

# InsurTech moves to a different tune: The five S's of InsurTech collaboration

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**Executive summary:** The InsurTech environment is evolving as incumbent insurers and start-ups increasingly view one another as potential partners, rather than outright competitors.

Figure 1. **The five S's of InsurTech collaboration**

## Capabilities for accelerating innovation

- Sponsorship
- Separation
- Stealth
- Sight
- Speed

Not so long ago, early stage InsurTech businesses were portrayed as marauders, threatening the turf of established insurers. Carriers braced themselves to repel the disruptive threat of a new wave of technology-laden, legacy-free competitors committed to their apparent destruction (or, at least, disintermediation).

Gradually, however, while genuine pockets of competition remain, many on both sides have realized that they'd be better off working together, benefitting from each other's respective strengths. The latest *Willis Towers Watson Quarterly InsurTech Briefing* showed that this collaboration contributed to InsurTech businesses around the world attracting over \$4.1 billion of funding in 2018.

The realization has created an environment where many carriers are increasingly partnering with InsurTech start-ups on pilots and proof of concepts. However, the more harmonious mood is likely to require carriers to master and apply a new set of capabilities to fully realize the benefits in parallel with running their core businesses.

These capabilities are encapsulated in what we at Willis Towers Watson have previously described as the "five S's" framework for overcoming the natural organizational instincts to avoid risk that can impede innovation for established insurers (*Figure 1*).

## 1. Sponsorship – take it from the top

Sponsorship starts at the top. Executive-level sponsorship needs to demonstrate commitment, conviction and a clear vision for how InsurTech can contribute to the business. It needs to set the tone for where InsurTech, in all its many and emerging guises, can thrive and create value for the company. And it needs to give permission for the organization to explore and experiment as it pursues innovation, sometimes contrary to corporate cultural norms.

As an example, one U.S. insurer's management decided to emphasize speed, agility and customer experience with real-time insurance pricing, leveraging Willis Towers Watson's Radar Live and BrovadaOne technology solutions. This platform generates instant quotes and updates across its digital distribution channels. As the underwriting team responds to changes in market forces, rules, and taxes or surcharges, straight-through processing means that updates are reflected in the customized rates that are delivered to customers instantly. As a result, the company can test and roll out changes faster than the competition by making updates seamlessly.

Of course, InsurTech initiatives are not guaranteed to be an instant success. Sponsorship also extends to when proofs of concept or pilots fall short of their original goals. Carriers must use these to set a stronger foundation for the future. Being clear about "what we learned" not "what failed" may seem nuanced, but is vital.

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## 2. Sight – finding partners

With so many fledgling InsurTech businesses offering so many different things these days, how do carriers find those that would be most beneficial to their strategic and business priorities? The ability to identify, court and build relationships with organizations that have solutions to fit individual companies' needs is essential, but it's also where a lot of companies struggle.

One way forward is to work with established technology accelerator platforms like Plug and Play, and Y Combinator, which are great aggregators of early stage companies and offer a quick way to access the InsurTech ecosystem. In the case of one large, global carrier, Willis Towers Watson helped organize an Innovation Day with several preselected InsurTech start-ups from the regional Plug and Play platform that were aligned with the client's businesses and strategic intent. The client defined its business priorities and we worked together to source the relevant start-ups. Each was invited to present to the carrier's senior strategy and business leaders, which resulted in a number of proof of concept projects and ongoing discussions about future partnerships.

## 3. Separation – appropriate room to learn and grow

Mastering something new requires time and space out of the spotlight. This applies to InsurTech, and carriers need to establish test beds for technology so it can be nurtured until it's ready to be integrated into the business.

Attempting to establish InsurTech within business-as-usual operations in a live operating environment is extremely difficult. The inherent danger is that innovation will be stifled by existing bureaucracy, processes and metrics.

On the other hand, incubating a new capability in isolation or too far removed from the core business (and its leaders) creates the risk that it will fail to gain the understanding and buy-in necessary for its success. Building effective business processes to develop and migrate the new business or technology into the operating platform at the right time is as important as the underlying technology itself.

## 4. Speed – but not haste

The InsurTech market, by its very nature, moves fast. By contrast, most large insurers operate with deliberate decision processes that discourage impulsive decisions that could endanger the broader enterprise. In other words, there's a potential mismatch.

“Fail fast, learn fast” is therefore a useful maxim for carriers in relation to InsurTech-driven innovation. It's very important to provide a safe environment where bold, quick-but-limited-scale decisions can be made by empowered teams (e.g., to launch proof of concepts or pilots); because an increasingly important accompaniment to creating the room to learn about InsurTech and grow – is to do it quickly.

Equally, while speed and decisiveness are important when it comes to testing and piloting new technology-based solutions, carriers also need to be thoughtful and deliberate about the implementation of ideas that survive the testing phase. Releasing solutions to market before they're fully customer ready is likely to do more long-term damage than being a bit slower and getting them right.

## 5. Stealth – patience is a virtue

A bit of stealth can be a valuable competitive asset in building up InsurTech capabilities. InsurTech is a relatively small world in which insurers attend the same conferences, participate in the same innovation ecosystems and meet many of the same start-ups. It can help to keep one's cards a bit close to the vest – so new initiatives aren't prematurely exposed to potential competitors.

Anyway, experience shows that sustainable innovation typically takes time working with the right partners and involves incremental improvements as much as what one influential CEO of an international carrier has referred to as “moonshots.”

## In step with InsurTech

As InsurTech innovation moves to a different, higher-tempo tune, the increasingly collaborative environment will create more opportunities for established insurers to accelerate their innovation efforts. Continued attention to the five S's should stand them in good stead.

*For comments or questions, email:*

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