BECOMING AN INSURANCE AS A SERVICE: REALE GROUP'S INGOOD

Carlos Ordóñez, Head of Strategy & Advisory at NTT DATA EMEAL, and Miguel Cruz, Chief Business Digital Officer at Reale Group talk about developing seamless experiences to cope with the ecosystem demands and how they tried to reach a new segment of clients with ingood.

FULL TRANSCRIPTION

Carlos Ordóñez
Welcome to the NTT DATA's Insurance Dialogs.
I want to welcome Miguel, Chief Business Digital Officer at Reale Group.
I want to welcome, Miguel.

Miguel Cruz
Thank you very much, it is a pleasure to have the opportunity to share this moment with you, and thank you for this invitation, Carlos.

Carlos
How is innovation perceived in an insurance group like Reale?

Miguel
Well, it is an interesting question. But you know, from my point of view, there are mainly four types of innovation: Sustaining, Incremental, Disruptive and Radical approach.
We have to consider we are a company with a strong focus on agents and brokers. In this sense, we want to achieve a balance between our distribution and our innovation.
We have developed an incremental approach to the product and services distributed by our agencies and our brokers. However, we have developed a disruptive approach regarding the new business where we have more freedom to innovate.

Carlos
OK, today some insurance companies are approaching more from the start-up point of view, but today Reale, you have launched ingood, a new brand, a new corporate venturing, where you are building this start-up momentum inside of the company, creating a new product and disruption. Please tell us a little bit more about how this type of innovation is approached by Reale Group.

Miguel
We brought out ingood looking for reaching a new segment of clients. Currently, our profile is a medium-aged man found in small/medium-sized cities. We are not able to read the digital profile or the profile located in big urban cities. The main objective of ingood was to reach this kind of profile with our very innovative offer. This offer is based on micro-insurance because we think this new profile demands a new concept of offering, more digital, with simple and automatic processes, with the possibility to acquire this product in a very, very flexible way. This was a goal of ingood, but besides, we wanted to extend our ability in this solution.
ingood has the mission to reach agreements with different retailers or dealers in order to incorporate our product into their product.
I mean, our insurance policy is embedded into their product. I'm going to buy a ticket for skiing and I have the opportunity to buy my ticket with the service or with a product. In this case ingood.

Carlos
Ok, that is what the market is calling Embedded Insurance and maybe focusing, if I understood well, on a B2B2C model.

Miguel
Exactly. We want to minimize the risks of fraud because, as you know, if we want to launch a B2C approach in Italy, this approach is extremely dangerous, because their fraud level is very high.

Carlos
And something so interesting from your use case, in this case, is that you, as an Italian company and Italian leader, launched the first approach to these new products from Spain. You created ingood for your Spanish company and then after the success in the Spanish market, you moved all these experience to Italy and you started in Spain as an executive and now you are leading that at a Group Level. Could you explain to us how you started?

Miguel
Spain decided to launch a new concept, in this case, INGOOD, and we wanted to achieve ingood as the digital brand of the group. In this sense, I received a call from the Chief Digital Officer of Italy, Matteo Catania, and he told me: Would you like to come here to launch ingood in Italy?
Obviously, it was a terrific opportunity for me to be a part of this launch in Italy, but we have committed some mistakes. The first one is to try to replicate the same product in another country.

Carlos
And different…

Miguel
Different consumers, different markets… and the front. When I arrived in Italy, we had to replicate the same product in another country and the technical department told me: No, we can't replicate this product and if you want to replicate this product, the tariff, the final tariff will be the 10% of the final price.
Excuse me? I don't understand. This is a micro-insurance product, and the aim is to buy this product very, very quickly. But we had to reduce the final price in order to extend our distribution capacity.
But probably, I wasn't able to explain this fact. The first mistake is to avoid replicating the same product in another country. It works in Spain. Perhaps, it will work in Italy, but not always.

Carlos
So, in the case of Italy, it is distributed by your agents, and sometimes it's complex to introduce the new concepts in a more traditional company, a mediated company like Reale in Italy.
It was another of the big challenges that you had when you moved from Spain to Italy with this product.

Miguel
My Italian colleagues say they are open to knowing every innovative project.
But sometimes the obstacle, the problem between potential markets, is the power of our agencies in Italy.
They are our main distribution force, but, if we want to launch a new product, first of all, we have to convince them about the necessity to launch this product.
And you know, often this is the challenge, to convince this distribution force to start a new distribution of product, is not easy.

Carlos
Yes. Normally in terms of culture, in any transformation, culture and change management is one of the key pillars that you need to tackle because this resistance is normal.

Miguel
Because they were perfect with the traditional product, Carlos.
They don't need to innovate in products.

Carlos
Yes. Sometimes we are seeing the same thing in different countries. When I'm talking with different insurers and when you have, you have a leading position in your countries and you are selling well, you have good margins, it's complex to say to them that we need to change and this is the right moment to start to introduce this kind of disruptions because when you are preparing the future with this new product, because you need to test before, before growing a lot. But it's the moment when things are working well. When you need to start a thing for the future.

Miguel
We have to admit, if we are able to put in the centre of the project, our agencies, their contribution will be key to the success of the project.
I think the problem exists if they don't want to accept this new challenge, but if they accept the challenge, then everything is easier.

Carlos
Yes. I'm sure. I'm sure that in the medium term all the distribution will see what embedded insurance is and will create value for their customers. The customers are demanding this kind of service in the concept of the ecosystem that we said.
Then at the end, when the customer will be done with the distribution, they will step by step demand these kinds of products, and then I think that in the short-medium term at the end the distribution will move in that direction.

I think we need to do it step by step, some more small movements but the full market is going there.

You created a new brand also. Because you created everything from scratch, what we call a corporate venturing, not just the product but also the platform, the processes, the actuarial things, how you create a new product, and how today's pricing work…

How did you tackle that?

We were involved as NTT DATA and we have some information, but how did you decide to move in that direction, and why you decided on NTT DATA as a partner to move on that journey? How was your experience with the creation?

Miguel

As I told you, we have a problem. We are not able to reach the big cities. Our market share in Spain is more or less 5%, but if we are talking about the big city, we reduce our market share by three, almost four points.

This is a problem.

And we thought of a way to reach these big cities, without cannibalizing our agencies.

We decided to launch a new concept and new brand digital with micro-insurance because so far, our agencies are not interested in this kind of product.

Because the margin is low because the price is low. And probably we can take advantage of the purchasing moment to acquire this product. As I told you if I'm going to buy a bike and this is a great opportunity to buy an insurance policy with the bike, but the main product is not the insurance product. The main product is the bike, in this case, or the ski if you want to ski, for instance in Turin.

The most complex thing was to decide about the technology.

We are not a company with strong capabilities in technology. We were looking for proper technology for ingood, but in the end, we decided to develop this technology from scratch, and we have developed digital natively.

I don't know if it's native. It's a new digital platform. With the ability to develop this kind of product or another kind of product because the time to market is incredible.

We have reached very cost efficiency and we have the possibility to have a factory for manufacturing new products with flexibility.

Probably this is the key to this product, Carlos.

Carlos

Yes, I think that the platform that you built has a modern architecture that decouples the complexity of the core insurance from the digital needs. More on the B2B2C, because to tackle this kind of business you need a B2B2C platform and this is the platform that you built. Internally in this case because you didn't find at this moment a platform from the market that gave you this flexibility.

Miguel

Yes. Because if you want to develop the B2B2C strategy, you need to develop your integration capacity for third parties, because if Ting Telecom tells us: I would like to reach an agreement with you if you are able to develop a product in three months…

Carlos

In two weeks, integration and you say OK, I cannot do it.

Miguel

Excuse me? Not, I'm not able to. I have a lot of customers and they want to acquire your product with just one click. No.

Carlos

This was a challenge.

Miguel

This is the challenge.

Carlos

And now this is the challenge that the market is consuming.

Miguel

This is the challenge in terms of technology, in terms of technical requirements, because you have to convince the Technical Department to reduce the number of clicks, to make the process easier for the customer. But in the end, you have to integrate with the data-driven distributor of the retail.

This is completely new for the technical department.

Carlos
And also, your approach. You are approaching that as an agile method because as you said, you put actuarial guys with the business, with the operations, with the IT, all together defining this new concept. And this new model that sometimes, as you said was new for everybody, and then everybody was learning during the journey how to adapt the product to this one-click product because the customers are demanding that and this was a challenge, but it was also a success.

Miguel
I agree with you. It was a challenge regarding technology, but it was a challenge regarding the procedure of working because working in agile is not very usual in Reale.

Carlos
In insurance, I think.

Miguel
In insurance. And it was a challenge for us, it was a challenge, and now we are trying to involve all the organization in an agile method.

Carlos
We were talking about this innovation disruption. But when we talk about disruption in insurance, sometimes we are talking about Insurtech. In your case, your decision was not to go to the market with a specific Insurtech to try to embed this Insurtech in your services, was more about creating this Insurtech inside of the company with this corporate venturing.
What was the main challenge of that in terms of resources? Why you did do that? Why did you decide not to go to the market in any specific Insurtech, what was your view at this moment?

Miguel
Well, from my point of view, Insurtech can be a remarkable player in the reshaping of the insurance industry.
They have provided the insurance sector with new and emerging capabilities such as artificial intelligence, machine learning, and automation, which have transformed every aspect of the insurance value chain.
However, even though, we haven't traditionally been considered a bastion of innovation. I think that insurance companies have developed the ability to replicate these capabilities.
In this sense, from my point of view, it only makes sense to acquire, reach an agreement or make a great investment with an Insurtech, if they can accelerate your time to market, or if the insurance company can scale the Insurtech model.
In this case, we didn't find any results in our research. And in the end, we decided to launch our Insurtech in Reale. From my point of view, it was a highly successful project.
Because we have learned many different things, without making this decision, it would not be possible.

Carlos
Because you said to me at the beginning of the project that you did that research in terms of opportunities of the market and blue oceans where you were moving because you detected with your research department in new places where you can now gain new margins.
What would that be? What? This moment was because you were focusing on sports, on bikes.

Miguel
Well, our focus is on sports and personal belongings in general. The first product we have launched is sports, we have launched 3-4 months ago. We bought out golf, surf, bikes…
Oh my God, I don't remember the last product. Skis?
But we intend to develop all the range of personal belongings. Then we want to launch musical, electronic devices… all about personal belonging.

Carlos
Accompanying your customers when they are moving, or when they need protection in their day-to-day.

Miguel
The young profiles, the digital profiles, they want to insure their tablet, their guitar, their computer…

Carlos
The things they love…

Miguel
Not all the house, because the house is not his property.

Carlos
The things they love…

Miguel
Three or four things…

Carlos
They don't love the house, but they love the surfboard.

Miguel
The most important things for them.

Carlos
And you detected that this was a huge opportunity in your markets because with that research that you did, the opportunity was massive, it was huge.

Miguel
We think probably that the margin of this product, of this kind of product, is very low. But then, you have a very fantastic opportunity in order to do cross-selling with the client.
You can deliver this client to our traditional distribution in order to develop, in order to cross-sell this customer. From our point of view, this is a great opportunity to extend our market.

Carlos
Yes, and the engagement, because one of the key problems we have on the main insurers today is that the day-to-day engagement with your customers, sometimes is difficult for a traditional product, when just you are contacting your customer 1.3 times a year and to only talk about pricing…

Miguel
You have the opportunity to enhance your customer through new and simple processes and new user experiences, completely new for our clients. And then you can move this knowledge to our traditional processes, this is our laboratory.

Carlos
From this corporate venturing that you created, one of the key challenges was the culture but also the talent, because, at that moment, not all the resources were within the company this moment. You decided that you had a powerful architecture, and I did that form that was a foundation for those tools. But sometimes you need the extra abilities of the actuaries because we introduce new products or try to be more agile, how was this partnership and where you found these resources in the market?

Miguel
Well, even though we decided to build our digital platform from scratch, we were aware we didn't have all the talent within our organization, in this sense, we were researching consultancy firms to support our project.
We found NTT DATA to support our project, and, from a strategic point of view, this was a remarkably successful choice because NTT DATA had previously launched a company or a project like ingood.
And then, we were aware we needed to capture the knowledge of people who have just worked in this kind of development or developing this kind of platform. In this case, we hired a consulting firm called FS.
This mix was successful because then we created a single team, with people from technology and people from the business area. But it was not the business team deciding what the others had to do, and then the technology team developed the decision made by the business area. This team worked as a single team from my point of view.

Carlos
In a pure agile way.

Miguel
This was the key to the project.

Carlos
I think it was so smart when you decided it, because at the beginning, when we were commenting on this project, you said: Ok, we have this idea, these needs, we need these resources. And then, with your research, you decided which resources you need to build this kind of corporate venturing.
And as you said, at this moment not only talent was inside, and sometimes people in the market, consultants like NTT DATA at this moment, we were doing this kind of project with another customer, but not just in the insurance. Also in different industries, you can have these learnings, that you can apply directly to your project and then simplify the time to market because the real project that you put in production was nine months more or less, was so quick, nine months how much time from you started the project to put the first MVP.

Miguel
It took us six months to launch the project. For Reale is a very extraordinary time.
We are not talking about launching a product. We are talking about developing a new core business, for the business, for the capacity to produce, to manufacture various products in a noticeably brief period, because now we are able to launch the new product in only three weeks.

Carlos
Yes. No B2B2C. Now you have the platform you have, but you guys in six months, you create the brand, the processes, the actuarial things. The product moves your organization and sometimes it's more complex than just defining the PowerPoint what you want to do.

Miguel
But I would like to highlight that if you want to work in an agile mode, if want to launch a project in six months, it is mandatory to separate this unit from the rest of the organization.

Carlos
Yes. This is what Gartner is calling the bi-modal business, and it is what we call insurance as a service. Is an independent organization where IT and business are working together, but totally separated from the core. It's true that in your case this is the new digital platform that is a foundation that you are creating for the group.
But at this moment you decided to start with this foundation, with separate teams.

Miguel
You must avoid contamination, both positive and negative. The contamination of the traditional way of working.

Carlos
Yeah, and it makes sense because all the market is moving in this direction, all industries, not just insurers, but seeing that to build a new concept, new culture, new talent, new platforms, it makes more sense to build a bimodal business approach where you create this company as a service that you test all these new products there and of course, you have time to move step by step this new business as a whole company.

Miguel
The challenge is how to integrate this small Insurtech, this internal Insurtech into the traditional company without killing the innovation. This is from my point of view the key to innovation, because probably if you can separate this unit, it is extremely easy to create innovative ideas, but then you need the machine you need the operation of your traditional company to accelerate the growth of this Insurtech. But how can you integrate this new business without killing innovation?

Carlos
Yeah, this is a challenge, this is the main challenge.

Miguel
This is the challenge.

Carlos
When we talk about this new model is because at some point is going to be around. When this grows and finally scales. You need to integrate it into a unique conversation because you need the rest of the organization temporarily.

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REALE SEGUROS

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Miguel
But you can't replicate all the organization, with all departments, but obviously, if you have separated your Insurtech, but then you need, for instance, the capacity of your distribution force, you have to achieve a balance between innovation and traditional business.
And from my point of view, this is the key for an Insurtech or for any project you want to launch.

Carlos
I think ingood is a good example of how a traditional insurer...
How many years have you been in Italy? From when your company is present in Italy

Miguel
Reale was founded in 1894, almost 200 years ago. It is the biggest mutual in Italy and Torino, it is an institution.

Carlos
Yes, because the perception in the market is that Reale is a really strong and traditional company. And then when we are moving from at least 200 years company to embedded insurance, micro insurance, new business models, young customers because they are approaching, as you said. We need to approach these new young customers and for that, we need to understand what the consumption of these customers is.
And this is because this type of product makes sense in their day-to-day. Because I'm sure that in 200 years you will do disruptions or your company will disrupt but it's true that from the outside, sometimes they expect, or the market is expecting that this is coming from an Insurtech. But the big insurers in the end are indeed the more disruptive because they were doing disruption for a long time.

Miguel
Even though it is a 200-year company, it is able or, always has been able to face any changes. The problem is to achieve this balance, how is possible to innovate without putting in danger your traditional business, this is the key for my Italian colleagues and everybody, of course.

Carlos
And now we have to finish the conversation because I think this is very clear and interesting.
What is your main challenge now in the future, and where are you moving? Because you say that now pressure from Italian market is different from the Spanish ones. Yes, you are consolidating a global brand for ingood, global products, and you are opening new ones but, what are your challenges?

Miguel
Probably, consolidate ingood as the new digital brand for the group. Secondly, to keep the interest in ingood, at the beginning everything is easier, and then you must be able to keep this interest to get the necessary budget. And then to be able to justify the numbers of ingood. My boss always says: Miguel, we have to justify any project with policies, because otherwise, we will be talking about innovation, but we will not be talking about profitability. From my point of view, these are my next challenges.

Carlos
I think that, of course, you will do it, because as NTT DATA we are involved in helping you grow. But I think it's so interesting how this traditional insurer is moving to the new products, to the new young people, and also to the new distribution channels like B2B2C.
And how understanding how these new distributors like Telco and retailers are now key players inside of the insurance field and you need to do new partnership now. Then I think you have a lot of challenges there, also to grow up a lot because the growth in the future will be coming from them.
And the ecosystems approach will be that B2B2C, good platforms to be agile, to have a really good time to market, now in 2-3 weeks you can put new products in new channels in new customers, in new partners. I think this is something that will give you a lot of empowerment inside of companies, and grow a lot in these new businesses.
Thank you very much Miguel for your time, it was a pleasure as always.
And remember that NTT DATA also will be helping you with anything that you will need from us.

Miguel
It has been a pleasure for me. We have many different challenges. I do not doubt that with your help, they will be a success. Thank you very much, Carlos.

Carlos
Thank you.