Building the Digital Insurer: Transition in Progress

Kimberly Harris-Ferrante
Kimberly.Harris-Ferrante@Gartner.com
Gartner Industry Advisory Services
Insurance

Gartner®

Digital Insurance Becomes the Focus!
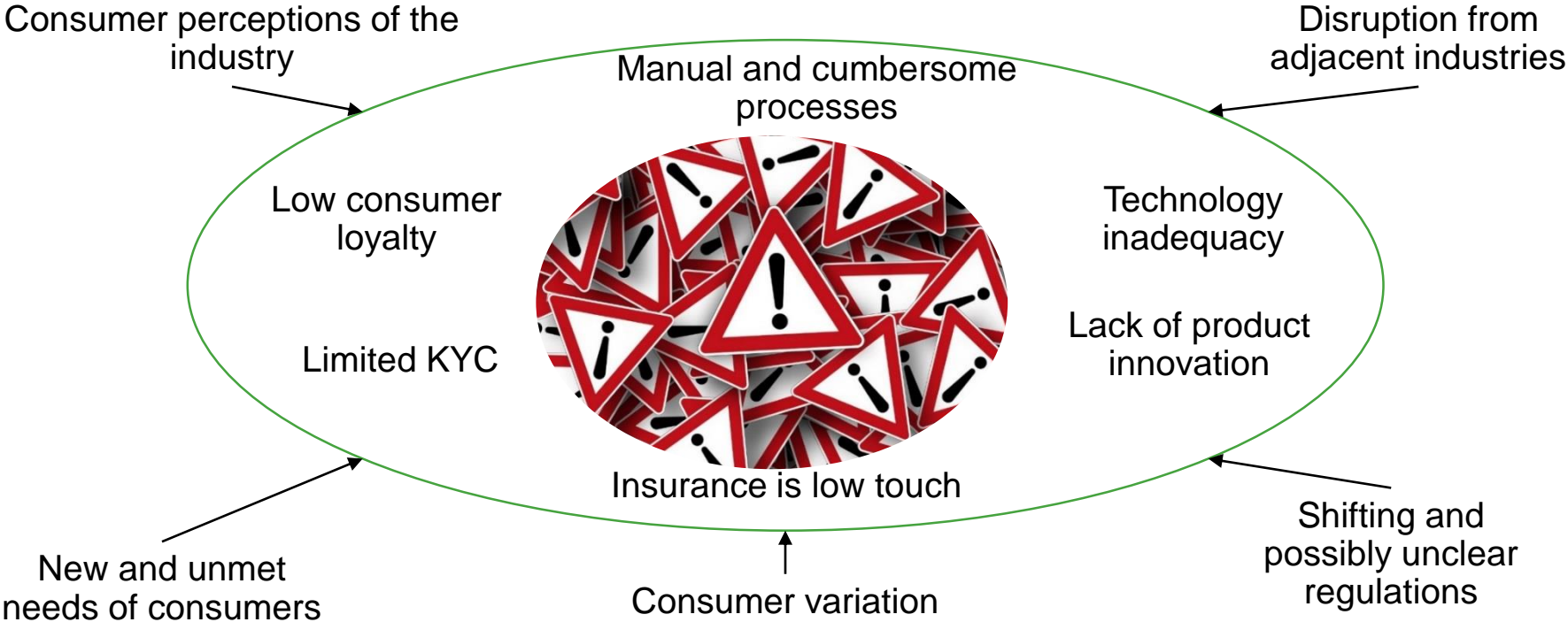
Digital insurance is the application of information and technology to enable new capabilities across the insurance value chain for optimizing and transforming existing as well as creating new business processes, products, services and revenue sources.

Gartner

Digital Insurance Requires Overcoming Challenges of Existing Business Models

Consumer perceptions of the industry

Disruption from adjacent industries

Manual and cumbersome processes

Low consumer loyalty

Technology inadequacy

Limited KYC

Lack of product innovation

Insurance is low touch

New and unmet needs of consumers

Consumer variation

Shifting and possibly unclear regulations

Gartner.

Digitalization: Moving From Digital Transactions to Digital Business

Digital

Transactions

Digital

Business

- Margin Improvement

- Scale and Reach

- Process Excellence

- Optimization

- Revenue Generation

- Value Creation

- Customer Experience

- Innovation

Gartner®

New Approaches to Product Development

Shifting from
Insurance to Life
Event Management

Shifting From Risk
Response to Risk
Prevention

Best Practices from
Retail: One Stop
Shop and Loyalty
Programs

Gartner®

Are You Ready for the Change?

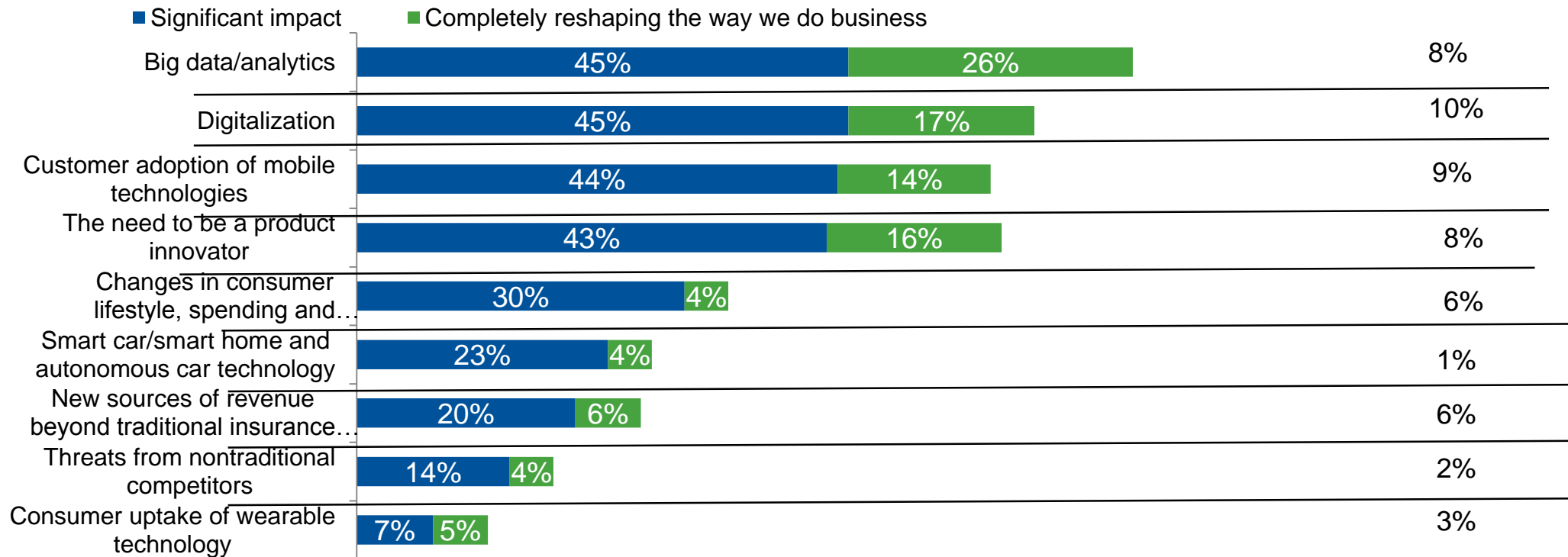Progress is impossible without change, and those who cannot change their minds cannot change anything.

George Bernard Shaw

Gartner

Insurers Are Not Ready for Industry Changes

What level of impact are each of the following industry trends having on your organization's current business strategy and vision?
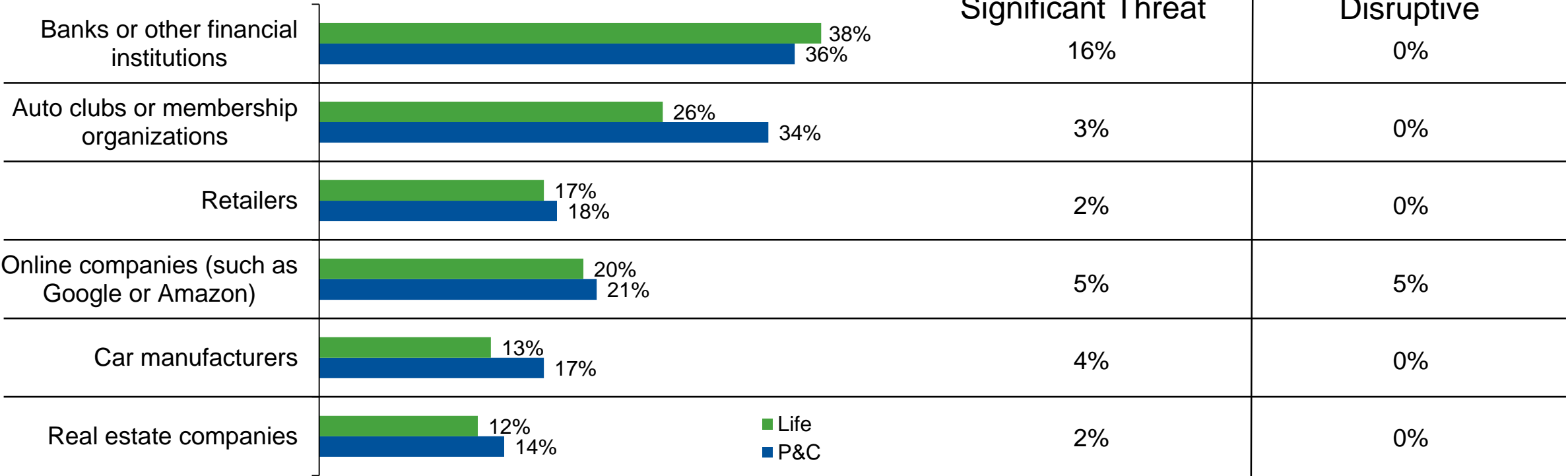
Extremely prepared for this change

■ Significant impact   ■ Completely reshaping the way we do business

Trend	Significant impact	Completely reshaping	Extremely prepared
Big data/analytics	45%	26%	8%
Digitalization	45%	17%	10%
Customer adoption of mobile technologies	44%	14%	9%
The need to be a product innovator	43%	16%	8%
Changes in consumer lifestyle, spending and…	30%	4%	6%
Smart car/smart home and autonomous car technology	23%	4%	1%
New sources of revenue beyond traditional insurance…	20%	6%	6%
Threats from nontraditional competitors	14%	4%	2%
Consumer uptake of wearable technology	7%	5%	3%

Source: 2015 Gartner/ACORD Study 2015; n = 104 Insurers in the U.S., Canada and U.K.;
Excludes "Don't Knows"

* Smart Car/Smart Home and Autonomous Car Technology Base Was
P&C Only; n = 84, Excludes "Don't Knows"

Gartner®

Distribution Threats:
Is the Industry Underestimating the Risks?

In future buying decision, which of the following sources would you consider purchasing an insurance policy from?

What level of threat do each of the following types of competitors pose on the success of your business?

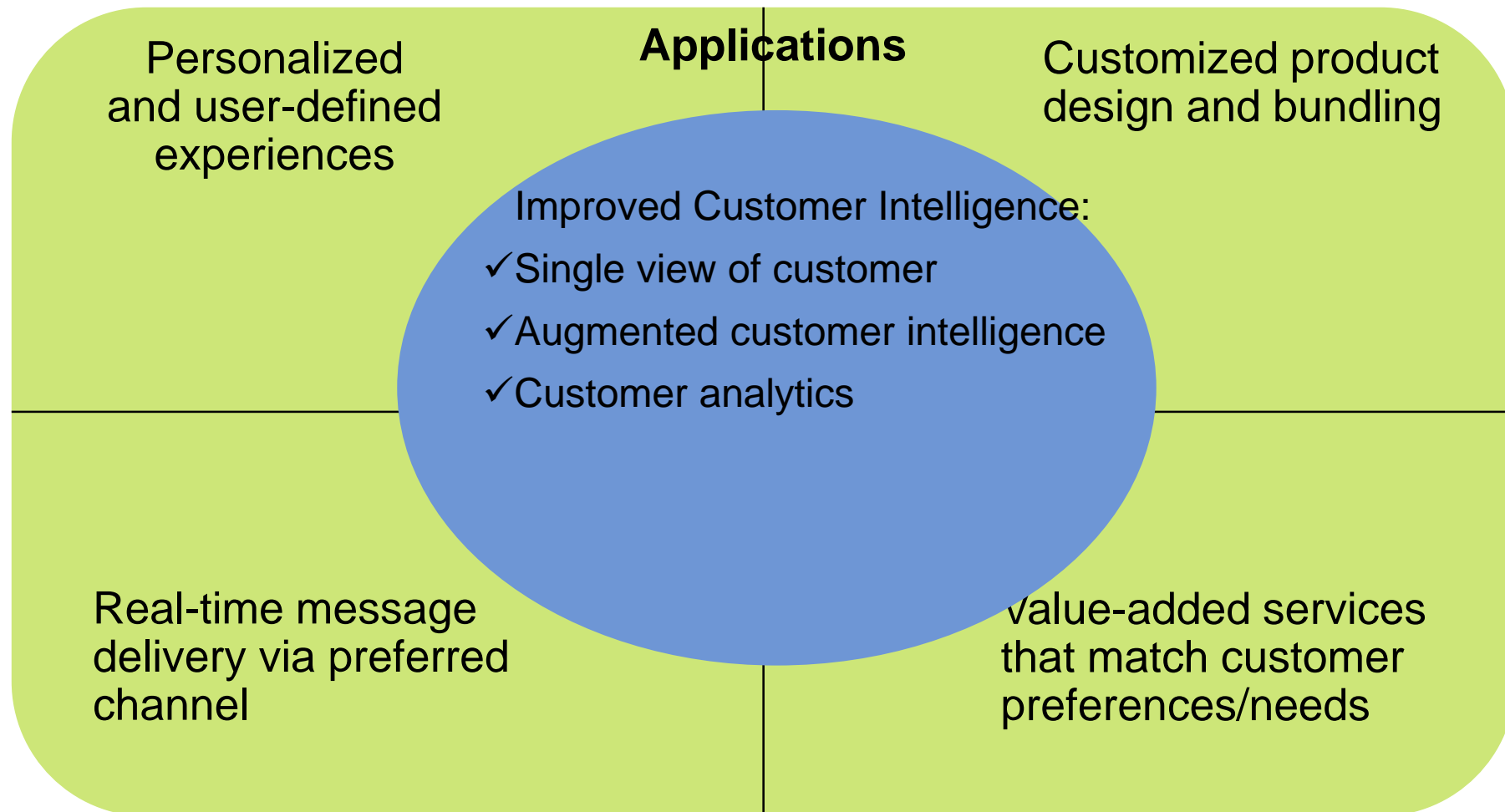|	Life	P&C	Significant Threat	Disruptive
Banks or other financial institutions	38%	36%	16%	0%
Auto clubs or membership organizations	26%	34%	3%	0%
Retailers	17%	18%	2%	0%
Online companies (such as Google or Amazon)	20%	21%	5%	5%
Car manufacturers	13%	17%	4%	0%
Real estate companies	12%	14%	2%	0%

■ Life
■ P&C

53% of insurers report that the significant threat is the top 5 insurers in the local market

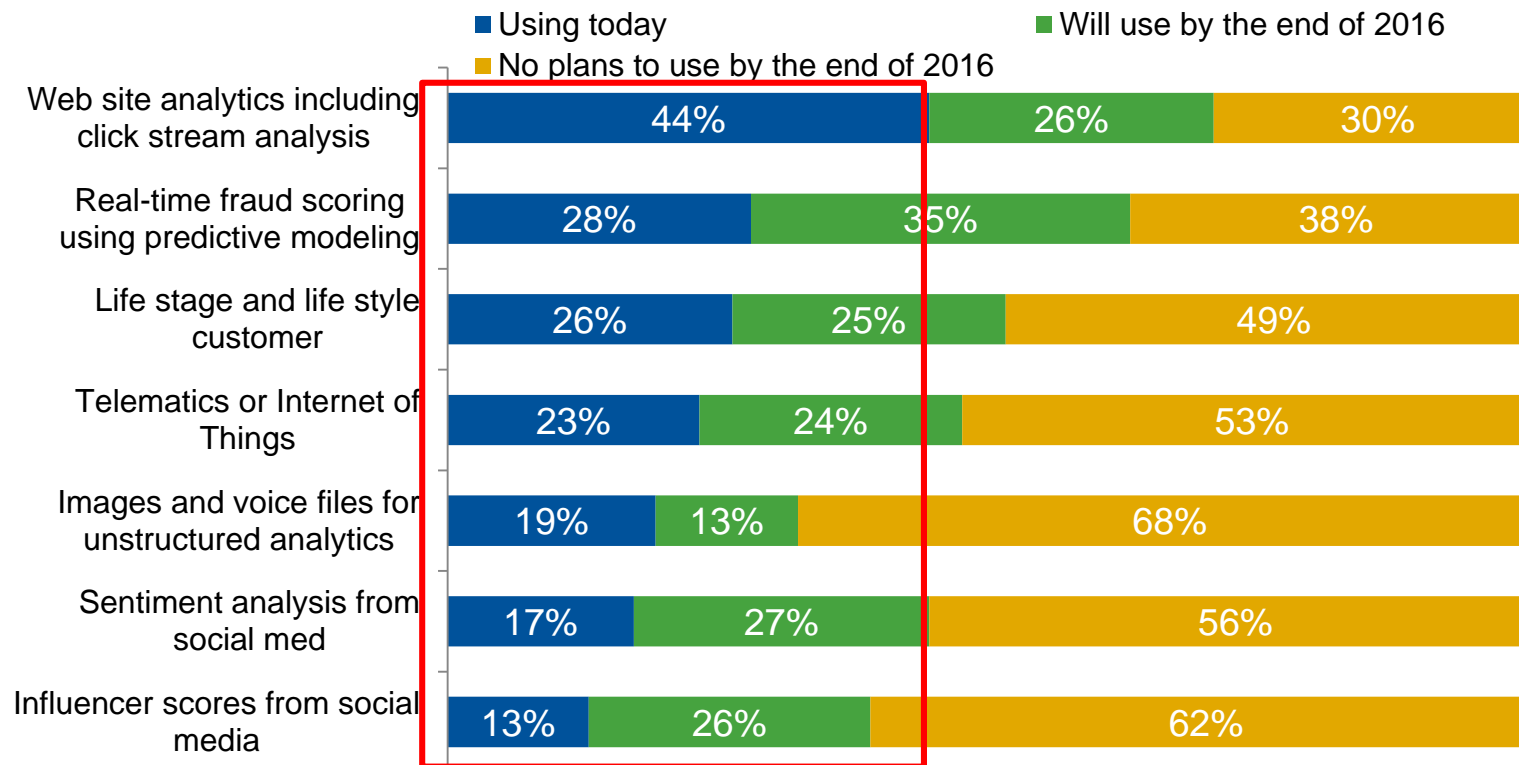Source: Gartner consumer study 4Q14, N = 1212 U.S. consumers; 2014 Gartner/ACORD study 2015; N = 104

Gartner

Customer Intelligence is More Than Ever in the Digital World

Applications

Personalized and user-defined experiences

Customized product design and bundling

Improved Customer Intelligence:
- ✓ Single view of customer
- ✓ Augmented customer intelligence
- ✓ Customer analytics

Real-time message delivery via preferred channel

Value-added services that match customer preferences/needs

Gartner®

Low Adoption of Advanced Analytics for Customer Intelligence

Big data and analytics was rated as the technology which has the greatest potential to transform the industry in the next 3-5 years (52%)

Which of the following types of data and/or analytics is your organization using today outside the actuarial department and which additional data types will you use by the end of 2016?

Legend: ■ Using today   ■ Will use by the end of 2016   ■ No plans to use by the end of 2016

Data type	Using today	Will use by the end of 2016	No plans to use by the end of 2016
Web site analytics including click stream analysis	44%	26%	30%
Real-time fraud scoring using predictive modeling	28%	35%	38%
Life stage and life style customer	26%	25%	49%
Telematics or Internet of Things	23%	24%	53%
Images and voice files for unstructured analytics	19%	13%	68%
Sentiment analysis from social med	17%	27%	56%
Influencer scores from social media	13%	26%	62%

Source: Gartner/ACORD study 2015; N = 104

Gartner

Are You an Algorithmic Business?

Algorithmic business is the industrialized use of complex mathematical algorithms pivotal to driving improved business decisions or process automation for competitive differentiation
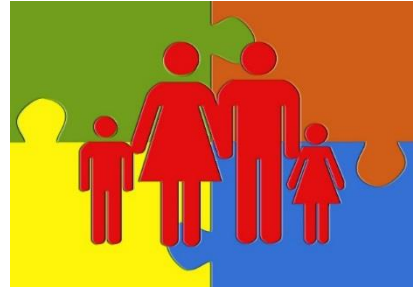
Elements:

- Big data

- Advanced analytics

- Embedded analytics

- Prescriptive analytics

- Smart machines and artificial intelligence

- Data scientists

- Chief data officer

- Data governance

- Data mastery
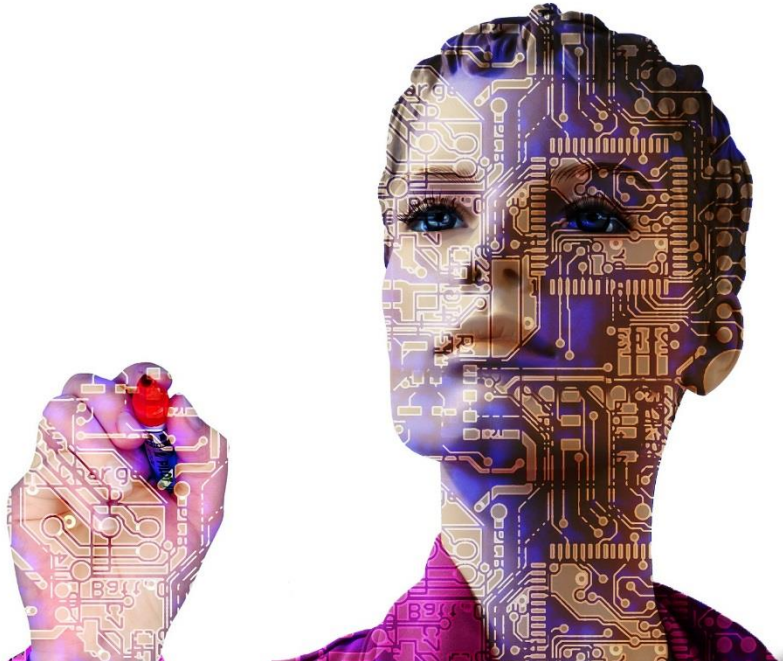
Gartner®

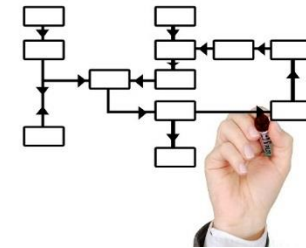# Industry Fluidity: New Business Partnerships and Alliances

Channel partners for sales and marketing: aggregators, affinity groups, etc.
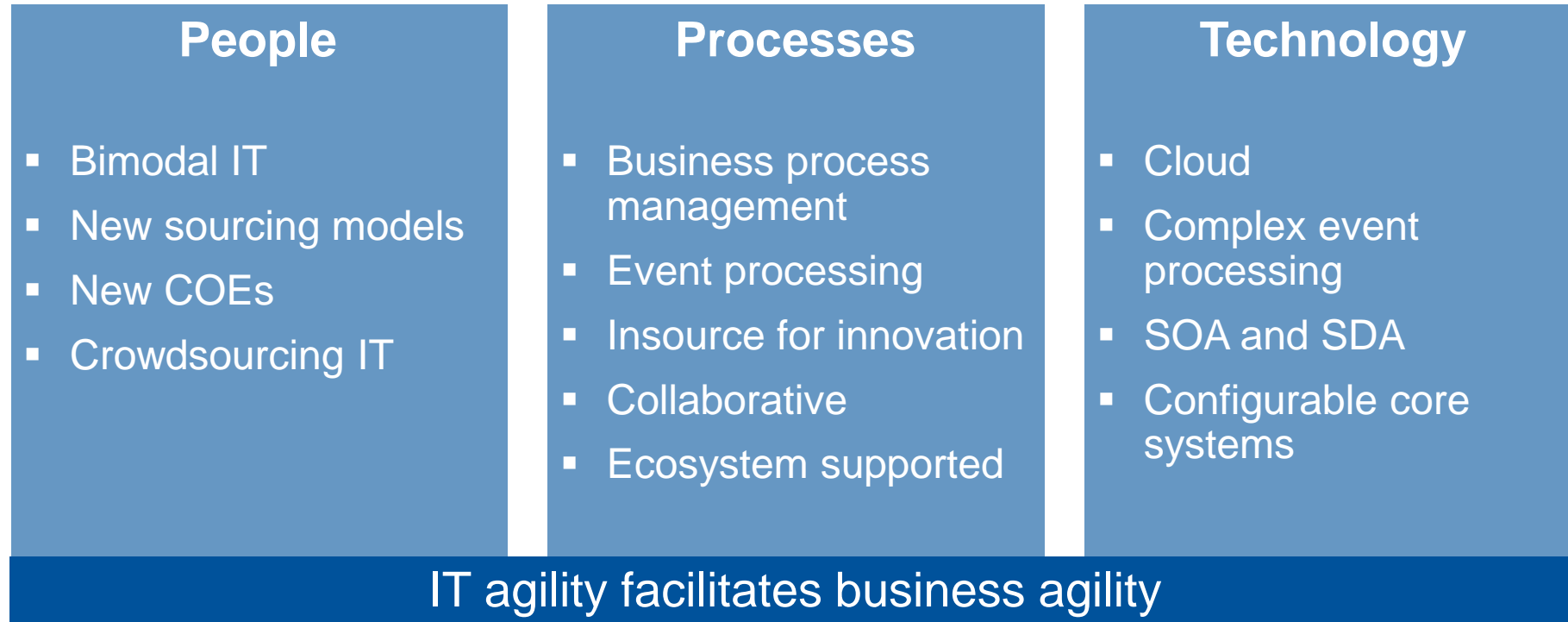
Product partners: complimentary products/services

Device partners: IoT device manufacturers and service providers

Specialized process services partners: BPO

Gartner®

Invest in IT Speed and Agility as the Foundation for Digital Insurance

People

- Bimodal IT
- New sourcing models
- New COEs
- Crowdsourcing IT

Processes

- Business process management
- Event processing
- Insource for innovation
- Collaborative
- Ecosystem supported

Technology

- Cloud
- Complex event processing
- SOA and SDA
- Configurable core systems

IT agility facilitates business agility

Gartner®

Recommendations: Building a Digital Insurer Requires…

- Enterprise transformation

- New governance models

- Change management

- A 5-7 year journey for most

- Industry vision

- Process change and new processes introduction

- Customer-centricity including a single view of customer

- Data mastery and algorithmic business

- IoT use

- Agile IT environments and systems

- New product offerings and development approaches

- New partnership models

Gartner®