

# Could an Incumbent Act Like Lemonade?



## Summary:

*The only way to compete with Lemonade is to start from scratch, unencumbered by legacy systems, workforce constraints and intermediaries.*

*By: Michael Tempany*

[Lemonade](#), the industry disruptor touted as a game-changer for the insurance industry, has officially opened, with homeowners and renters products launched in New York. Lemonade's opening is significant for a number of reasons. First, Lemonade's business model will donate unused premiums to a charity. This sounds like a great idea -- and it deserves to work -- but time will tell if it's enough to deter fraud. Second is the [Lemonade app](#). The Lemonade app seems to be a killer in terms of capability, usability and its use of bots. Get insured in 90 seconds? Tick. Submit a claim and get paid in three minutes? Tick. The app is easy to use and has a slick user interface (UI) -- it's the app every insurer wishes it had. [Lemonade: Insurance Is Changed Forever](#) Which brings me to my point: Could a traditional insurer create an app -- and accompanying product offer -- like Lemonade? Ever? No. And here's why. *First*, traditional insurers are crippled by legacy systems -- creaking green-screen pre-floppy behemoths that no amount of lipstick can overcome. They're not capable of ever supporting a product offering like Lemonade's. *Second*, traditional insurers have global workforces that are personally invested in the industry status quo. Moving to a product offering like Lemonade would involve ripping up centuries of rules and embracing a lot uncomfortable (and job-threatening) change. And *third*, Lemonade's product offering has no place for intermediaries, who insurers depend on for the majority of their income. As we know, once an insurer goes direct, intermediaries will switch insurance companies, meaning bye-bye revenue. The only solution for traditional insurers wanting to compete with Lemonade is to start from scratch. In short, they need to create a company or subsidiary unencumbered by legacy systems, workforce constraints and intermediaries. It's been done before in other industries. The 1990s saw the advent of the low-cost airline. Traditional carriers, unable to compete with low-cost carriers, created low-cost subsidiaries of their own. These low-cost subsidiaries were not hamstrung by legacy systems, unionized workforces or booking agents. They were free to innovate, create new cultures and products. While some have struggled, many have enjoyed success. **See also:** [It's Time for Some Lemonade](#) Now is the insurance industry's low-



cost airline moment. Transforming from within is proving to be a glacial and painful process for many traditional insurers. Starting from scratch may just be their best option.



**Michael Tempany**

[michael.tempany@smsmt.com](mailto:michael.tempany@smsmt.com)

Michael Tempany is director of SMS Management & Technology Asia, an Asia-Pacific management consulting firm. He is passionate about digital transformation and has helped insurers across Asia transform their businesses. Clients include AXA, Prudential, Manulife, Allianz, Zurich, QBE, IAG and AIG.