EIS

Tackling the Loyalty Penalty:

How the collision of fair value regulation and technology limitations will propel the UK general insurance sector into the future

HAL Consulting | consumer intelligence | sheffield haworth

Synopsis

Industry specialists outline far-reaching implications for legacy and modern legacy platforms, plus how new consumer protections around price-walking will accelerate a shift in proposition and product design from product push to customer-centric, outcome-driven solutions. Experts highlight significant commercial opportunities and platform considerations that enable forward-thinking insurers to innovate in fast, agile, and straightforward ways whilst quickly scaling up and down to stay ahead of the competitive curve.

Summary

The UK Financial Conduct Authority's (FCA) rules relating to General Insurance Pricing Practices (GIPP) are changing the sector. These new consumer price protections have the potential to be the most transformative pieces of regulation and disruptive change to the fabric of the sector in the last decade and are likely to expand in scope and impact over the next few years.

The changes will swirl around all aspects of the industry, acting as a transformative force that disrupts traditional customer, commercial, and digital outcomes. In addition, new entrants, unconstrained by legacy or modern legacy systems incapable of quickly turning fluid internal and external data into new products, will surge into this transformative mix.

The headline issues are stark, and the case for transformative action at all levels is clear

Recent FCA data shows that six million policyholders have paid high or very high prices for general insurance products, with one in three customers who paid high prices showing at least one characteristic of vulnerability. In addition, those consumers who paid high prices were the least likely to understand the insurance product or the impact that renewing had on the price they were paying.

The regulator's approach to addressing these fair value issues will primarily ensure that renewal quotes are not higher than quotes for new business. In addition, firms must deliver long term fair value to customers and provide more granular fair value reporting to the regulator. Finally, all firms must provide a better range of options and transparency for customers who want to cancel the auto-renewal aspect of their contract or utilise premium finance.

The FCA states, "We estimate that over the next ten years, consumers would see prices fall by £4.2 billion as a result of our proposals."

Notwithstanding the burden this will place on insurers to unlock these benefits, firms embracing, rather than minimising, these changes in their business will generate a significant upside.

A key outcome is that customers will regain trust in their providers and improve confidence that they are treated fairly and consistently. There is a real opportunity to create great customer experiences built around retention rather than the current commoditised fight for customer acquisition. The fast capability to deploy at pace in any place will underpin the competitive advantage these opportunities present.

The regulator has designed a series of measures that disrupt the status quo

Much of the early focus of the Financial Conduct Authority was driven by the economic crisis of a decade ago and centred primarily on the global financial system. More recently, the focus has shifted to more consumer-related issues with PPI, foreign exchange benchmarks, and miss-selling.

"Treating Customers Fairly (TCF) has been a critical initiative for the Financial Conduct Authority over several years," says Giles Custerson, founder, partner and FX payments specialist at HAL Consulting and former managing director of Eurochange. "However, it is quite a simple, one-dimensional tool and can be viewed by firms on a snapshot rather than a holistic basis."

Custerson continues, "From a firm's perspective where once good conduct, controls, systems, and processes might have been sufficient, the regulators have been increasingly concerned by products and services that provide poor outcomes for the customer. This shift, combined with the regulators' willingness to intervene, has led to the focus moving to areas such as fair value and, more recently, consumer harm. Without a doubt, the regulator is encouraging insurers to innovate through companies with platform solutions built around speed to operate more like tech companies: fast, simple, agile. Again, EIS stands out in this space versus comparable solutions."

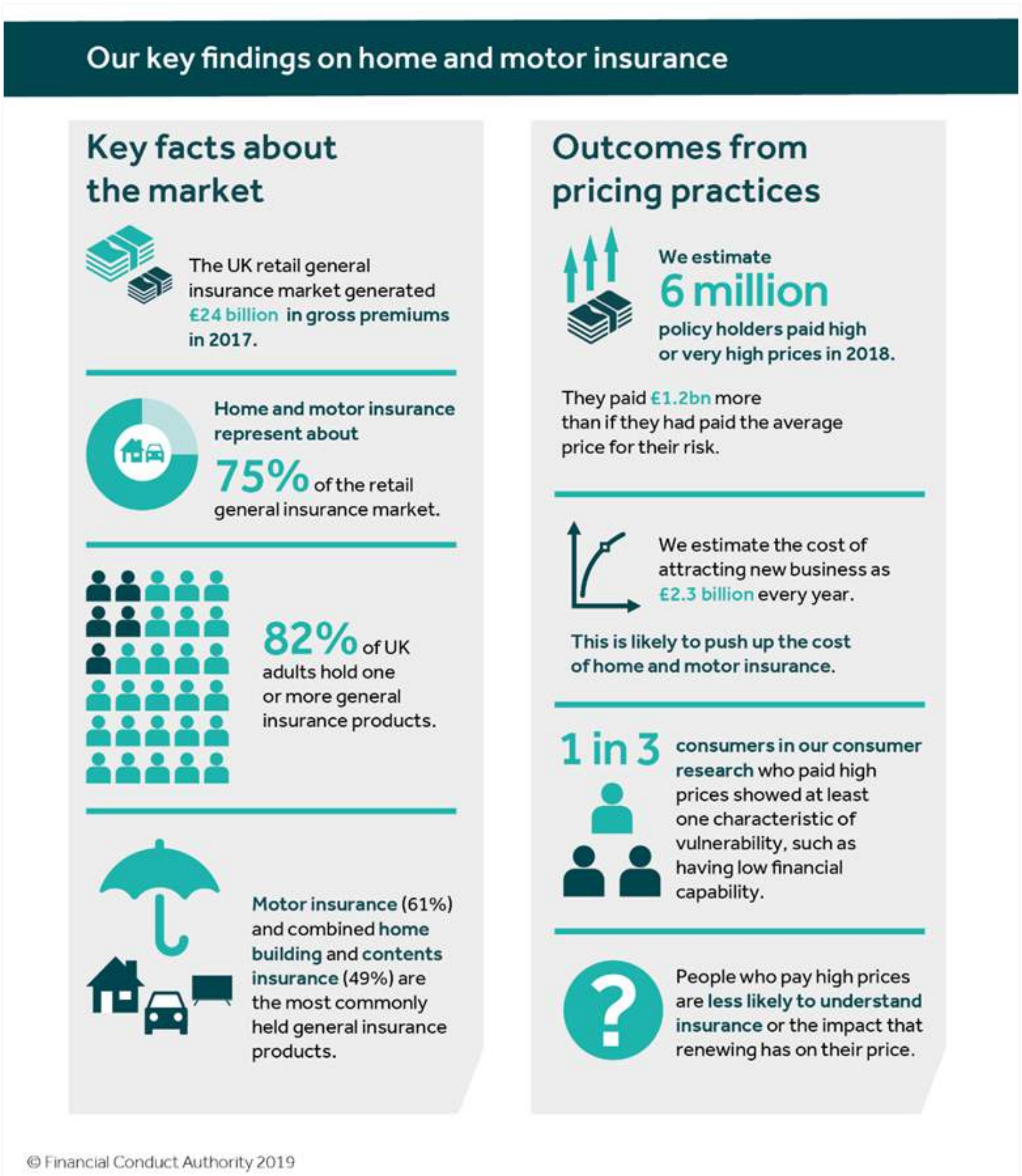
In 2018, the FCA published a thematic review that raised concerns about how insurance pricing could harm consumers. The FCA found that general insurance firms used complex and opaque pricing techniques for customers more likely to renew with them.

These factors led to new reporting and governance requirements around value measures being proposed and introduced by the FCA as part of the consultation process PS 21/5.

"Given the scope of the changes outlined in PS 21/5, firms will have spent a considerable amount of time, money and resources in 2021, from both a product, pricing, and technology perspective," says Colin

Robertson, founding partner of HAL Consulting and former UK personal lines motor managing director at RSA. “This activity will have taken the focus away from other areas, with many firms’ discretionary change budgets for 2022 evaporating as a result."

Infographic One from the FCA supports this point with data regarding the UK general insurance market and some of the anticipated outcomes for the new pricing practices.



Infographic One

Why speed separates insurance winners from losers

By leveraging innovative platforms, cloud-native, low-code solutions, and better data monetisation from cutting edge software platforms such as EIS, successful insurers will squeeze every advantage out of these new rules. However, one thing is certain: the speed of change will be a critical factor in separating the winners from the losers. Those firms across the sector that struggle to move beyond legacy systems, designed for a different regulatory landscape, and modern legacy systems that cannot pivot quickly and hinder test-and-learn cycles, are most at risk.

For example, insurers can deliver better outcomes in the new regulatory landscape by leveraging contemporary platforms, built directly on or for the cloud, compared to legacy or modern legacy systems and those lifted and shifted into the cloud. Even the latter often causes delays in the speed of change and can lead to design compromises as providers struggle to balance serving legacy systems and cloud integration rather than leveraging cloud-native insurance platforms and fully digitalised processes such as those from EIS.

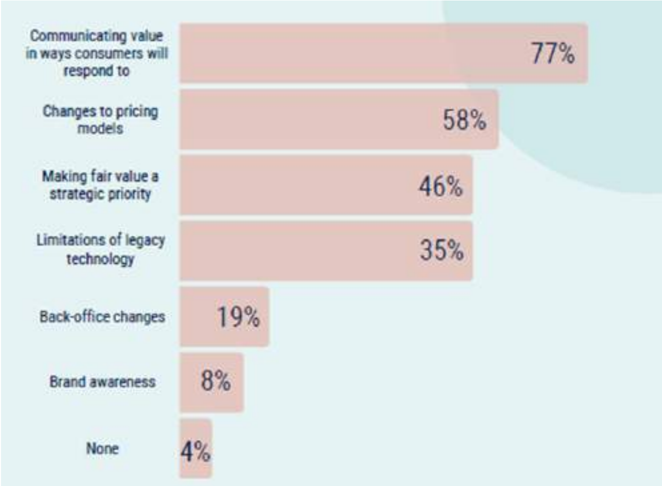
The speed of change across the UK general insurance sector will cause insurers to quickly move away from platform solutions designed for a different regulatory landscape. Plus, new regulations will cause a shift in proposition and product design from product-centric to customer-centric, outcome-driven solutions, and cutting-edge, cloud-native solutions from game-changing companies such as EIS will unlock competitive advantages faster than others in the market.

Software companies such as EIS can reduce technical challenges through digital components whilst meeting customer needs to unlock commercial opportunities.

Infographic Two from a 2021 Sheffield Haworth survey highlights that 35% of respondents from the UK insurance sector believed that legacy technology would present the biggest challenge in terms of successfully embedding the new regulations.

Speed and agility are major advantages in UK general insurance pricing

The transformative nature of the regulatory changes will disrupt the market across multiple levels, including distribution, product design, and customer insights.



__Infographic Two:__ Challenges in embedding new regulations

As the most disruptive change to the fabric of the sector in the last decade, these new rules are also likely to expand in scope and impact over the next few years.

The regulator's approach tackles several long-standing issues across the sector to:

- Ensure that renewal quotes for an existing home and motor insurance customer are not higher in price than quotes for a new business customer.
- Strengthen proposition and product governance to deliver long term fair value to customers, including add-on elements such as premium finance.
- Increase reporting requirements to cover pricing and value management measures to provide more effective market supervision and intervention, including fees, commission, and charges.
- Provide a better range of accessible and easy options for customers who want to cancel the auto-renewal aspect of their contract and give customers the right amount of pre-contract information about the auto-renewal process.
- Provide transparency on what a customer pays for premium finance compared to an annual policy. Specifically, insurers must treat it as an "optional additional product" that's actively selected by the customer, in the full knowledge that it costs more than alternatives or paying the total amount in one transaction.

Overall, firms must prove why their approach and governance will support the rules surrounding fair value for all products, including add-on elements and premium finance. This requirement includes a firm using a third party to supply an add-on or premium finance. In this instance, a firm must satisfy the regulator that the product provides fair value for its target customers. In addition, insurers and brokers will have to work together to assess that the right target audience purchases the product.

For example, similar to retail banking, category range reviews are likely to accelerate across the insurance sector, often driven by regulatory challenges, with products and services that deliver poor value for the customer redesigned or discontinued.

The regulator will likely introduce in-depth product review cycles to better test and evidence suitability of proposition, products and services, plus underlying commercial dynamics. Insurers leveraging enhanced, fast and flexible data analytics and reporting capability through platforms from companies such as EIS have the opportunity to jump ahead of competitors by driving faster in-depth product review cycles alongside agile and rapid regulatory reporting and evidencing capability.

Putting an end to high prices that do not reward loyalty is a central aim. Plus, those with agile data management can build more customer-centric solutions.

"These measures will put an end to the very high prices paid by many loyal customers," says Sheldon Mills, FCA executive director for consumers and competition. "Consumers can still benefit from shopping around or negotiating with their current provider. However, they won't be charged more at renewal just for being an existing customer."

Mills continues, "We are making the insurance market work better for millions of people. We will be watching closely to see how the market develops in the future and ensure firms continue to deliver fairer value to consumers."

Infographic Three from the FCA highlights how the pricing practices rules will improve competition in the UK motor and home sector. The estimated figure of consumer savings has recently been updated to £4.2 billion by the FCA.

Infographic Three

Transformative regulation will radically accelerate innovation and uptake of cloud-native technologies

"The transformational change that the general insurance pricing practices regulation seeks to achieve is the start rather than the end," says James Yerkess, founder and retail banking and insurance specialist at HAL Consulting and former global head of retail and wealth banking FX at HSBC. "You only have to look at similar regulations across the UK retail banking, and the adoption of more cloud-native solutions and increased digital automation to see the direction of travel for insurers over the next few years."

Yerkess continues, "Firms such as Revolut, Wise, and Starling Bank are great examples that highlight the transformative nature regulation can have on a sector and the disruptive nature of change that follows. In general insurance, firms with better internal and external data sources can revolutionise customer onboarding and customer 360. Insurers can learn from retail banking and rapidly innovate by embracing companies that provide faster test-and-learn cycles compared to incumbent providers tied to legacy or modern legacy capability, expensive integration approaches, and slow scale up and down speed."

Yerkess adds, "Software platforms in the insurance sector, such as EIS with a flexible platform of core systems and digital solutions, will liberate insurers to accelerate and scale innovation, launch products faster, and deliver new revenue channels that lead the industry forward. Similar to the UK retail banking sector, insurance regulatory change will accelerate the development of thousands of open APIs. Companies such as EIS with fast and flexible platforms will provide insurers with the freedom to connect to a vast ecosystem of insurtech and emerging technologies to leverage every ounce of competitive advantage the new regulations bring. It happened in retail banking, and I fully expect the same to accelerate at pace across general insurance over the next one to two years."

Firms able to pivot quickly and deploy change rapidly will benefit the most

"The impact of the new rules will vary considerably by the firm," HAL Consulting's Robinson says. "Companies with a large back book, especially home insurance policies where renewal margins have been particularly high, will take the greatest hit to their profitability. But, of course, there will also be a wider impact on companies who support the insurance industry, such as price comparison websites. However, the full impact on the market will remain unclear until insurers submit the first few annual rounds of reporting to the regulator."

He continues, "UK insurers with cloud-native technology and streamlined integration capability will launch new products that test the limits of regulation quickly. Undoubtedly, the enhanced capability will drive commercial advantage across all aspects of policy administration, billing, and customer management."

In addition, he adds, "Equally others may quickly adopt more flexible solutions enabling them to better innovate with new products that fundamentally move the game on within the spirit of the regulations, including new entrants that want to scale up quickly. An example of this is a trend across the market to move from ‘annual renewal’ to ‘on-demand.’ This approach builds customer loyalty and stickiness through product building, embedded insurance, and more personalised offers.”

A good example of this is where insurers need to deploy change using modern or legacy software providers that require software development that impacts source code management, software testing, and release planning. These aspects take time and slow down competitive advantage versus insurers that leverage insurance software companies with cloud-native solutions that do not require the same level of software development in Java/.Net and have the in-built testing capability, such as EIS. The outcome is that those insurers who can adopt more flexible and fast-change solutions from companies such as EIS will likely pivot faster and maximise commercial opportunities more quickly than competitors.

Transformative regulatory change is accelerating in 2022 and beyond. As a result, a critical question for insurance firms is how quickly they can pivot with legacy systems, platforms, and agile integration teams to benefit from new data sources and sustain competitive advantage alongside a rapidly evolving regulatory landscape.

Consumer Duty lifts the transformative regulation bar even higher and requires a further step-change in automation and process consistency

"If further evidence of the speed and depth of change in regulatory landscape was needed then with general insurance firms still only halfway through the implementation of GIPP PS 21/5, the FCA has instigated a new consultation process on Consumer Duty, titled CP21/13," Custerson says.

Robertson agrees. "It will also be fascinating to observe the different market strategies in response to the general pricing practices and Consumer Duty, plus how the FCA chooses to respond to those they deem not in the spirit of their goals should such strategies emerge,” he says. “What is undoubtedly true is that those who are the most agile, have a simpler set up, and embrace change will fare the best."

Yerkess notes that in the banking sector, firms that spent lots of effort working out how to game these types of regulations soon found the FCA on their doorstep. "Firms that surged ahead took the regulations and came up with innovative solutions that exceeded compliance often turned out to be the biggest winners on all fronts,” he says. “One thing is certain, insurers utilising software platforms built directly on or for the cloud move ahead compared to other modern or legacy system providers with platforms built on-premises that need to convert existing architecture into cloud compatible solutions. This point will be particularly relevant when it comes to the reporting and evidencing cycle required by the FCA."

The Consumer Duty consultation process and proposals aim to lift further the level of consumer protection in retail financial markets, plus create a fundamental shift in the mindset of firms, extending into technology layers. **Regulatory oversight will likely build on the obligation of firms to reduce consumer harm across three main areas:**

- The Consumer Principle reflects the overall standards of behaviour the FCA expects from firms. The regulator is consulting on phrases such as “firms must act in the best interests of retail clients” or “firms must work to deliver good outcomes for retail clients.”
- Cross-cutting rules would require three critical behaviours from firms: taking all reasonable steps to avoid foreseeable harm to customers, taking all reasonable steps to enable customers to pursue their financial objectives, and behaving in good faith.
- Consumer Duty will also contain a suite of rules and guidance that set more detailed expectations for conduct concerning four specific outcomes: communications, products and services, customer service, and price and value.

Waves after wave of transformative regulation reshaped the banking landscape layer by layer, and general insurance is next

According to Karen Houseago, head of insurance at Consumer Intelligence, the phrase “fair value” is the key to understanding the transformative nature of what the FCA wants to achieve. "The regulatory interventions aim to provide long term fair value for all customers throughout their relationship with the insurer and across policy, billing, and claims systems,” she says. “But ultimately the target operating model, inflexible modern legacy systems, historical legacy capability from a different regulatory era, and data analytics capability will need to transform to deliver against these goals and ensure success."

Yerkess says this all sounds very familiar. "Across banking, the regulator began by looking at pricing models but then moved into underlying technology layers impacting commercial models, change delivery capability, target operating models and digital migration,” he says. “Without a doubt, the insurance market will follow the same regulatory and fair value journey."

Yerkess continues, "Insurers utilising capability, such as the EIS Suite over other software providers in the market, will benefit from a thorough, but simple, solution to data gathering and analysis. Using application programming interfaces, or APIs, data is integrated seamlessly across the platform, providing a full, 360-degree view of each policyholder. This capability provides a competitive advantage for insurers when it comes to the new regulatory environment."

Robertson adds, "The ability for an insurer to quickly access policy holder's data through intuitive dashboards and analytical tools will aid in managing the overall customer benefits program. In addition, platform solutions from companies such as EIS provide tangible solutions and benefits in this space that can better support evidence to the regulator compared to other providers in the market."

Sound technology and platform capability to consolidate complex products will better support agility

Robertson adds, "Appropriate forums and committees will facilitate fair value reviews and discussions to ensure they are adhering to the proper processes. Firms must clearly define the accountability of senior managers overseeing the attestation. The new governance will have a particular impact on legacy platforms and complex products. The attestation cycle must also include identifying and remitting breaches and offering a practical challenge. All of these aspects will be particularly challenging for insurers constrained by their underlying technology and the inability to embrace change rapidly."

He continues, "As a result, there is a premium on having the right technology, processes, and access to data to facilitate an effective governance process. For example, every area in a firm with a line of sight into pricing needs to report non-compliance. To do that, all relevant areas of the firm must have an internally consistent interpretation of the rules to identify non-compliance. This aspect gets more complex when multiple firms set the prices."

Companies such as EIS have a suite of all the components required to run the end-to-end quote-buy-service lifecycle to manage this complexity better. In contrast, competitors to EIS with legacy platforms often require document and rating modules as an add-on. In addition, these solutions often force insurers to opt for a legacy document solution and external rating/pricing model due to incumbent legacy platforms solution constraints.

Finally, insurers with agile pricing frameworks can create a competitive advantage by monitoring their competitors and rapidly updating their rates in response. How quickly a firm can react to either getting it wrong or maintaining a benefit will be a defining feature of 2022. Some big names could struggle as new insurtech entrants such as Lemonade and others with extensive distribution access to the customer base such as John Lewis emerge to challenge market share.

Insurers have historically built their IT infrastructure in a product-centric manner. Now is the time to become customer-centric and build trust by moving to an outward-looking culture and making use of data

Houseago adds, "The UK insurance sector has got too used to looking inside itself. Many firms look narrowly at internal data, analytics, underwriting results, investors, and bonus culture. As a result, some insurers have lost sight of why insurance exists: to catch people when they fall. To give the reassurance that consumers can live their dreams and ambitions. Core systems capability needs to reflect this ethos as well."

"To quote from a well-known American Family insurance's TV campaign: ‘insure carefully, dream fearlessly,’" she adds. “In 2022, the new UK regulations are designed to bring people who utilise general insurance closer to dream fearlessly and live their most valuable lives no matter what else happens. Over the past few years, confidence in the sector has been rock bottom."

Firms able to bring together all critical customer outcome data as well as regulatory and commercial data will allow a firm to triangulate their customer, regulatory, and commercial response, Robertson explains. “This approach will quickly identify competitive advantage, especially if agile systems rapidly collate multiple data points,” he says. “Additionally, given that all actions and decisions require a fair value to be evidenced, putting the customer and commercials and regulation at the heart of your business becomes far easier."

Yerkess notes that insurers utilising the cutting edge capability found in platforms such as the EIS Suite will gain a competitive advantage in this space with a comprehensive but simple solution to data gathering and analysis. “Using application programming interfaces, or APIs, data is integrated seamlessly across the EIS platform, providing a complete, 360-degree view of each policyholder,” he explains. “This 360-degree approach will not only better satisfy the evolving regulatory agenda but also accelerate commercial advantage as those companies grappling with legacy solutions unable to deliver this perspective fall behind the rapidly evolving market."

Accelerating digital and data analytics disruption can maximise the advantage

Custerson cites the example of the Retail Distribution Review across banking in 2012, which transformed transparency around the costs and fees associated with independent financial advice and the overarching digital capability to leverage these capabilities successfully.

The transformative nature of this regulation was followed by the Markets in Financial Instruments Directive in 2017 and the Payment Services Directive in 2018.

"Both transformational regulatory interventions had significant implications for legacy platforms with the winners and losers grouped into those who quickly improved data analytics to take advantage of rapid change across the market,” Custerson says.

Yerkess adds, "The move towards low-code/no-code flexibility for internal teams with solutions such as the EIS platform significantly enhances the ability to unlock opportunities quickly, which is further accelerated given the EIS solution allows for personalised offers."

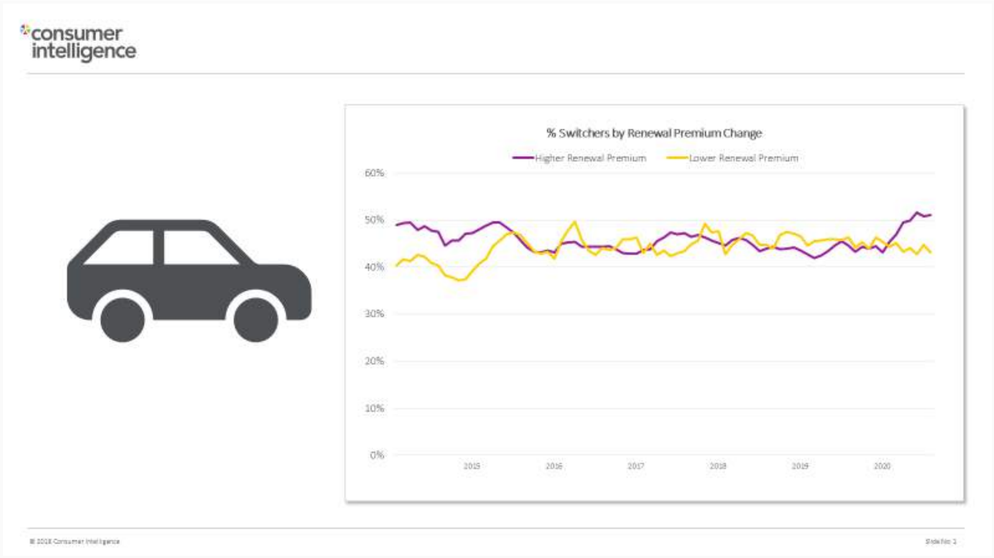
Transformative regulation will disrupt more than pricing principles

The transformative regulations across the UK general insurance sector will disrupt much more than just pricing. The regulator has clarified that insurers must become customer-centric and value-focused across all parts of their business, including the distribution chain. This requirement extends across policy, billing, and claims systems where agile and flexible technologies will not only deliver regulatory compliance but deliver transformation at a deeper level than just pricing.

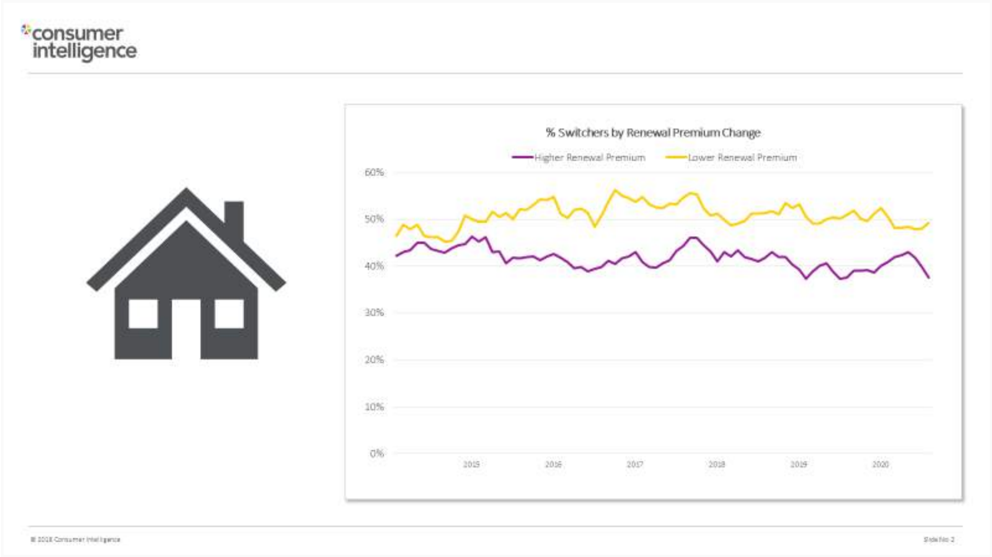
Equally, a short-term consequence of the new regulations could be a shift in consumer behaviour, as customers who bought a policy in 2021 and go through their first renewal cycle may find prices have gone up to balance new business versus renewal prices.

"As a result, these customers may be more likely to contact a firm in 2022 to query their first renewal price, bringing a higher risk of complaints if customers are not satisfied with their answer," Robertson says. "These demands will increase conduct risk and strain a firm's commercial and technology models due to the increased cost of resourcing in call centres and complaints handling teams. However, they do provide a further opportunity for insurers to build a direct relationship with the customer."

Infographics Four and Five from Consumer Intelligence show historical trends across motor and home insurance regarding the percentage of switchers by renewal premium change. Tracking and responding to these trends, plus broader GIPP market tracking from now onwards, will be an essential consideration for insurers and others. See next page.



Infographic Four



Infographic Five

"Some firms might consider providing a tiered product to achieve competitive prices by reducing core cover and allowing add-ons after a click-through," Yerkess explains. "Or conversely, bundling multiple products through a single billing account to make the customers' experience buying their portfolio of insurance needs much easier. However, going forward, under the new regulations, it will be critical to evidence the product tiers offer fair value for the target audience. Achieving this will be as much of a transformative change as the pricing elements themselves."

Ultimately, disruptive insurance software companies such as EIS can reduce technical debt through digital components while meeting customer needs and accelerate commercial opportunities for insurers with a forward-thinking mindset and an appetite to speed up change capability.

Sourcing and benefiting from new data insight are not nice to have, but a must-have

"Firms with better change capabilities will be able to source and benefit from new data insights to drive customer-led product and user experience design better," Robertson says. "Low-code/no-code flexibility for internal teams also accelerates the ability to convert opportunities into reality. The successful insurers will need modernisation plans to meet future market needs, not just the current regulatory challenges."

Robertson continues, "Many firms remain uncertain which pricing strategies will be the most effective. The winners will likely have a more rapid test-and-learn approach and a data analytics feedback loop that can quickly optimise pricing post-implementation of the new regulations. They will also need to utilise quick tests and learn techniques through cutting edge solutions from providers such as EIS that enable test-and-learn cycles to be significantly reduced in terms of the length of time taken to complete them."

Moving core systems from "detect and fix" to "predict and prevent" is essential

Robertson adds that distribution models will evolve, with faster purchasing times, less intrusive customer involvement and, from a claims proposition perspective, move from detecting and fixing issues to predicting and preventing them enabled by increased digitisation, use of data, and advanced analytics.

Alongside this development, there are also signs in 2021 of a renewed focus amongst insurers on conducting proposition development more in line with brand positioning, given that brand experience and loyalty will become increasingly important in the coming years, according to Custerson.

Yerkess says the FCA will likely use the data they have requested from insurers to quartile rank firms, so firms must be able to evidence their thinking and better understand the market context of how this places them. This approach will likely present a significant challenge for firms in the bottom quartile who do not realise they are in the bottom area until it is too late.

Insurers with agile pricing frameworks can create a competitive advantage by monitoring their competitors and rapidly updating their rates in response. However, how quickly a firm can react to either getting it wrong or maintaining an edge will be a defining feature of 2022, with the potential for some big names to struggle and new entrants to emerge and take a significant share.

"The key question insurers need to ask themselves is whether they have the cutting edge software platform capability to move from detecting and fixing issues to predicting and preventing," Yerkess says. "Specifically, enabled by increased digitisation, use of data and advanced analytics and a solution that can be implemented super fast by a leading provider such as EIS to avoid falling behind the market."

Understanding the impact of the new regulations through the eyes of the customer will maximise the advantage

"Understanding the transformative nature of the new regulations through the customer's eyes is crucial with the core system capability to respond to emerging trends quickly," Houseago says. For example, in a recent market-wide survey by Consumer Intelligence, UK general insurance customers shared what fair value meant to them when buying products from UK insurers, specifically home and motor.

In the survey, rewarding loyalty was a vital factor of a mutually beneficial relationship between the customer and the insurer. "Firms with the data analytics capability and agility of product design to quickly bring this to life for customers are more likely to win in the future," Houseago says.

Revolutionising data analytics will avoid costly remediation exercises

Houseago also adds that, "In our survey, whilst price is important, it is not the only factor, and the cheapest does not always mean the best. Insurers who can use their systems and data to better bring to life and evidence to the customer the holistic nature of the value they are providing will be more successful at deepening the relationship and long-term retention."

She continues, "With the general insurance pricing practices shaking everything up, having the data and a full view of the insurance market is going to be crucial in understanding your pricing response. In addition, firms with daily insurance price benchmarking data integrated into core systems and data analytics will be able to track better and unlock advantage faster."

Yerkess comments that not only will insurers need to prove value to the customer, they will also need to provide evidence to the regulator. "Given the pattern in banking, the regulator will scrutinise evidence from firms that fair value occurs at multiple points in the customer experience, not just the end price," he says. "Having the right software platform that enables you to quickly and effectively achieve this will be a big advantage over competitors in the market."

Customer-centricity and competition are driving hiring trends

"Customer-centricity is driving most of the current wave of innovation around product design, and insurers increasingly recognise this need to innovate from a customer perspective first," says Ben Johnson, managing director, global head of insurance and insurtech at Sheffield Haworth. "To support this, the industry is drawing on a mix of talent from within insurance while also looking to augment this by bringing in experience from other related industries. In addition, competition is driving innovation, which is why so many in the industry are also looking to increase their cognitive diversity as a means of being able to innovate more effectively."

The UK general insurance sector will always need talent and skills across a wide variety of roles. Understanding product design, risk, pricing, and claims management processes will always be core skill sets required across the industry.

However, Johnson points out that regulation, new technology, and the focus on leveraging data to understand customers better have all accelerated the need for different skill sets, often from outside the sector, that can speed innovation and time to market. Insurers that recognise this are most likely to gain that key competitive advantage.

Infographic Six highlights 2021 survey data from Sheffield Haworth regarding how customer centricity influences UK insurance firms' hiring trends.

Hiring trends point to an intense period of new product activity and pressure on core systems to support

According to Sheffield Haworth's Industry Outlook 2022, hiring trends across UK insurance in 2021 showed firms sharply increasing their hiring into product management and engineering roles. This trend is likely to increase in 2022, with insurers hiring into more product and engineering function roles as the transformative nature of new regulation accelerates the need for fast, simple, and agile product development.

How is customer centricity influencing UK insurance firms' talent needs?

Top 5 skillsets firms need to maximise their customer centricity:

- Data strategists and chief data strategists who can convert data into actionable insights around customer needs and behaviours.
- Experienced product experts and specialists who can convert customer insights into data-led product development.
- Customer experience specialists who can lead the development of more effective and responsive customer journeys.
- Experienced engineers or product specialists with significant technical expertise who can understand and manage product development cycles.
- Those with high-level insurance market expertise in the product management space.

Infographic Six

Infographic Seven highlights 2021 survey data from Sheffield Haworth showing insurance product management hiring as the fastest-growing function across all global markets.

Infographic Seven

Robertson supports this with the view that "market intelligence shows there are currently over 40 product builds in flight with the aggregators indicating an intense period of new product activity around the launch of the new regulations."

In an industry survey conducted earlier in Q3 in 2021 with UK General Insurance professionals by Sheffield Haworth, 73% indicated that the new regulations coming into force in 2022 were positive for the industry, with 23% unsure and 4% believing the changes will have a negative effect. In addition, 72% of respondents highlighted that they expected the upcoming regulations to impact the product functions the most. Finally, 45% of those who took part in the survey believed they most likely will invest in product function regarding new hiring and talent.

"2022 will be a critical year for firms hiring the right talent with the mindset to challenge the status quo and deliver customer-centric products consistently," Johnson says. "The winners will be those that recognise this early and put in place the right people and culture to make this goal a reality."

Infographic Eight highlights 2021 survey data from Sheffield Haworth regarding some of the challenges with insurance product management hiring across all global markets.

Three major developments as a result of regulatory transformation

All the signs point to the FCA's current push on pricing remedies being the start of a long, evolutionary wave of regulation to nudge the insurance industry towards becoming more consumer-centric and value-focused. The latest regulatory consultation exercise focused on Consumer Duty further validates this point. **Here are the three major developments that will result from new regulations transforming the sector in early 2022:**

Infographic Eight

1. The extent to which long time loyal customers will churn will become clear. Firms will have to react rapidly to any material loss of loyal customers not accounted for in their annual target setting cycle.
2. Firms will find out to what extent new business prices will rise and become more stable given that new business and renewal premiums will be the same, and renewal considerations will likely dampen new business price fluctuations. In addition, many firms will rely heavily on price increases to offset the cost of the new regulations combined with claims inflation pressures.
3. The extent to which a level playing field emerges regarding the interpretation of the regulations, plus the FCA reaction, will become clear.

How to capitalise on far-reaching change

The speed of change across the UK general insurance market will only accelerate due to regulatory pressures driving firms to move beyond legacy or modern legacy systems and solutions that do not provide the outcomes required in the future. Undoubtedly, leveraging innovative modern platforms, cloud-native, low-code/no-code solutions, and fast data monetisation from cutting edge software platforms such as EIS will define the winners in terms of capitalising on the new regulatory, commercial, and customer landscape.

“The new rules are the most transformative piece of regulation and disruptive change to the fabric of the sector that I can remember, and the capability to react with ever-increasing speed to an evolving landscape will underpin the winners,” Robertson says. “Insurers that struggle to move beyond modern legacy systems that cannot pivot quickly, old legacy systems designed for a different regulatory landscape, costly operating models, and slow test-and-learn cycles are most at risk."

He continues, "With the general insurance pricing practices regulations shaking everything up, there will be a fundamental shift in proposition and product design from product push to customer-centric, outcome-driven solutions. Furthermore, with distribution models evolving, less intrusive customer involvement, and claims moving from detecting and fixing issues to predicting and preventing, insurers need the cutting edge speed and capability from market leaders such as EIS to bring these opportunities to life."

Yerkess concludes, "It is highly likely new entrants or existing providers turning fluid internal and external data into new products will surge into this transformative mix. The capability to innovate faster than others, deploy at a pace in any place and react to regulatory change or pressure fast will be critical to success and an insurer's choice of the platform provider. "

One thing is for sure in 2022, forward-thinking insurers who leverage the speed, strength, and depth of game-changing software platforms from companies such as EIS will undoubtedly maximise every ounce of advantage the new regulatory changes bring.

HAL Consulting

consumer intelligence

sheffield haworth

Contributors

James Yerkess, HAL Consulting and former Global Head of Retail and Wealth Banking/FX at HSBC
James' career has spanned executive leadership roles in international financial services, global retailers, and start-up banks, including Insurance proposition and product design across multiple markets. Brands include HSBC, Marks and Spencer, Tesco, and First Direct.

Colin Robertson, HAL Consulting and former Managing Director of Personal Lines Motor at RSA
Colin has developed a breadth of knowledge across personal lines insurance and retail banking, working with Direct Line, RSA, More Than, Tesco, and RBS. As an innovator, he has launched numerous customer-centric products across the General Insurance sector.

Giles Custerson, HAL Consulting and former Managing Director of Eurochange
Giles has a breadth and depth of consumer expertise in the UK financial services sector with sales and operational in Retail banking, Foreign Exchange, E-Money, and Payments. He is skilled at bridging the gap between management theory and regulatory compliance.

Karen Houseago, Head of Insurance at Consumer Intelligence
Karen joined Consumer Intelligence as Head of Insurance in 2021, bringing with her 20 years of experience in general insurance and expertise in the commercial management and development of the aggregator channel. Prior to joining Consumer Intelligence, Houseago was at LV= for over 17 years, working her way up from Marketing Executive to a leadership role heading up the aggregator team. Karen contributes substantial insurance subject matter expertise to the already deeply knowledgeable Consumer Intelligence team.

Ben Johnson, Managing Director, Global Head of Insurance, and Insurtech at Sheffield Haworth
Ben leads Sheffield Haworth's global Insurance practice working with insurance firms, markets, and service providers. His practice includes presenting talent to support short, medium, and long-term growth initiatives across a wide range of insurance firms and markets.