THE DIGITAL DIVIDE: ARE YOU A LEADER OR LAGGARD IN CORE TRANSFORMATION?

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The concept of the "digital divide" became popular more than a decade ago as early adopters of digital devices and Internet access began to accrue a wide range of benefits far faster than did those who lagged behind. Today, however, the digital divide is being redefined and re-examined across an array of industries—particularly insurance.

A recent webinar, entitled "The Digital Divide: Are you a Leader or Laggard in Core Transformation?" and sponsored by Systema Software, shed new light on the digital divide topic from the insurance industry's perspective. The webinar focused on such key topics as the redefinition of digital divide, how insurers are investing in a new digital framework and a real-world case study on how a major insurer took bold steps to modernize its core operations.

Brian Mack, Systema Software's vice-president for sales and marketing, highlighted a recent Harvard Business Review article that reshaped the original digital divide framework from the simple "haves" and "have-nots" into a more precise and timely "haves" and "have-mores."

"Everybody has smartphones, fast Internet, websites and such," he said. "It really comes down to what are organizations doing with those things, those core basic tools, to really transform and differentiate themselves." Mack also cited data from McKinsey Global Institute that the U.S. economy operates at only 18% of its digital potential, meaning that anticipated productivity gains from digitalization have yet to show up in the broader economy.

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In the insurance industry, he noted, "have-more" organizations make digital technologies a linchpin for innovation, streamlining and growth, with increased organizational commitment to funding those initiatives in order to drive even further innovation.

In particular, "have-more" companies throughout the insurance industry need to look at several fundamental components of the Digital Customer Experience.
These include:
- Intuitive interfaces
- Mobility
- Speed and flexibility
- Cloud computing
- Digital intelligence
- Social media

How fast organizations adopt these principles—and how innovative they are in integrating them into their overall business processes—will be determining factors in which insurance companies become digital leaders, and which ones remain laggards, according to Mack.

That transformation to digital leadership is more than a series of individual, distinct steps, according to Karen Furtado, partner in the consulting and advisory firm Strategy Meets Action, a leader in insurance system transformation. Instead, she notes that the insurance industry's transformation is a journey, and must embody what she called the "four game changers" that can make or break a successful transformation journey.
These are:
- Significant capital coming into the market
- Changing customer expectations
- Emerging technologies and data
- Digital transformation

To frame the discussion around the transformation journey, Furtado quoted a compelling statistic: 61% of insurers are investing to become digital insurers—internally and externally. "That's an amazing statistic," she said. "It's continuing to grow and the focus continues. You see the strategic initiative certainly popping up in a number of different areas," such as portal development, end-user engagement with agents and an overall, data-driven experience.

A big area of emphasis is reshaping and enhancing the customer experience. Furtado noted that more than 85% of insurers are doing something in the space of customer experience. In fact, developing a customer-centric viewpoint is one of the three most important steps Furtado said insurers should be taking along their transformation journey, along with envisioning the transformation process and becoming a digitally focused company.

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One insurer that has taken those steps and has begun to reap the benefits is Pennsylvania and Indiana Lumbermens Mutual Insurance Companies, which four years ago decided to replace all core legacy systems with an innovative, best-of-bred approach.

Joseph McGurrin, senior vice-president of information technology at the insurer, explained how the organization began modernizing its policy, billing, claims and business intelligence initiatives. McGurrin pointed out that, rather than replacing every system at once—a high-risk, complex undertaking—it decided to replace one system at a time, with an eye on integrated systems and processes over time.

A key requirement was beginning with clearly defined business objectives, as well as similarly defined system requirements to achieve those objectives, he said. One of the most important elements of its modernization program was an understanding that this was not an IT project; it was and is a system for the business unit, because it has to align with, and meet, their goals.

McGurrin emphasized the key lessons learned for the webinar audience, including:
- Get the requirements down pat upfront to avoid scope creep
- Conduct weekly status calls that include all parties—vendors, users and IT
- Insist on substantial interaction with end users
- Create a separate testing group for real-time testing and reality checks, and turning users into an important "train the trainer" group