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Executive Summary

This document highlights six macro trends that shape the insurance industry in the context of constantly changing customer behaviors, business models and working environments. It also outlines how Equinix’s Interconnection Oriented Architecture® (IOA®) solution can help address some of the pain points that the global insurance market faces in the midst of a transformative era.
Introduction

The insurance industry stands at an inflection point. The dawn of the digital world has left insurance companies with no other choice than to transform their often centralized, mainframe-based IT infrastructures.

The main focus of this change lies in the adoption of contemporary IT services that support the use of multicloud infrastructure and allow insurers to leverage the digital edge to bring customer-focused delivery capabilities to their users, partners and clients.

Insurance businesses must consider interconnection as a top priority in their digital IT transformation strategies and re-architect their digital edge in order to enable end-to-end visibility and insight.
Customers Are Changing and So Are Their Demands

Many industries have to deal with the increasingly complex needs of the modern customer, and the insurance market is no exception.

The shifting attitude toward how insurance should be done in the 21st century includes self-service demands and flexible, simplified and convenient access to insurance-related operations.

According to a global survey, 60% of insurance customers are digitally active. In addition to this, more than 70% are embracing mobile adoption and are open to the idea of using new technologies, including voice-controlled assistants.¹

This paves the way for insurance companies to continue on their digitalization path, evolve their IT infrastructure, and offer access to their systems from wherever customers may need it.

To be able to mature their digital services, insurance companies must develop cloud-native applications, adopt real-time analytics, and provide customer portals that allow direct interaction, regardless of the line of business.

¹https://www.bain.com/insights/customers-know-what-they-want-are-insurers-listening/#:~:text=Insurance%20customers%20don%27t%20have%20smooth%2C%20hassle-free%20interactions
TREND: GLOBAL MARKET

The Insurance Market Is Facing a Revolution & Adapting To It Requires Transformation

With the Insurtech market expected to reach new dimensions in the near future, there is one smart thing that insurers can do to succeed: build a customer-centric digitized business model.

The insurance value chain is becoming more visible than ever in the context of increasingly complex digital operations, leaving insurance companies with only one option—to transform and adapt through organic or inorganic means.²

Selling protective products is a traditional strategy that has worked until recently when the obligations of the modern insurer have started to evolve. What will actually help companies grow are new service-based models, prevention-focused approaches and innovative products.³

Flexible IT infrastructure capabilities and multicloud access are just two of the pillars that can enable successful business transformation to happen for insurance companies in the modern era. Additionally, this ever-changing environment also requires simplified, secure ecosystems that address the time-sensitive needs of today’s customers.

³https://www.deloitte.com/content/campaigns/uk/insurancetrends/insurancetrends/insurancetrends.html
Recent global events have shown that it doesn’t take much to turn the business environment upside down. In just a few months, the insurance industry has been forced to shift to a completely unfamiliar way of operating—remotely.

Remote working has tested the industry to the limits, as traditionally success has often depended on face-to-face interactions, a way of trading that has been the main route to building trusted relationships with stakeholders.

Yet, traditional insurance methods have been replaced since the beginning of the pandemic, and the results are not as catastrophic as might have been expected. Insurers have managed to skillfully navigate the rough waters caused by the COVID-19 crisis, but must now fully accept and embrace the use of their new digital edge in order to build long-term success.

That Edge is wherever their stakeholder—user, partner or customer—chooses to make it, and understanding of it has to date largely been associated with customers, and their use of mobile technology. Yet, with staff remaining at home for the time being, the Edge has moved out to meet them, and some market players are indicating that home working may become a permanent option for them. Understanding that and maintaining service standards and security while providing insurance from the Edge—wherever that happens to be—is of the utmost importance. For insurance providers that want to survive and thrive, re-establishing and maintaining trust across the sector will be vital.

Will Remote Work Become the New Normal?
The insurance business landscape is increasingly competitive. That’s why organic growth and internal innovation are not enough for those who want to stay at the top. What’s missing?

Partnerships. According to a recent Deloitte survey, 81% of respondents said that they are planning to forge alliances and partnerships in an existing market, and 44% voted for expansion in a new market.4

Those that will thrive will be the ones that think of strategic alliances as a priority on their growth agenda and understand that a rapidly changing industry requires more than delivering innovative insurance products. Thriving in this market also depends on a company’s ability to provide non-insurance services.

Insurance companies that want to keep up with this trend must enrich their deal-making skills and:

**Digitize Their Capabilities**
Deliver dynamic digital link capabilities

**Create Inter-System Connectivity**
Leverage APIs and digital interconnection to build inter-system connectivity

**Access Relevant Services**
Be capable of accessing relevant services from anywhere

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4https://www.deloitte.com/content/campaigns/uk/insurancetrends/insurancetrends/the-negotiating-table-beckons.html
To avoid falling behind in the age of disruption, insurance companies need to re-think their digital transformation journey. Consumer needs are shifting—acknowledging the impact of digital disruption on the insurance landscape and starting to act towards addressing this ever-changing environment is imperative.

Any remaining business and data silos must be removed in order to provide seamless, personalized customer experiences. In addition, this shift in mindset must include new strategies for conceiving, developing and delivering products, thus adapting the business to the risk transfer market that flexes around the prevailing business and technical environment.

To reach holistic technology and business transformation, insurance providers can take a few smart steps, such as:

**Network Capabilities**
Delivering high-quality network capabilities

**Real-time Analytics**
Enabling real-time analytics

**Hybrid Cloud**
Embracing the hybrid cloud

**Markets**
Connecting with the Insurtech and Fintech markets
Preventing risk rather than insuring against it is a trend that raises complex challenges. The largely reactive insurance industry used to focus on providing support by addressing the effects, rather than the cause of an event. Today, by means of advanced technologies such as IoT, risk reduction is becoming more popular than simply responding to risk transfer.
Insurance companies that are really good at risk management are thinking traditionally—that if you spend enough time, one year, two years, thinking and planning, the outcomes you generate would be [the result of ] the time spent. But the pace of change is so fast that by the time you have thought through things, the market may have already moved on.”

—Naveen Agarwal, Chief Customer Officer, Prudential

https://www.mckinsey.com/

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IoT, AI and machine learning enable risk reduction by providing real-time data and thus enabling more accurate assessments of risks. For example, automatic fire detectors can alert fire danger, car sensors can warn about accident risks, or body sensors can detect health problems.

Prevention is an important element of the mindset of today’s insurer and next-generation IT infrastructures are the pillars that can support this new type of approach.
How Can an Interconnection Oriented Architecture (IOA) Help Address These Macro Trends?

When the pandemic began, high-performing bandwidth for enabling remote working and online communication tools were enough to keep the majority of any business running.

The Insurance Market Is Shifting

Nevertheless, as the global insurance landscape is shifting toward more complex requirements, long-term growth demands a more thorough and integrated response that can enable a full recovery.

What’s the Next Step?

The next step for insurance companies is to effectively integrate their current systems so that they can support new, dynamic workflows, enable the emergence of ecosystems, and meet complex customer demands.

Address the Trends

By harnessing the power of digital capabilities and adopting a flexible cloud infrastructure, insurers can address the macro trends that are shaping the “new normal.”

Implement IOA

They need to implement an Interconnection Oriented Architecture that simplifies the integration of production systems that can be distributed across regions or internationally, as needed.
Interconnected Digital Insurance Exchange

Internal Processes
- Automated U/W
- Expert Systems/AI
- CRM
- Policy Admin
- Rating Engine
- Self-service Claims

Analytics
- Personal
- Catastrophe
- Capital
- Analytics

Customers
- Agents
- Brokers
- Clients
- Insurers
- Managing General Agents (MGAs)

Access Routes
- Aggregators
- Face-to-Face
- Internet
- Machine-to-Machine
- Mobile
- Snail Mail
- Telephone

Omnichannel access as decided by client

Analytics
- Personal
- Catastrophe
- Capital

Service Providers
- Advertising Agencies
- Adjusters
- Accountants
- Engineers
- IT Service Providers
- Actuaries
- Lawyers
- Payment Gateways
- Security Services

Customers
- Counter-Parties
- Brokers
- Co-Insurers
- Insurers
- MGAs
- Partners
- Reinsurers

Omnichannel access as decided by client

Analytics
- Data standards powered by Acord

Data Repository

Direct machine data input

Electronic links to trading partners

Data Repository

Regulators

Blockchain
FinTech IoT
Telematics
Wearables

Any type of client

Interconnected Digital Insurance Exchange
Implementing an IOA Allows Insurance Companies To:

**Reduce Costs**
Reduce costs by consolidating network and cloud connections.

**Adjust Bandwidth**
Easily adjust the required bandwidth by location, ramping it up and down as needed.

**Improve Overall Performance and Reduce Latency**
Improve performance and reduce latency by migrating applications and data adjacent to clouds, customers and associates.

**Reinforce Security**
Reinforce security by moving beyond data center firewalls: complete transactions, hold conference calls and workstreams safely in all cloud environments.

**Boost Flexibility**
Boost flexibility by testing new services with little capital investment.

Platform Equinix and IOA are designed to guide insurance companies through the challenging path of digital transformation.

Re-architecting for interconnected insurance requires global location coverage, private interconnection with complex digital ecosystems, and the potential to integrate, standardize and simplify control.

Implementing an IOA to address the key macro trends discussed earlier in this paper stands at the foundation of building a strong infrastructure that can sustain insurance success for the long haul, and prepare businesses for an uncertain future.
Conclusion

Insurers, partners and consumers are increasingly interacting at the intersection of businesses, population centers and digital ecosystems.

Traditional IT infrastructures can't keep up with the rapid pace of change that characterizes today's insurance industry. Those who thrive are those who understand the urgency of innovation and start building a business model based on interconnection.

Complex customer demands, new service-based models, the challenge of remote working, and digital disruption can all be addressed through an Interconnection Oriented Architecture.
Equinix is the world's digital infrastructure company. Digital leaders harness our trusted platform to bring together and interconnect the foundational infrastructure that powers their success. We enable our customers to access all the right places, partners and possibilities they need to accelerate advantage. With Equinix, they can scale with agility, speed the launch of digital services, deliver world-class experiences and multiply their value.

Start Your Interconnection Journey With Equinix