

Here's how one incumbent insurer became an InsurTech startup

Together, insurance startups and incumbents can learn from and complement each other in reinventing the industry.

By Phil Kalin February 22, 2018 at 06:00 AM

The insurance industry got a wake-up call in 2017. As [InsurTech rapidly shifted from a buzzword to reality](#), many carriers raced to figure out how to bring the creativity and agility of these new startups to their mature businesses.

One company's solution

At [Pinnacol Assurance](#), Colorado's leading provider of workers' compensation insurer, we responded by building a brand-new company and digital platform in just 12 months.

We started in 2016, on the heels of our company celebrating its centennial anniversary. We already knew that [consumers have come to expect Amazon-like experiences](#) for every purchase they make, insurance included. We knew we needed to continue to invest in technology for new sources of data and operational efficiencies. And we saw a clear opportunity in the small commercial marketplace, which is increasingly populated by millennials for whom digital, self-service experiences are a way of life.

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In response, we created [Cake](#), our new InsurTech solution that has radically changed how small businesses purchase and manage their workers' comp coverage. With Cake, business owners can now buy a policy in less than five minutes online, generate and share certificates of insurance via email or text, and more. Launched in October 2017 — three months ahead of schedule — Cake's entry sparked a lot of curiosity and interest.

Creating a brand-new InsurTech startup wasn't easy. Here are five lessons we learned along the way:

No 5: Move it offsite.

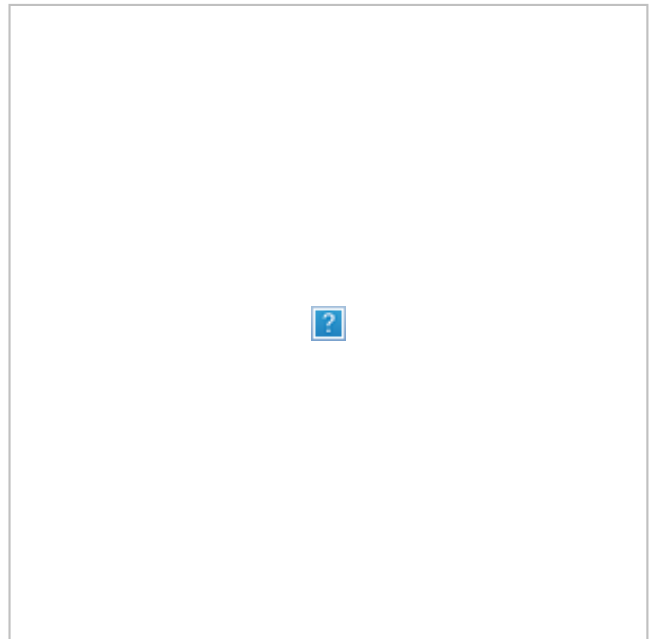
Make no bones about it: [Disruption is a full-time job](#). It is virtually impossible to achieve truly transformative innovation *and* run an existing business at the same time.

For this reason, we decided to separate Cake from Pinnacol's headquarters and create a discrete team with their own resources and mission. Then, our chief strategy officer, who happens to be a 20-year company veteran, was hand-picked to lead the new business.

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No. 4: Hire a mix of people.

We knew that taking our best shot at [competing with InsurTech startups](#)



The offices for the new InsurTech startup Cake, seen here, are located offsite from its parent company. (Photo: Provided by Cake and Pinnacol Assurance)

meant marrying their innovative spirit with our deep well of expertise. So while Cake is led by people with insurance backgrounds, we also actively recruit outside perspectives and skill sets.

Early on, we partnered with creative consulting and design agencies, and brought in a variety of tech startup veterans as well as young professionals from other industries.

Our staffing strategy not only affected the product, it helped us overcome some of the inherent cultural barriers to working in insurance. It also has resulted in a technology-fueled ethos that's at the heart of the Cake brand.

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No. 3: Move fast. Then try to go even faster.

[The winners and losers in this digital race will largely be defined by those who move at today's new speed of business.](#) Unfortunately, speed does not come naturally to most insurance companies, especially large ones. This is one big reason smaller startups have been able to become so competitive.

Since incorporating Toyota Lean manufacturing principles into our operations in 2014, Pinnacol has grown increasingly adept at finding ways to improve processes and deliver faster. These principles drove Cake's development, and allowed us to get a product to market three months earlier than initially planned.

We also created an executive steering committee that was solely charged with eliminating any barriers Cake employees identified in order to help their team move even faster.

Data infrastructure can present another obstacle to speed. So we decided to make Cake a 100-percent cloud-based product. We believe this is the future of InsurTech, and a competitive advantage relative to the complex, legacy systems used by nearly all carriers.

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No. 2: Bring your board with you.

Your ability to move quickly will largely depend on your board. Management teams may think about our changing marketplace and its associated risks 24/7, but most boards do not. If you have not brought them along to have a similar understanding of the digital threats and opportunities facing your organization, they will be less likely to make the timely investment you need to act.

Related: [5 hallmarks of insurance industry digital leaders](#)

No. 1: Make customers your primary business.

We've spent a lot of time interacting directly with customers to make sure we're building a product they love. Our new company aims not just to [meet customers' current needs but also to satisfy future needs they don't yet recognize](#).

The example I like to share is that of the iPod: Two decades ago, I had the best Sony Walkman available. I was happy with the product and didn't think there could be a better one for listening to music. But Apple set out to understand the customer experience better than anyone, even better than customers themselves. (Steve Jobs used to quote Henry Ford: "If I had asked people what they wanted, they would have said faster horses.") As a

result, Apple delivered a product that most of us never knew we wanted. In doing so, they reshaped the music industry and created a legion of loyal customers.

Related: [It's the customer experience, stupid](#)

Today's dynamic marketplace demands that kind of fascination with customers. We can no longer take insurance buyers for granted, even in mandated sectors. With small businesses far more likely to go out of business than to ever file a workers' comp claim, our job is to provide value beyond our policies.

How can we exceed customers' expectations in addition to insuring their businesses? We can use analytics to make the quote process faster and easier, as well as to personalize the user experience.

Exciting applications

Innovation is no longer solely a startup's domain; it's the new North Star for all insurers, big and small, old and new. Together, we can learn from and complement each other in reinventing our industry.

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The opinions expressed here are the author's own.

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