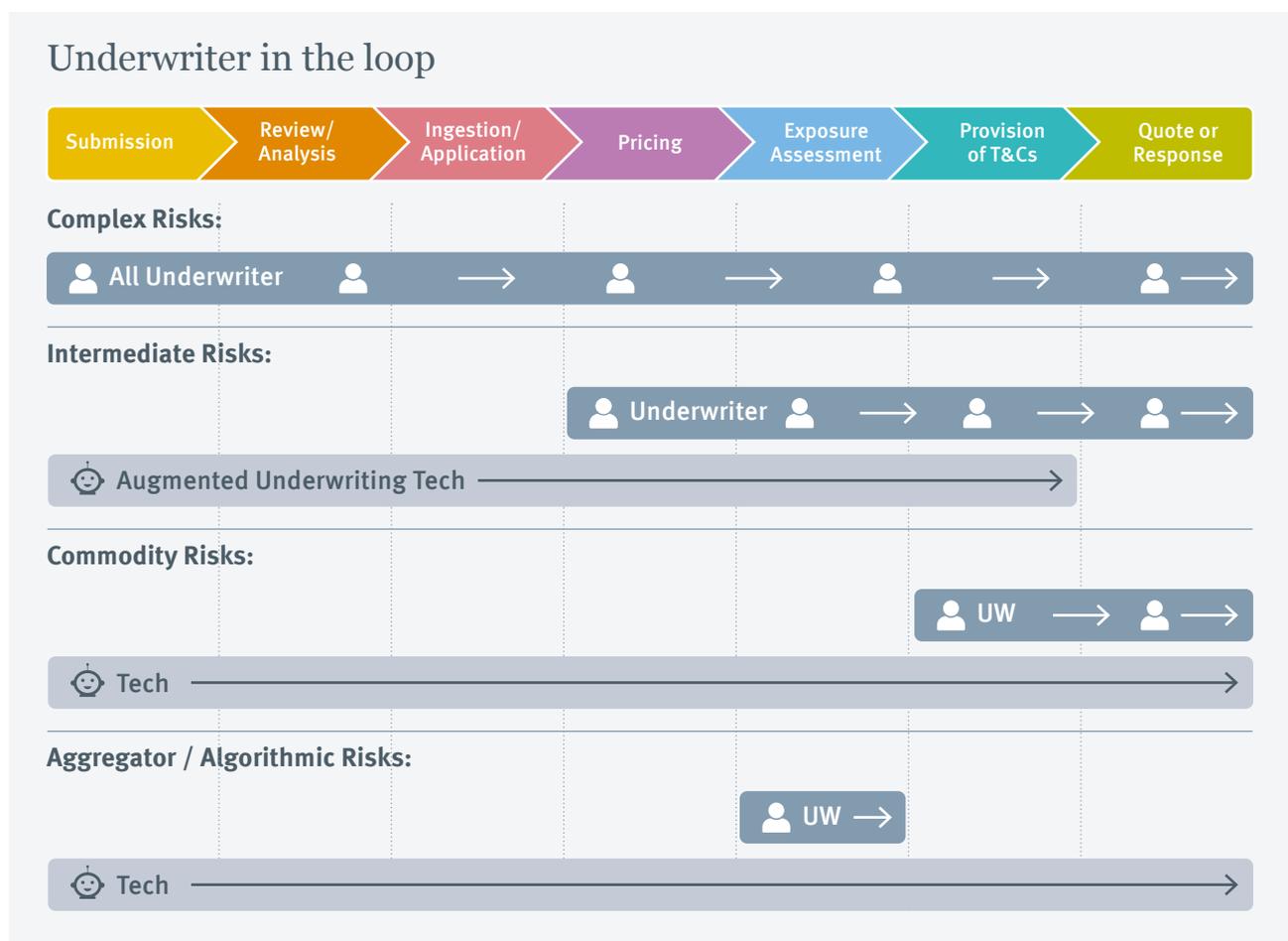
🤖 Tech →

Figure 3.2: Underwriter touchpoints

Different classes of insurance have been managed by different processes to cater for the unique risk requirements of each, and as technology has been gradually introduced over the years, the role of the human in each of those processes has evolved.

While some are more automated than others, and each follow slightly different paths, they all have one thing in common – the human plays a crucial role in the effectiveness of the technology.

In Complex risks, while automation and AI have started to pick up administrative tasks and even started to influence risk decisions, the human is still very much king of this realm due to the complex nature of the risks and the hands-on approach demanded by buyers.

Despite this, there is a divergence in the use of technology between lead and follow capacity providers – while lead capacity is calculated almost exclusively by humans, the risk appetite for follow-only capacity is becoming increasingly automated. The use of technology is growing in this sector but only if human thinking takes the lead.

In Intermediate risks, a much more hybrid approach is found, where technology has assumed responsibility for a large percentage of administrative tasks and its role in supporting risk decision making, particularly in less complex categories, is growing rapidly. Technology has made significant inroads, but humans are still central to most risk decisions.

In Commodity risks, a clear divide has opened up between Personal and Commercial lines with Home and Motor leading the way in showing just how far technology can reach into the human domain. Risk selection and pricing is almost entirely automated in these markets but crucially, the inputs and outputs of that automation are still governed by human thinking. While digitalisation has been making progress in the commercial world, automation has moved only so far, recognising that the more complex the risk, the greater the need for a human perspective.

> Regardless of the class of business and who its customer base is, the human is – and will remain – crucial to the underwriting process.

Regardless of the class of business and who its customer base is, the human is – and will remain – crucial to the underwriting process. In a truly modernised underwriting function, the human will always be in the underwriting loop, they will simply appear at different stages depending on the class and complexity of the risk.

Nuances in process between classes won't disappear, but in a fully optimised underwriting function, commonalities in process between different products can be identified and implemented to create great operational efficiency. Process mapping reveals those commonalities, removing the need to create multiple approaches to multiple products.

Optimising the feedback loops

The starting point for any modernisation programme has to be the business processes. Leading with the technology and then trying to find applications for it, is similar to looking through the wrong end of a telescope – it defeats the purpose of the tool.

> Leading with the technology and then trying to find applications for it, is similar to looking through the wrong end of a telescope – it defeats the purpose of the tool.

Everything is interdependent, and when true modernisation has been achieved, all functions and processes constantly feed data back and forth, helping to optimise individual and collective outputs. These feedback loops are continually updating the landscape that underwriters are assessing, allowing them to respond more effectively, more efficiently and in real time. It is these feedback loops, and the business's response to the information they deliver, that power the engine of continual evolution.

While the underwriting engine of the insurer locomotive is ripe for modernisation, it cannot be considered or tackled in isolation. Process mapping allows a business to understand how a particular function operates, how it is supported or hindered by activity elsewhere and how change to one part of a process can have knock-on effects elsewhere.

Processes that have been mapped out and deliberately designed won't only deliver efficiency, cost savings and increased productivity, they will also create a business that can respond to customer needs and market conditions in real time as each part of the process is constantly feeding live data into the other. There are far fewer blind spots or surprises in the modern insurer, a business that is constantly on the front foot. Rather than simply responding to change, the modern insurer makes change happen.

Isolation won't deliver transformation

In the modern insurance business, all functions need access to all of the data all of the time, to make the most informed decision. Underwriting is no different. All risk decisions should be made in full sight of claims, exposure and portfolio data and even within the underwriting process itself. The whole journey must be addressed and connected to deliver optimum results.

As the graphic below illustrates, successfully tackling an issue solely in the submission stage of the process may simply push the problem into the risk review stage. This starts to make sense of why so many transformation programmes fail – tackling discrete problems in isolation won't deliver modernisation but doing so within the broader context of business process, almost certainly will.

Perhaps more fundamental to the successful delivery of a modernisation programme is the purpose of modernising. In its rush to keep pace with the outside world, insurance is at risk of falling into the trap of transforming for the sake of transformation, an approach that will result in some positive outcomes. However, when processes are explicitly designed to deliver upon an organisation's core purpose, insurers can start down a modernisation track that could ultimately deliver the disruptive influence that Insurtechs have only scratched the surface of.
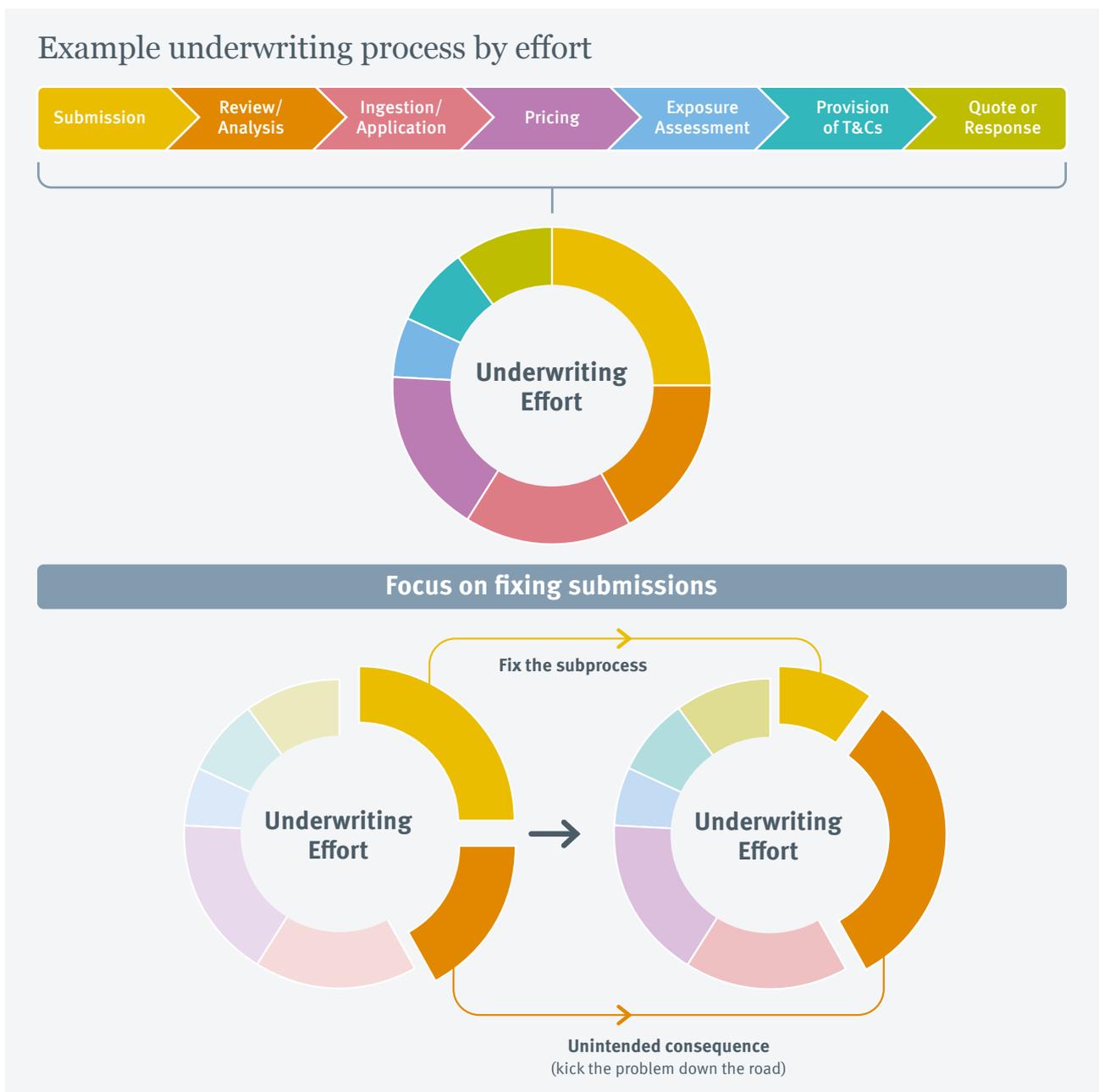

Figure 3.3: Underwriting effort across the value chain

Making underwriting dreams a reality

While it's true to say that insurance hasn't yet transformed itself, there have been significant developments that have had a material and lasting impact on the market. Individually, they have created small efficiencies, but collectively, they start to paint a picture of what might be possible with a more thoughtful approach.

Everything from advanced data analytics and predictive modelling, through to AI and machine learning, have been introduced at various stages of the underwriting process over the last decade, some to great effect.

Pricing is far more granular than an underwriter of even 20 years ago could ever have imagined, allowing insurers to provide ever more personalised products and risk programmes. Technology is helping underwriters better understand the scope and the scale of their exposures, augmenting submission data and scoring the underwriter's likelihood of success in securing it. Increasingly, technology is giving every underwriter what they always dreamed of – huge amounts of data that they can actually use, on demand, to help them assess risk more accurately.

The impact of technology on underwriting is undeniable, but as the operating model outlined in Chapter 1 makes clear, it is only one of many crucial elements that make up the whole. Whatever function or whatever process is being modernised, it must be undertaken with the full business estate firmly in mind, ideally starting with underwriting.

> "It can't just be about technology. You need to map out the business and look at all the processes, the environment it operates in and the way its people work. When modernising a business, the technology comes second to process and while you need to look at and understand every aspect of those processes, you don't need to do everything straight away. Take baby steps rather than seeking quantum leaps."
>
> **Matt Carter**
> Altus Consulting

Chapter 4: Exploring the Technology Landscape: Technology Themes and Implementation

Insurance can't make serious claims to being a truly modernised sector but it's not so backward that it's stuck in the technological dark ages.

In fact, the UK boasts a thriving Insurtech sector with hundreds of startups operating across the country. Once tipped to completely replace the traditional insurance market, Insurtechs have recently settled into a more supportive role, enabling incumbents to modernise their operations in very specific ways.

Insurance has also been developing without the assistance of Insurtechs in its wholesale adoption of big data and advanced analytics. Underwriters have never had so much clean, actionable data at their disposal, and they're using it to assess risk more accurately and to price more effectively than ever before. AI, robotics, cloud computing, big data, APIs and wearables – there is hardly a piece of cutting-edge technology that insurance isn't using.

However, the operational impact that technology is having is debateable, as arguably insurance continues to lag behind other financial services when it comes to delivering on modernisation, but it does have one advantage over its peers – the sheer volume of data the sector collects on a day-to-day basis. That data, when identified, categorised, and understood correctly, is the insurance industry's ticket to catching up with, and perhaps even surpassing, the levels of modernisation seen in other financial services today.

Fighting data with data

The volume and availability of data in the insurance industry today is driving the need for modernisation; a modernisation that will be built upon even more data. It's a self-perpetuating cycle, one that makes it increasingly difficult for any underwriter or organisation to compete without going all-in on data.

Evolution of where underwriting data has been typically held

Brain	Paper	Mainframe / Green Screen	email / Online	Underwriting Workbenches

Today, modern underwriters use data to monitor activity in real time, connect to external sources to track changes to a risk profile while keeping an eye on any emerging risks. Fuelled by good data they are able to be much more selective, using data and insight to seek out the risks they want in the areas they're comfortable with. This approach has led rise to the modern day underwriter workbench, a tool that is maturing, with many insurers starting to explore as a distinct system.

LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
Initial	**Developing**	**Connected**	**Measured**	**Optimised**
Document ingestion using PL:P to extract data	Submissions filtered using context or sentiment analysis	Submissions connected into a workflow	Submissions are able to be scored and prioritised	Underwriting orchestration including pricing, risk appetite and propensity to close

Figure 4.1: Evolution of underwriting data stores

Twenty years ago, an underwriter may have considered the answers to 20 or 30 questions on a submission form. Today, there can be as many as 500 relevant data points on a single risk, and the volume of data is only going to increase and become more refined[12]. The only way an underwriter can secure the full benefit, is to fight fire with fire, or data with data.

Modern underwriters can use data to monitor activity in real time, track risk profile changes by connecting to external sources, all while keeping an eye on any emerging risks. Fuelled by good quality data, they are able to be much more selective, using data and insight to seek out the risks they want in the areas they're most comfortable with. This approach has led to the emergence of the modern-day underwriter workbench, a tool that many insurers are starting to explore as a distinct system.

As with most technological innovations to hit insurance, the underwriting workbench has arrived, promising to answer every underwriter's prayers – delivering all the information they need to assess any risk, in one place and in real time; but it was not always the case.

Not all technology is created equal

It is the latest stage in the evolution of how data is held and transferred in the underwriting process. From being stored in individuals' heads or committed to paper, to the advent of green screens and online services, underwriting has always adapted to the times, and the workbench takes data and business integration to another level.

The awareness of workbench solutions has been growing over the last decade, with search results for the term growing exponentially, particularly in the last few years.

It illustrates quite clearly the traditional approach to technology in insurance – a solution is held up as the panacea to a problem and the industry moves en masse in the same direction, hoping to secure a tailored solution to their problems with an off-the-shelf approach. It also illustrates the inability or lack of appetite among traditional technology companies to help solve the data analysis issue for underwriters. As can be seen in the accompanying graphic, the companies leading the workbench charge are Insurtechs, rather than the incumbents. Not all technology providers are created equal, so the choice of partner is as important as the choice of technology in modernisation.
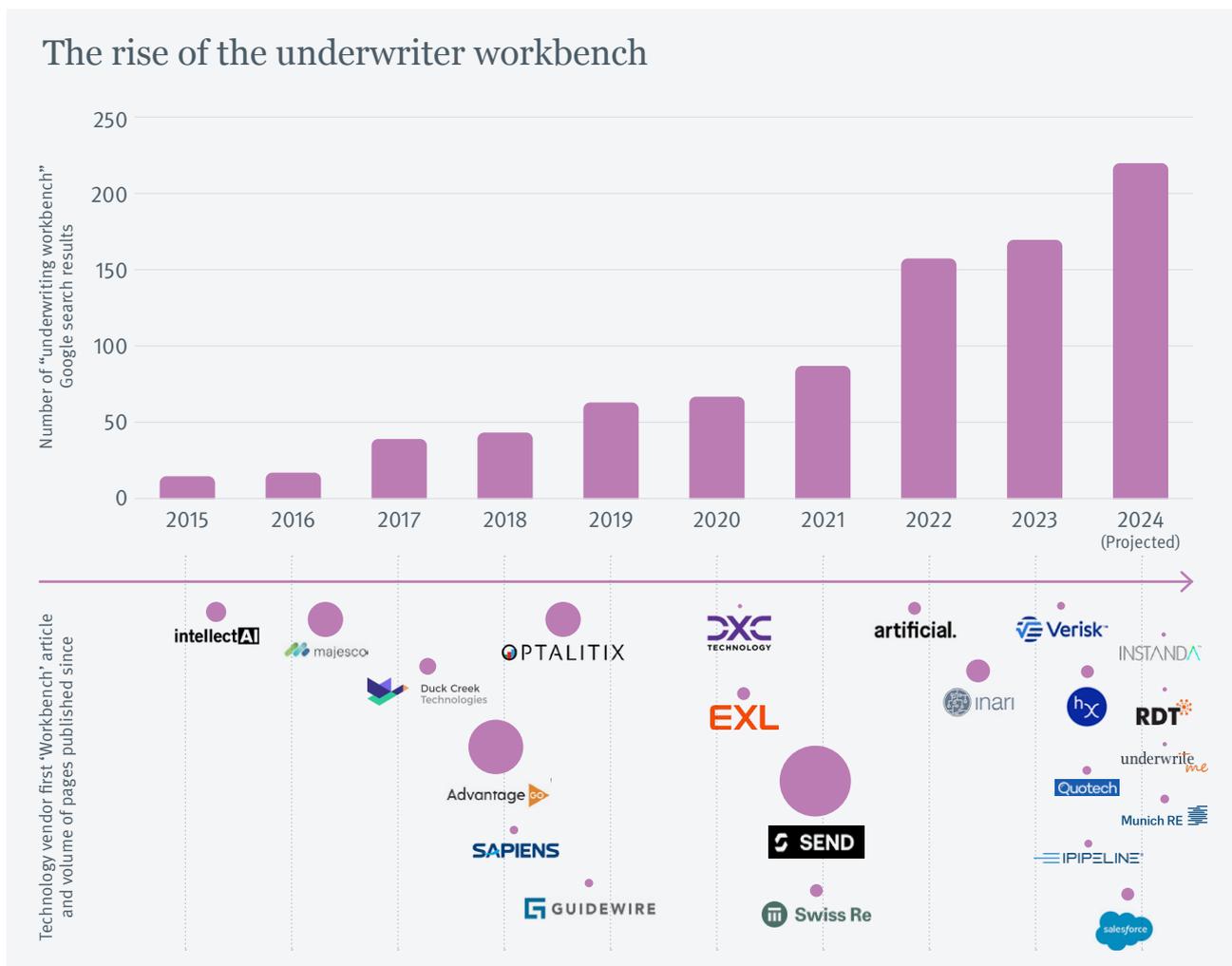

Figure 4.2: The rise of the underwriter workbench

Chapter 4: Exploring the Technology Landscape: Technology Themes and Implementation (cont.)

"It's the process, stupid"

On the face of it, the underwriting workbench appears to respond to many underwriting problems but as with all technology, it is only as good as the data it feeds on and how well it can communicate across the organisation. Without a carefully considered and designed underwriting process, the workbench solution can only deliver a fraction of its capabilities.

In fact, what is happening with the underwriting workbench is a useful analogy to help explain the transformation failure rate. It's not the technology that's the issue, it's the operational landscape that the technology is being applied to. Or to paraphrase a famous political slogan, "It's the process, stupid".

That insurers continue to wrestle with the modernisation issue should, in a sense, be cause for celebration. Not so long ago, the Insurtech community was threatening to completely replace the incumbents with cutting edge technology and a disruptive spirit, but that future has failed to materialise at scale.

Take Lemonade. From its launch in 2015, it made its intentions clear – it was going to turn the insurance model on its head, and while it did introduce some interesting innovations to the way policies are structured and administered, it has never lived up to its early hype.

> It's not the technology that's the issue, it's the operational landscape that the technology is being applied to. Or to paraphrase a famous political slogan, "It's the process, stupid".

While it has grown rapidly (in force premiums were up 22% at Q2 2024) to nearly USD $840m on the back of streamlined application and underwriting processes, Lemonade is still losing money year on year. For the same period, it reported losses of USD $57m, albeit an improvement on the USD $67m it had lost by Q2 2023[12].

Lemonade appears to be one of the most innovative and technologically advanced insurers in the world, but nearly ten years on from its inception, it has yet to turn a profit. It is the perfect illustration of how it takes more than a pure technology play to modernise underwriting effectively and profitably.

Connections are the pathways to modernisation

Technology and Insurtechs no longer trigger existential dread within the insurance sector. In the last four years they have positioned their products and services as augmenting existing processes or solving particular problems – particularly in claims and underwriting – rather than being a replacement for an entire industry.

> The influence of Insurtechs may not be the one they envisioned for themselves, but it remains strong.

The influence of Insurtechs may not be the one they envisioned for themselves, but it remains strong. As they move further into their specialisms, they will play an increasingly important role in the ability of traditional insurers to modernise, so the choice of partner becomes as important as the choice of technology.

AI has become a key feature of many Insurtech propositions in recent times, and the technology is making significant inroads into many of the core processes of insurance – from claims and underwriting to customer service and fraud detection.

This influence will increase in line with the growth in big data. There are tens of thousands of terabytes of data flowing through every channel of the UK insurance market, and that volume is increasing every day. What is the best way of managing that volume? AI, of course.

However, AI is not carrying the modernisation burden on its own. Wearables, sensors and trackers, once a fringe feature of the market, are now mainstream, particularly in personal lines. Cloud computing is rapidly being adopted to enable greater storage and access to data, while the data itself is being used for machine learning and automation.

The prospect of bringing such tools into a business is exciting, but without proper planning and a clearly defined role for each piece of technology, it will ultimately fail, as so many transformation programmes have. The connections a business creates across its estate are the pathways to modernisation.

Connecting data, people and technology across the whole business in real time is the key deliverable of a successful modernisation programme, and it is through this approach that genuine and lasting transformation can occur.

The fit between the people and the tech they are using is as important as the fit between the tech and the business. Employees have to understand why it is being introduced, what problem it is going to solve or what opportunity it presents, so they can buy into it and maximise the benefits.

"Technology has had a huge impact on how the insurance industry operates. ensuring underwriters are able to be connected to and access easily varied and important data attributes, the ability to connect different solutions and amalgamate multiple data sources into one view for the underwriter is vital. As is the interpretation of the data. Technology as always is the supporting act in underwriting modernization. Only a proper review of underwriting and wider business processes can confirm the effectiveness of the technology."

Matt Carter
Altus Consulting

Chapter 5: Regulator/Governance Landscape

We cannot ignore the impact that regulation and compliance can have on a company's modernisation efforts; nor can we ignore the imperative it creates for modernisation. The Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), in particular, have become much more active, invasive and demanding in recent years, as they seek to ensure greater market stability and value for customers.

> "Does regulation stop modernisation in its tracks?"

From the introduction of the Insurance Act 2015 to the arrival of Consumer Duty rules in 2023, the last ten years have delivered a series of significant changes to the regulations governing insurance companies and witnessed a distinct swing towards a more interventionist approach.

The Insurance Act 2015 brought significant changes, specifically around the legal framework governing insurance contracts. It paved the way for the modernisation of many of the rules that now govern how insurers and their customers interact, particularly in regard to the duty of disclosure, risk assessment, and the remedies available to insurers for non-compliance.

These changes, though, have directly impacted the underwriting process, creating a greater need to evaluate risk levels. Ten years on, has the burden of proof shifted too far in favour of the customer?

Data is the key to compliance

In recent years, there has been a marked shift towards a more hybrid approach to regulation. The FCA continues to be a principles-based regulator but increasingly, it is applying strict rules where it believes intervention is necessary to prevent harm. With those new rules come new reporting demands, demands that can only be met with data and the insight it delivers.

Rules Based	Principles based
Prescribes what result must be achieved and the specific method for doing so	Prescribes what result must be achieved but is neutral to the method

That insight is crucial to enable compliance with the General Insurance Pricing Practices, introduced in 2021, and significant new reporting requirements have arrived on the back of several new rules:

- A ban on price-walking for existing customers or introductory prices for new ones
- Greater transparency on pricing, administrative charges and fees
- A requirement to complete a fair value assessment for every policy sold
- Ongoing monitoring of all the above, and regular product reviews

With the subsequent introduction of Consumer Duty, the regulator has been clear on what it expects – fair outcomes for customers, and for insurers to act in good faith. To date, no fines have been issued for breaches of these rules, but the regulator has already issued a warning about current conduct.

Whether it is in regard to governance and monitoring, price and value, or products and services, the FCA has consistently pointed towards data, and the ability to analyse it and share it more broadly, as the only way to effectively comply with the rules. The FCA wants to see insurers with clean, relevant and easily shared data and, ultimately, what the FCA wants, the FCA usually gets.

> ...the FCA has consistently pointed towards data, and the ability to analyse it and share it more broadly, as the only way to effectively comply with the rules.

New pricing rules have undoubtedly forced insurers – and underwriters in particular – to rethink how they meet the principles of transparency, non-discrimination, and treating customers fairly throughout the underwriting process. The focus on ensuring that vulnerable customers are treated fairly and that prices reflect actual risk has, in part, led to more sophisticated underwriting practices. While these practices meet the regulatory requirement, they place insurers under even greater pressure to access even more data, a particularly challenging task for companies with outdated processes and systems.

All these rules place a reporting – as well as a moral – obligation on insurers to produce data that proves their products provide fair value, as well as reporting on the rationale for any product changes, evidencing how complaints are handled and detailing internal product governance activity. That level of reporting requires a huge amount of extra resource to remain compliant.

Meanwhile, the PRA's rules around capital requirements demand a huge amount of reporting to satisfy the regulator, and with changes to the Solvency II regime imminent, there is even more disruption on the way.

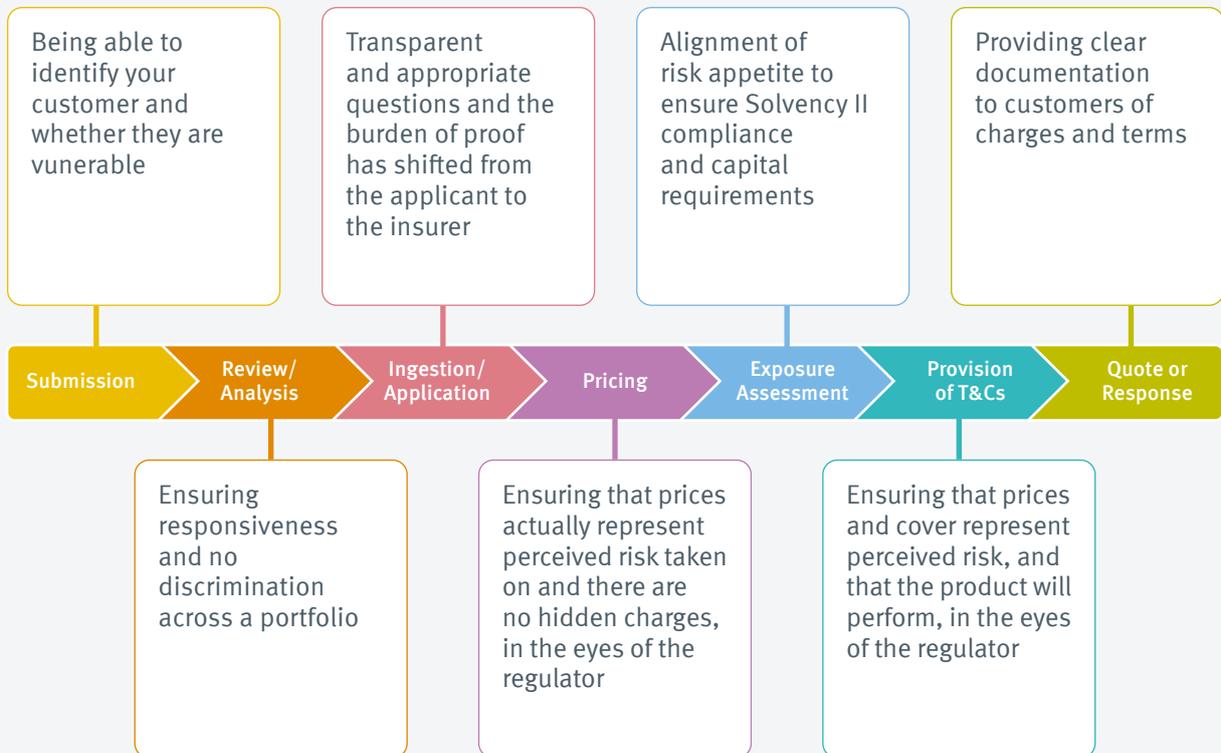## The impacts of regulatory change on the underwriting process

Being able to identify your customer and whether they are vunerable

Transparent and appropriate questions and the burden of proof has shifted from the applicant to the insurer

Alignment of risk appetite to ensure Solvency II compliance and capital requirements

Providing clear documentation to customers of charges and terms

| Submission | Review/ Analysis | Ingestion/ Application | Pricing | Exposure Assessment | Provision of T&Cs | Quote or Response |

Ensuring responsiveness and no discrimination across a portfolio

Ensuring that prices actually represent perceived risk taken on and there are no hidden charges, in the eyes of the regulator

Ensuring that prices and cover represent perceived risk, and that the product will perform, in the eyes of the regulator

Figure 5.1: Regulatory landscape impact on underwriting

Chapter 5: Regulator/Governance Landscape (cont.)

Regulation as a disruptive influence

Regulation is no longer a slow-moving beast that responds after the fact. Today, it is a proactive and increasingly disruptive influence in the market, not afraid to make demands and to punish those who don't meet them. The defence against this remains unchanged – effective compliance – but the reporting obligations make this a far more onerous task than it has been.

> Regulation is no longer a slow-moving beast that responds after the fact. Today, it is a proactive and increasingly disruptive influence in the market, not afraid to make demands and to punish those who don't meet them.

At every turn, from the introduction of the GDPR/UK Data Protection Act 2018 to the arrival of Fair Value rules, insurers have turned to technology, and understandably so. AI and machine learning are the perfect tools to identify, gather, clean and report the necessary data, and as those data and reporting demands increase, the expectation is that technology will adapt to respond.

Unfortunately, while technology might secure some crucial breathing space, it only really addresses the problem of scale. As more data is collated and more AI employed to manage it, new regulatory risks are created. The use of technology to meet the regulatory requirements is, ironically, creating even greater regulatory scrutiny.

The application of AI to a growing list of activities has raised concerns around the ethics of its use. The fairness of decisions made by AI is a crucial consideration, as baked-in biases could result in adverse outcomes for customers and failure to comply with FCA rules.

AI ethics

> **"Do no damage to humans."**
> Overwhelming sentiment from all AI Regulatory guidance to date

GOV.UK Principles (wheel): Accountability & governance · Contestability & redress · Fairness · Appropriate transparency & explainability · Safety, security & robustness

Underwriter considerations

- The application of AI models to support underwriting is corporately governed and reviewed
- Any use of AI in underwriting appetite or decisions must be documented and explainable
- The use of AI must be able to be proved it doesn't create anomalies or bias, given consistent underwriting inputs
- The use and application must be able to be defended and to be adjusted

Figure 5.2: Ethics of Artificial Intelligence

Technology alone can't help insurers answer crucial questions such as:

- Who is responsible for the decisions AI makes?
- How, and at what point in the process, are those decisions made?
- What impact have those decisions had on the products and services delivered?
- How do the decisions AI makes contribute to delivering fair value to customers?

These are all crucial questions, but technology can't answer them because technology is creating them.

Increasing regulatory pressure

The regulation of AI is covered through existing legislation such as the GDPR and the Data Protection Act 2018, while the Digital Regulation Cooperation Forum (DRCF), comprised of regulators like Ofcom, the Information Commissioner's Office, and (of course) the FCA, has a degree of oversight.

This oversight is likely to increase with the introduction of the EU AI Act, which has largely been framed around the ethical use of AI. While the UK is no longer bound by EU rules, UK insurers are likely to have to broadly adopt the detail, in the same way they did with GDPR.

Technology is answering the immediate reporting problem this oversight delivers but, in the process, it is creating new regulatory demands. If the sector keeps turning to technology, the regulatory pressure will only increase.

The answer to the question is, of course, process. Complying with regulation will ultimately help a business ensure it is regularly and consistently meeting customers' needs while treating them fairly; but if the reporting isn't properly managed, it can act as an obstacle and have a chilling effect on operations.

The general response from insurers is to meet every regulatory change with a project approach, treating each development as a separate problem to be solved and, more often than not, technology has been viewed as the answer. However, by building reporting requirements into business processes, regulation – both existing and new – becomes less of a problem to manage, and more of an in-built sense check of how well a business is meeting customer needs.

"In an increasingly hybrid regulatory environment, we will see greater use of the carrot and stick approach. Insurance companies should see the process of modernisation as their carrot. If processes are improved and the business is modernised, then the regulator ceases to be seen as a stick. Insight is the key and much of that can be secured by having the correct processes in place."

Dan Martin
Altus Consulting

Chapter 6: Conclusion

A key reason that insurance remains a distinctly unmodern sector is that transformation seems to have become an end in itself, backed by a belief that technology is the only way to achieve that transformation.

Billions have been invested, and while transformation has failed to realise the full benefits of that investment, all is not lost. Incremental, thoughtful and targeted change, applied across business operations and with the full architecture of a business in mind, will result in transformation.

> To successfully modernise, insurance has to rediscover its North Star, its reason for transforming in the first place.

To successfully modernise, insurance has to rediscover its North Star, its reason for transforming in the first place. Every business will approach this in a different way, for different reasons and to deliver different outcomes – but whatever the motivation, whatever the North Star, the end result is the same – modernisation.

The need to do this is more pressing than ever. Today's regulatory landscape is unrecognisable to the one existing processes, capabilities and technology were designed to manage. Regulators have been clear that effective communication of data is key to compliance, and those that can't meet those demands will find themselves exposed to greater cost and regulatory risk than their peers.

Customers from across the spectrum of insurance are demanding a more personalised, protection-first approach, and rapidly digitising third parties require the same from their insurance partners to deliver the true value of their services.

Connections are the key

Satisfying all these needs is essential for any insurance company to remain competitive, and there are two factors that will do this – good data and how that data is communicated within and outside the organisation. More than the people, the technology or the processes, the way in which the constituent parts of a company are connected and how they communicate are the twin tracks to successful modernisation.

The only way these connections can be established, assessed or modernised, is by going back to the core of process and capability, and the best place to start that exercise is at the heart of any insurance company – the underwriting.

Insurance has historically taken a siloed approach to its business operations, with physical, cultural and technological barriers preventing insurers from operating as one entity. Modernisation is dependent upon these barriers being broken down – culturally and technologically – to allow the free flow of information throughout the organisation.

> Underwriting may be the core, but it cannot stand alone – it requires the support of an entire organisation that has been well designed and has the right capabilities in place to support the right processes.

As the heart of insurance, underwriting has received a lot of transformational attention in the past, and while there have been significant improvements to its' operations, they have been implemented in isolation and without considering the wider business, its processes and how they support or hinder each other.

Underwriting may be the core, but it cannot stand alone – it requires the support of an entire organisation that has been well designed and has the right capabilities in place to support the right processes.

A move away from disruptive change

Transformation projects have put many of those capabilities in place, but they can't be utilised effectively, and business leaders have been burned by a belief that technology is the answer to all operational problems. The failure of transformation projects means that digital tools are increasingly seen as part of, rather than the complete answer, and there is a growing understanding that any investment in underwriting – or claims, marketing or finance, for that matter – must be connected to the wider business architecture and strategy.

The mindset of the sector – including both incumbents and start-ups – is shifting away from wholesale, disruptive change towards a more considered and targeted approach, one that turns to technology to support on specific needs, rather than depending on it to function.

It is by taking this track, with a curiosity to explore alternatives, that insurance will realise the true value from the billions already invested in transformation programmes.

Business leaders need to take a different, more thoughtful approach to modernisation:

- Any modernisation programme has to start from a solid baseline, requiring strong technological foundations.
- Remember that technology isn't always the answer – business capabilities in the shape of people and process also support the broader strategy.
- Remove siloed thinking by looking at process across functions and domains – making improvements in one area of the business can have a negative impact elsewhere.
- Communicate the value of the modernisation. Establishing a North Star enables the organisation to communicate when, how and why the modernisation will take place.
- Finally, don't feel pressure to do too much, too quickly – modernisation is an iterative process.

How the Chief Executive Officer can enable underwriting modernisation and support underwriters more broadly – these are 5 ways...

1 To modernise effectively you need to start from a solid baseline, requiring strong technological foundations

2 Technology isn't the sole answer –your business capabilities must support your strategy

3 Remove siloed thinking, ensure you look at process across functions and domains – improving one area can be detrimental elsewhere in the organisation

4 Communicate the value of the modernisation – a North star approach enables an organisation to communicate the pathway of modernisation activity

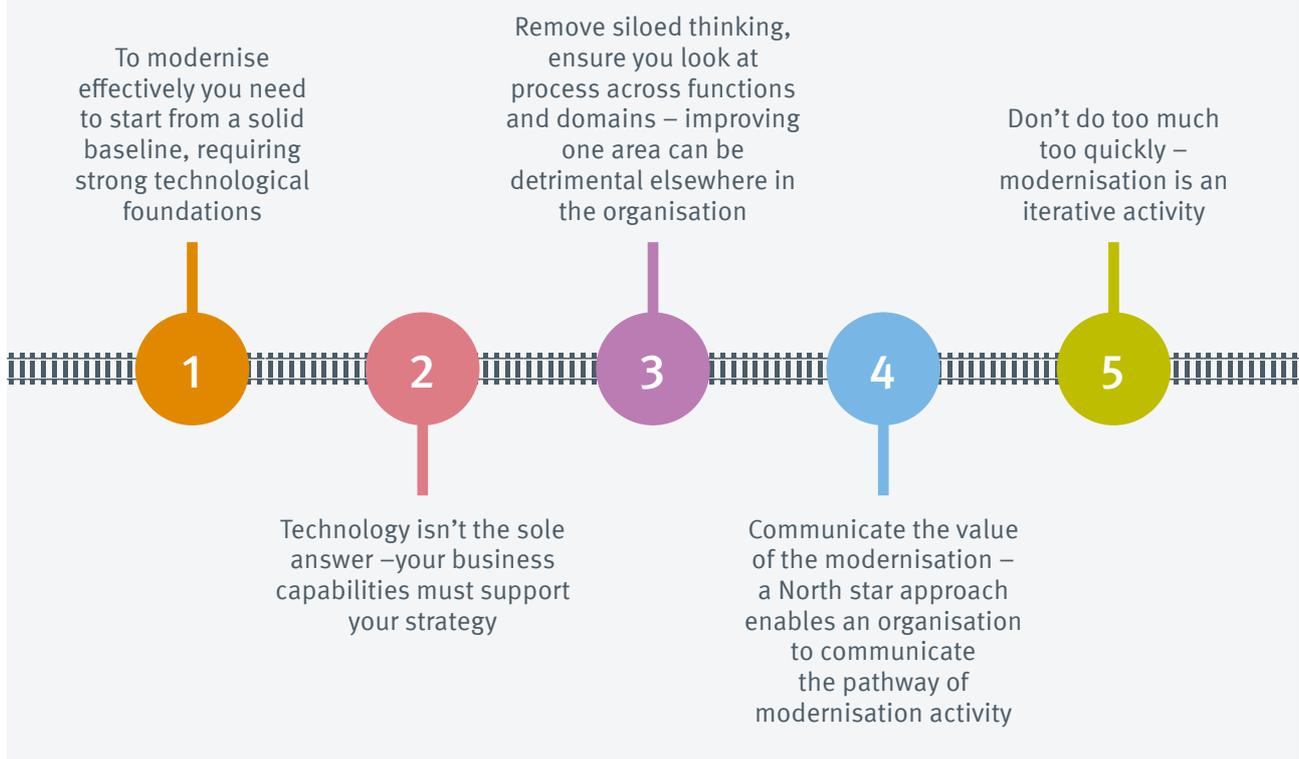**5** Don't do too much too quickly – modernisation is an iterative activity

Figure 6.1: Insurance CEO takeaways

Chapter 6: Conclusion (cont.)

Understanding how a business is connected internally and externally, how it gathers and distributes data, and how each part of the process feeds into and supports the next, is fundamental to a successful modernisation programme.

A clear map of the connectivity of a business, as well as the IT systems that support it, are the essential foundations for modernisation, as it will immediately highlight where capabilities and processes must be enhanced. While transformation tries to reach its destination by starting with technology and applying it to operational issues, modernisation starts with business needs and plots the path to follow using people and process, as well as technology.

> The task of modernisation is to fulfil the promises that transformation made.

Transformation programmes may have disappointed, but that estimated £15bn investment is not lost. Huge strides have been taken in digitising insurance but so far, the job is only half done.

The task of modernisation is to fulfil the promises that transformation made.

Thoughtful, considered, well-planned and delivered step by step, the modernisation of underwriting offers insurance the best chance of not just recouping the value of its investments, but also meeting the shifting demands of customers and regulators, today and long into the future.

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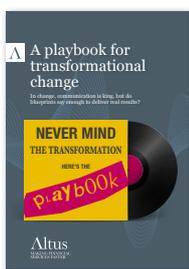
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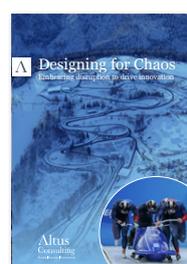
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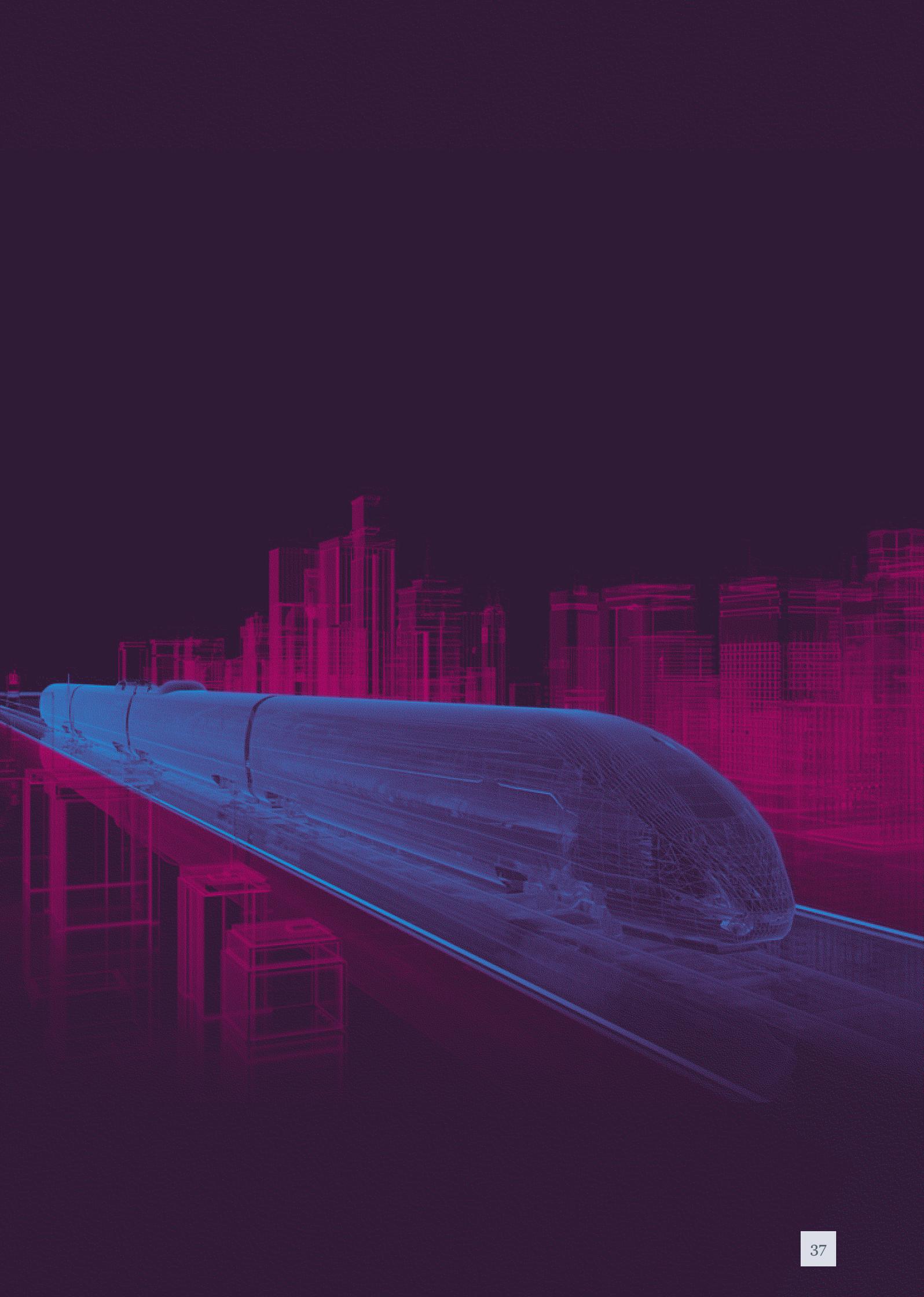
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