

A woman with dark hair in a ponytail, wearing a white apron over a light-colored long-sleeved shirt, is looking down at a tablet computer she is holding with both hands. She is standing in what appears to be a shop or a kitchen, with shelves of jars and containers in the background. The lighting is soft and natural, coming from the left. The overall tone is professional and focused.

5 Key Drivers to Design SME Gig Economy Insurance Solutions

The gig economy is becoming a significant driver of change. It touches small businesses due to the flexibility it facilitates. It is also significant for big enterprises, providing them with a new and exciting marketplace. This flexibility at the heart of the growing gig-economy requires new innovative Insurance solutions to meet the ever evolving needs of gig economy participants.

As the “gig economy” grows, making short-term engagements, temporary contracts, and independent contracting commonplace, it opens up new opportunities for freelancers where professionals can decide where and when to promote their skill-sets for the provision of a variety of services. These freelancers are commonly becoming known as the sharing economy and agile workforce,

For instance, in North America and Western Europe, approximately 150 million workers have left a relatively stable and comfortable organizational lifestyle to work as independent contractors. These people include the emergence of ride-hailing and task-oriented

service platforms as well as knowledge-intensive advisory and consulting industries as well as creative occupations. These are highlighted by **McKinsey** as the largest and fastest-growing segments of the gig economy.

Globally, what constitutes participation in the gig economy is still evolving. On the 11th September 2019, the California Senate passed gig-work legislation that could transform the state’s employment landscape by turning many independent contractors into employees.

Ultimately people are questioning how they want to work as well as questioning what it means to be part of the workforce. We know that growth from the gig economy, as well as changes in the way and nature of work, or even the way young businesses want to bank, have driven signs of progress within workplaces, work styles, and also financial and account management practices.

Even if people become employees not contractors, there is still an increasing shift towards flexible and remote working. This is primarily being empowered by SMEs demanding that old work patterns and behavior evolve to meet the needs of the new freelance, sharing, or circular economies.

With the advancements of digital capabilities, we often need to be less confined by the physical premises of an organization. What is central to the gig economy, or any flexible working approach, is speed and rate of change. It thrives on quick decisions, changing contracts and circumstances. Frictionless transactions are vital to the gig economy and the norm in expectations by those who live and play by this fast-paced, opportunity-driven approach to work and life.

From the individual to the SME, this evolution is impacting their insurance needs and expectations. For Insurers, this means tackling the entrepreneurial challenges they face to provide new and innovative insurance products and solutions without getting stuck in the traditional machinations created by old fashioned approaches.





Accessing differentiated capabilities through frictionless engagement

The marketplace is welcoming new entrants focused on the future of work and finance. These include **WeWork**, **UpWork**, and **JustWorks**. It also includes challenger banks such as **Revolut** and **Starling Bank** that are designing new economic business models with the goal to eliminate the increasing dissatisfactions of smallest market players with existing options. As a result, we are bringing an interesting range of new capabilities which will enable us to thrive when engaging with SMEs.

With freelance platforms like **UpWork** and **PeoplePerHour**, organizations can build a team of remote workers without the need for expensive premises and overheads. They can choose not to operate out of large cities with high associated costs.

The desire for more workplace flexibility has led to **WeWork** and **Huckletree** shifting real estate to a monthly subscription-based pay-as-you-use model. This removes the constraints created by real-estate owners with long term lease, costly insurance and/or the way talent is accessed, used and how teams are motivated.

The professionals who are taking advantage of these changes are expecting the same level of refinement from these new ways of working across all of their professional working relationships. Insurance is one of those. As gig-economy professionals are not tied to traditional work locations, timings or contracts, they have more diverse and bespoke needs than ever before.

Insurers should be taking advantage of 5 drivers to create business models and products to address the needs of those participating in the gig-economy:

- 1. Micro segmentation:** many of today's startup business models look at SMEs as a series of micro-segments. Those that differentiate the most have evaluated the worth of a multitude of micro groupings, and in particular the micro and smaller businesses and enterprises that are often underserved.

- 2. Real-time intelligence:** Breakthroughs in profiling allows young as well as mature businesses to develop individual credit profiles in an innovative, efficient, and scalable manner. Many new world players are dedicating time and effort in developing complete data-driven credit scoring models, with new reference services including real-time and multidimensional resources leveraging public data, partner data and buyer behavioral drivers. The ability to perform real time prediction on future behavior means that specific checks may be waived when users apply for services. Utilizing certain sources of data enable specific parties to remain one step ahead of the competition when applying consumer trends, behaviors, and preferences to decision making.
- 3. Personalized and tailored digital value-add services:** Designing for micro and small businesses and enterprises, including sole proprietors and freelancers, requires us to understand the constant needs of such business for educational support and tailored services. New data-driven and analytically-based products and services can ensure the delivery of unique propositions that extend beyond a company's traditional products, deepening customer relationships and raising barriers to entry for others. Providing the right level of flexibility relates to identifying when and how products must evolve adequately to satisfy changing circumstances.
- 4. On-demand:** Young enterprises want to understand the true value of the products and services offered. With more and more products leveraging freemium and subscription-led models, they are yearning to see more offers utilizing on-demand techniques from pricing to advising and servicing. This requires a clear understanding of the underlying drivers of a multitude of buyers. This also comes back to the flexibility requirement. If someone participating in the gig economy approach doesn't work for a week, they want the same flexibility in their products that support their work commitments.
- 5. Frictionless and simple:** A good example to explain changes around this topic relates to the digital banks, accounting, and expense platforms coming together to provide seamless experiences. Both challenger banks and accounting platforms are often the first point of contact for SMEs. Instead of building a range of additional functionalities, new market players need to truly understand their strengths and unique selling points to collaborate with specialized third party service enablers to augment core propositions. This move towards a consolidated finance ecosystem echoes the general drive towards simplicity and friction free interactions for end users.



Incumbent players need to start formulating targeted strategies and action plans focused on the innovation criteria that are the most relevant to attract SMEs as they participate in the gig economy. Our view is that any organizations going into new thinking-land must look at “Scenarization”. This can be understood as the review of a series of scenarios, or use cases, to identify and truly unveil the specific applications of a problem area they must solve for. From here, in turn they must create product and service awareness, drive technology adoption, and enhance customer stickiness.

Incumbents must pay attention now

At the moment, as things stand, if large companies do not learn from the gig economy, as a direct factor of the rate and speed of change that is happening around us, and respond accordingly, then they run the risk of significant impact to their business.

Futurist Ray Kurzweil predicts:

“We won’t experience 100 years of progress in the 21st century — we’ll experience 20,000 years of progress.”

Technological advancements in terms of what they enable companies to create, as well as current shifting attitudes, offer inspirational market insights. They force incumbent companies to uncover crucial wisdom in why SMEs participate in the gig economy.

Large companies need to look to the horizon of SMEs as trend-establishers, to see how they can incorporate new lessons in their future product and service design. Indeed, large companies need to effectively think like SMEs. They cannot rely on their brand and giant status to assume that they will win new business, particularly if needs are not met.

At Rainmaking we believe the way to do this is through the introduction of structured innovation programs themselves, utilizing the same ethos as those used by growth start-ups. To learn more about how InsurTech SMEs are creating, discover InsurTech 136 at insurtech.rainmaking.io

Born from the passion of a group of like-minded entrepreneurs, [Rainmaking](#) was created to take advantage of the space where corporations and start-ups converge, where the possibilities of innovation are limitless. Illuminating probabilities and creating opportunities through commercial impact, Rainmaking InsurTech solves big real-world problems with tangible solutions. Focused on delivering results, they uniquely combine the agility and inventiveness of start-ups with the structure and resources of the multi-nationals to create competitive advantage. Leveraging the Rainmaking innovation building toolset both internally and externally, Insurance organisations can make significant step-changes in extending their competitive edge.

To find out more, please contact us at insurtech@rainmaking.io

