

# The digitally lagging insurance industry is poised for a well-funded transformation

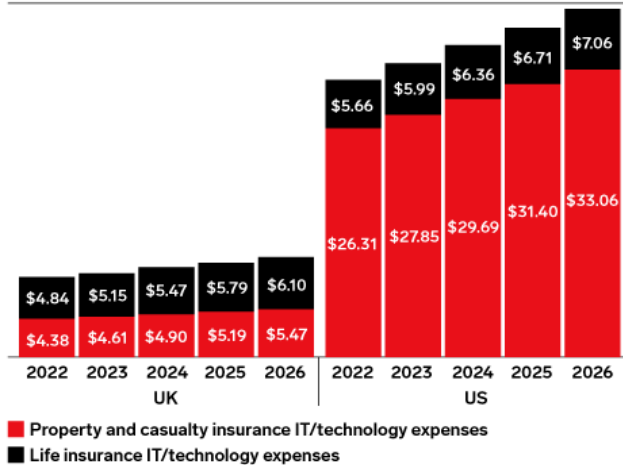
Article

**The trend:** Insurance technology spending in the US and the UK is expected to grow by more than 25% between 2022 and 2026. Insurers will use that tech spending to digitize their

core capabilities, build out more digital self-servicing tools, and create personalized products and experiences for customers.

Our report, [The Insurance Heads of Digital](#), highlights why insurers see digital transformation as key to their future and discusses some of the important topics that the heads of digital at insurance firms say are at the top of their minds.

**Total UK and US Insurance IT/Technology Expenses, 2022-2026**  
billions



Note: includes expenses by insurance providers for creation and maintenance of technology for their insurance products; expenses include core systems maintenance, modernization, innovation, transformative technology, data processing, equipment, software, digital initiatives, compliance, and cybersecurity, but does not include salary  
Source: Insider Intelligence, Sep 2022

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**Why is digital important?** The insurance sector has lagged behind most other sectors in its digital transformation. Why? Insurers fear failing at a time when the stakes behind attracting customers are high. Their legacy systems present technological barriers, and formulating a successful execution plan is challenging. But digital transformation is vital for insurers' success.

- Demand is starting to look different. **Millennials were the largest purchasers of insurance in 2021**, according to a January 2022 Majesco white paper. A shift is occurring that will age out boomers and Gen X and will bring on even more digitally native millennials and Gen Zers.
- Digital development that can drive down costs will help margin-squeezed insurers deal with supply-chain issues and inflation.

**Digital heads of insurance companies are getting increased support from CEOs and leadership**, as newer leaders are more likely to value technology and see the value of digitization. The emphasis on technical development is putting digital heads in strategic positions at insurance companies and enhancing their ability to influence other leaders across the organization.

**Change is coming:** Updating and modernizing technology is opening up opportunities for digital heads to build and scale digital processes into core capabilities. But they still have some challenges in budgeting. **US insurers' tech budgets are split 65%/35% between maintaining the business and changing it, per 2021 Forrester Research data.** But digital heads are still finding ways to prevail.

- Agile ways of working are allowing digital transformation to occur outside of the confines of IT. Cross-functional customer-centric teams allow digital initiatives to be supported by team members all along the company's value chain.
- Shorter and frequently revisited planning and execution cycles allow for better resource allocation on digital initiatives and ensure they stay aligned with the enterprise-wide strategy.

### **What are digital heads thinking about?**

#### **Balancing the modernization of core capabilities and developing new emerging opportunities**

- Digital heads must make sure they **nail down the basic digital features that drive customer satisfaction**, like login, authentication, and bill payment. But they must also respond to growing customer demands for new trends.
- In the beginning of the digital transformation journey, digital heads should focus on only a few emerging trends at a time. They must also be sure to fully understand how the development of trendy digital solutions will impact key performance indicators (KPIs), the risk they present to the enterprise, and their timing and resource requirements.
- The more digitally advanced a firm is, the more it can begin focusing on forward-looking trends.

#### **Cementing digital as a core business strategy**

- During the planning process, digital heads should break down initiatives into short- and long-term buckets. Additionally, they are challenged with instilling the importance of long-term

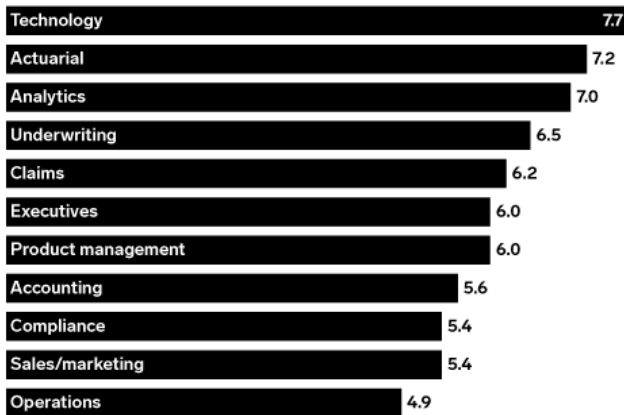
strategies throughout the company—a tough task when results are measured at frequent intervals.

- Still, **long-term initiatives can still be broken down into smaller chunks** to promote speed, to keep business lines onboard, and to course-correct before expending too much time, energy, and money.

### Attracting, retaining, and upskilling talent

- Competition for tech workers is fierce. In a Q3 2022 survey of US insurance executives from The Jacobson Group in collaboration with Ward, **technology topped the list of insurance departments that are difficult to recruit for.**
- New, agile ways of working require current employees to learn new skills and think about collaboration and product delivery in different ways.
- Despite the benefits of an agile workplace, it does present some challenges. Career progression is less linear in flatter, agile organizations. And remote work makes it tough to foster strong collaboration.

**Difficulty Recruiting Across Departments  
According to US Insurance Executives, Q3 2022**  
scale of 1-10\*



Note: \*with 10 being the most difficult department to recruit for  
Source: The Jacobson Group in collaboration with Ward, "Insurance Labor Market Study,"  
Aug 19, 2022

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**Give customers what they want:** Customer touchpoints with insurers are few and far between, usually only amounting to the point of sale and filing a claim. **Insurers must put**

**engagement at the forefront of their digital transformation** and optimize the customer's journey.

- Engagement will offset the high cost of customer acquisition through improved retention and word-of-mouth marketing.
- Developing personalized products and services, like wearables, and adjacent offerings, like wellness programs, will encourage regular interaction with customers.
- Simplifying the customer experience will make interactions between customers and their insurer more enjoyable. Focus on providing real-time experiences that are channel agnostic. Offer self-servicing capabilities for things like filing claims, but also make it easy for a human to seamlessly jump in and provide assistance if necessary.

***Continue reading:*** To learn more about what the heads of digital can do internally to execute on a successful digital transformation, [click here](#).

*This article originally appeared in Insider Intelligence's **Banking Innovation Briefing**—a daily recap of top stories reshaping the banking industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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