

# The Digital Future IS HERE



**D**uring the last few years, there has been heavy investment in insurtech companies that are developing digital tools for the insurance sector. Previously, only large insurance companies, with a lot of capital outlay, were able to access advanced digital tools, but with rapidly developing digital technology created for insurers, captives in the small and medium range can access these digital tools through third-party providers.

Written by Karrie Hyatt

With access to digital tools through tech companies, captives will be able to reach more efficient levels of operation and provide top-notch quality services to their owners or members. More advanced digital tools will also allow captives, already known to be nimble, to use their resources to create better programs and products for their owners.

## IMPROVING THROUGH DIGITAL TOOLS

The key tool in any digital toolbox is providing reliable data, as well as easy access to that data. This is especially for financial companies. Insurtech developers are helping all types of captives to find the right tools in order to have the best tech to meet this important need.

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Digital tools come in the form of cloud-based data storage, robotic process automation (RPA), application programming interface (API), the Internet of Things, and even artificial intelligence (AI). These tools help to improve risk management, comprehensive reporting, and data aggregation. These tools can also apply to mobile technology that streamlines loss control. These technologies and platforms increase workflow and improve risk analysis for captive insurers.

According to Tim Cuckow, vice president of sales with CHSI, a provider of insurance and risk management software, "Group captives strive to provide the highest level of service to their members so, similar to the single parent captive, they value risk management technology. However, they also are greatly interested in member-facing tools, i.e., web portals to provide members multiple points of engagement."

The multiple points of engagement that Cuckow mentions is a way to interact with captive members through real-time access to essential information. By offering brokers and members quick access to information—such as instant rate quotes, the ability to promptly file a claim, to check a claim status, or to review policies—through

computers and mobile phones, captives can become even more responsive to their owners. Creating ease of access for members to retrieve their policy information, captives can reduce operating expenses while providing better service their members.

Providing state-of-the-art service to customers, clients, owners, or members is key to any company right now. According to a recent survey published by the digital customer relationship management tech company, Salesforce, 80% of their customers say, "that the experience a company provides is as important as its products and services." This rings true especially for a company where the customer is also an owner. Captives have to be increasingly sensitive to the quick access to information their owners want and need.

As leaders in new ways to self-insure, many captives bring their ideas to their digital providers in order to customize their digital platforms to their needs.

"Captives are innovative by their very nature," said Cuckow, "So we are constantly engaged in discussions with clients and prospective clients about ways to leverage ours and others' technology to provide the greatest level of service to the captive's stakeholders."



For example, there has been a great deal of discussion recently surrounding the integration of smaller, niche cloud-technology products into the enterprise-wide platforms (like CHSI's Connections) so as to create something of a 'next-generation' platform which integrates best-of-breed cloud-based technologies."

However, Matthew R. Blackley, the chief technology officer at Maple Technologies, has found that not all captives he's worked with are so forward-facing where technology is concerned. "Maple Technologies is one of the oldest, longstanding core system solution providers in the market, and we have worked closely with the captive industry for nearly twenty years. We've found it to be really a mixed bag when it comes to clients bringing us ideas. Some that

are tech-savvy do and have a good understanding of how the tech works and, more importantly, will work for them. Others come with an end goal and rely on us to define a tech path or approach to embrace and build the desired solution."

While captives seem to be adopting digital platforms at a quicker pace than other sectors of the insurance industry, there is still some areas where they are dropping the ball and it's in the most fundamental part of any digital platform—reliable data.

"If there is any concern, we are seeing some lag in adapting to the paradigm shift relating to data security and data

consistency," said Cuckow. "Some captives and captive managers still rely on spreadsheets which can be unreliable, unwieldy, and unprotected. Although a wonderful tool, spreadsheets have limited capabilities and sometimes can be the cause of significant data errors. Moving to modern platform greatly reduces this risk."

### FUTURE OF DIGITAL INNOVATION

While it's no secret that the insurance industry has been slow to adopt new technology and more modern efficiencies, times are changing. "By and large, the insurance industry has long ignored investments in technologies which will provide flexibility and

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choice in the delivery of products, billing/payments, and more,” said Blackley. “The captives sector is certainly no exception. This leaves lots of room for improvement.” And improvements, in the form of new tech ideas, are coming along quickly.

In coming years, Blackley sees API, or application programming interface, as an important way for captives to access digital tools. API is a software intermediary that allows two applications to talk to each other. Mobile phone apps are API's, allowing you to interact with a website through a different medium. API's also add a level of security.

To use the mobile phone example again, the data on your phone is never directly exposed to the website's server, which keeps it safe. According to Blackley, “Third party niche data services offered through API interfaces will be a key springboard for captives and their utilization of tech. It will reduce cost substantially, making the tech more affordable and, from our vantage point, integrating API is a fairly straightforward low-cost process. In combination this will afford captives the ability to compete for business more effectively.”

Two upcoming technologies that are much anticipated in the captive marketplace are artificial intelligence (AI) and blockchain ledger technology. While blockchain seems to make the news more often, industry insiders are really looking towards the applications of AI.

According to Cuckow, “We are watching with great anticipation how artificial intelligence will impact the industry. More and more the technology is ‘popping up,’ however some maturation is in order first. There has been some significant strides made on the health and life side (with some unintended consequences), so watching how that plays out and then understanding the potential impact on the commercial side will be interesting. Exciting times!”

AI will completely change how insurance companies handle claims, distribution, and underwriting. Potentialities of AI include policies priced on behavior—such as for auto insurance and health insurance; personalized customer service and user experiences; and customized claim settlements that are faster and more efficient. As it expands, AI technology will relieve the human component from labor intensive, repetitive work leaving employees to do more complex functions and provide higher quality service.

Blockchain technology is already being explored by insurtech companies, insurers, and now state regulatory bodies. Blockchain technology, often described as a distributed digital ledger, records and stores data in chronologically ordered blocks across devices on a distributed network of nodes.

This makes blockchain resistant to hacking and to technical failures. Once blocks are logged and confirmed, it is difficult to remove or change an entry, which is why blockchain is a secure and



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stable record of financial transactions. To interface with blockchain tech, API's are used to facilitate their use across multiple entities.

For captives, blockchain can reduce or eliminate manual processes by automating the work. This will transform employee's workflow practices and will help captives complete regulatory filings more efficiently.

Insurtech companies are already producing blockchain tech aimed at the financial, insurance, and captive markets. In Vermont and Washington, D.C., regulators are also experimenting with the technology in their record maintenance processes to make filings more efficient for the companies they regulate.

The insurtech space has been growing exponentially over the last several years, making it now a billion-dollar industry. As fast as new tech becomes available, it can be hard for captives to keep up with the changing technology landscape which can make them less competitive in the marketplace. According to Blackley, "The phrase 'adapt or die' comes to mind here. If captives aren't willing to be at least as innovative as their competitors, they will either have to look at making an acquisition, becoming an acquisition, or going out of business."

For those captives feeling left behind amidst the expanding world of insurtech, Cuckow has some advice. "I would encourage those working with and/or for captives to take time and learn more from the vendors affiliated with the market. Whether that be at conferences, online, or through in-person meetings, learn about new technologies and how they could impact your organization. Vendors in this space are sophisticated and knowledgeable about the challenges captives face and the impact technology would have on those challenges. Take a couple of minutes and tour the exhibit hall at the next captive conference you attend, you won't be disappointed!" ■

Karrie Hyatt is a freelance writer who has been involved in the captive industry for more than ten years. More information about her work can be found at: [www.karriehyatt.com](http://www.karriehyatt.com).

