



Insuring a digital future

A guide to digital transformation in insurance



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Foreword

By Karlyn Carnahan, CPCU Research Director, Celent, Research and Consulting Firm

There is little doubt that the world is changing. With new technologies, shifting customer expectations and new entrants to the ecosystem, all industries in all geographies are being reshaped by digital and few are being impacted more than the insurance industry.

The term “digital” can mean many things. For some, digital is focused on driving higher brand awareness and engagement through the sales cycle and creating a seamless, omni-channel experience for ongoing servicing. For others, digitization is focused on back-end process automation and paper elimination, looking at ways of automating tasks and making better decisions while doing so. Both of these perspectives are accurate. Nobody knows what “best-in-class” looks like and “best-in-class” is constantly changing.

The challenge for most carriers is to pull these perspectives together into a comprehensive, coherent, customer-centric strategy and execute solidly on that strategy. The future will require evolution far beyond focusing on traditional process optimization with a much broader focus on consumer experience and engagement.

Whatever path you take towards your digital vision, effective operationalization requires a high degree of coordinated change across the organization, governance, technology and data. Leveraging digital requires insightful leadership; a culture that values and drives innovation; and a capacity to implement both short term quick hits and long term transformation, all while continuing to run the business.

There's no single, perfect end state, and there is no single right way to get there. But it's very clear that carriers who don't invest in a digital strategy will be left behind by those who have.

Thirty-five percent of insurers are comprehensively investing in digital technologies as part of their overall business strategy, while 29% are investing in selected business units only.¹

Why digital transformation?

As Celent executive Karlyn Carnahan stated in her foreword, the term “digital” can mean many things. But one thing is for certain: digital transformation is fundamentally reshaping the insurance industry. More than one-third of insurers are comprehensively investing in digital technologies. If you aren’t one of them, you will quickly fall behind your competitors.

Carriers across the insurance spectrum are being impacted daily by the global shift to digitization, both in business and in the marketplace. While some insurers are still reluctant to full digital immersion, others are diving head-first into an unprecedented opportunity to expand their customer reach—and market share—through what Accenture calls the “We Economy” of digital connectedness.

This digital disruption to business-as-usual is driven by several shifting forces in the marketplace known as the four Cs: **C**ustomers, **C**ompetitors, **C**osts and **C**ompliance.


Customers

The fusion of social, mobile, analytics, cloud, and the “Internet of Things” has given rise to a consumer culture that expects premium, seamless, and personalized buying experiences—including those with their insurance companies. Customers aren’t simply comparing your pricing and coverage options to those of your competitors; they’re making buying decisions based on your ability to provide service, respond to inquiries, communicate and complete transactions on their preferred channels of choice.

This digital perspective is changing the way consumers around the globe interact with your business—placing them squarely in the center of every digital experience.

The migration to mobile. The statistical evidence is irrefutable. Digital mobility has become the favored means for customers to research product information, compare, select, and purchase products of all types. Consumer spending via mobile will increase from \$204b in 2014 to \$626b in 2018. With almost half of all e-commerce sales to come from m-commerce, it is clear that customers expect to be connected 24/7, regardless of where they are.²

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- 1 Digital Insurance Era: Stretch Your Boundaries—Accenture
 - 2 2016 U.S. property-casualty insurance outlook—EY
 - 3 Make the Business Case for Mobile Insurance - Forrester Research Inc., July 2015 (This sample is not statistically representative of the given population.) Source: Forrester's Business Technographics® Global Budgets Survey, 2014

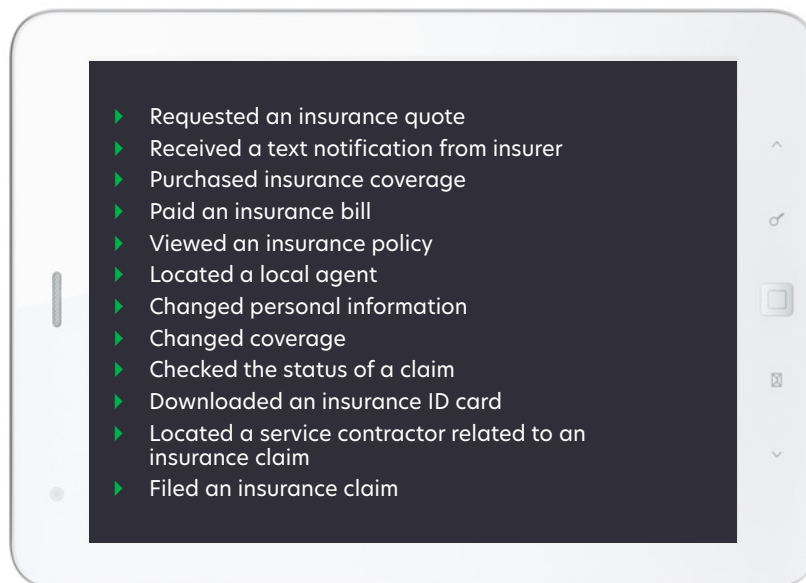


Insurers say mobile strategies are a top priority in technology spending. In a survey of North American insurance business and technology decision-makers, 54% said budgets in 2015 will increase at least 5%, with 16% of insurers saying it will increase more than 10%.³

“As carriers seek to improve their growth rates, they must rely on three main methods: acquisition, retention and, related to retention, cross-selling. They need to invest in ‘wowing’ customers, not merely satisfying them at key moments of truth.”⁴

Digital insurers will need to provide more tablet and smartphone functionality to support customer interactions throughout the insurance distribution network. A 2014 Forrester survey confirmed which insurance activities were the most frequently conducted by consumers using their cell phones⁵ as noted in Figure 1.

Figure 1 - Insurance Activities Conducted on Mobile Devices



Competitors

The bond between insurers and customers has been historically weak—primarily due to the stressful events in which customers need immediate assistance and expect an uncomplicated beneficial outcome. This expectation is often hindered by paper-based processes and disconnected legacy systems that cause data errors and delays in service. As a result, consumers are seeking digital-first providers who can meet their needs through faster, more accurate digital capabilities.

New players in the market like Amazon and Walmart are leveraging the industry’s slow entry into the digital world to carve out their share of the insurance space by servicing niche customer groups. Digital platforms are enabling these competitors to move with agility, while simultaneously offering a familiar customer experience.

Additionally, the rise of Insurtech startups is beginning to disrupt the marketplace. According to a recent survey from PwC⁶, 74% of insurers believe that some part of their business is at risk of disruption from Insurtech startups moving into their market. Whether they focus on distribution like Bought by Many or PolicyGenius, or focus on offering a peer-to-peer model like Friendsurance, they’re all using technology to enhance customer engagement through digital channels.

Retail and consumer technology companies have a deep understanding of the customer experience and how to optimize it. Savvy insurers will capitalize on this data intelligence to grow and retain their customer base.

⁴ Customer Loyalty in P&C Insurance: US Edition 2014 - Bain & Company

⁵ Making the Business Case for Mobile Insurance, Forrester Research, Inc., July 27, 2015, Forrester’s North American Consumer Technographics® Financial Services Survey, 2014

⁶ Opportunities await: How InsurTech is reshaping insurance, PwC, June 2016

"Less than one-third of life insurance carriers allow customers to start a transaction in one channel and complete it in another. Slightly more P&C carriers—about 40%—offer that capability."⁷

7 Global Digital Insurance Benchmarking Report 2015 - Bain & Company

8 Accenture Technology Vision for Insurance 2015

9 The Insurance CIO's Guide to Building an Agile Communications Strategy - Oracle

10, 11 2016 U.S. property-casualty insurance outlook - EY

Costs

Cost reduction and process simplification are primary drivers for insurers in transforming their operational models, especially as they relate to high volume activities such as onboarding, underwriting, claims processes and policy maintenance.

Since the cost of manual processes is much higher than digital ones, when your company implements the right digital solution to support transformation, you can realize ROI very quickly.

"Fifty percent of insurers have achieved a positive ROI from investments just in personalization alone."⁸

Oracle analysts support this: "Insurance companies are realizing that customer experience is substantially more important than product for sustainable, profitable growth. Consumers have the power now."⁹

Compliance

Insurance regulations are complex and constantly changing. In addition, congressional and state elections produce regulatory uncertainty amongst P&C insurers as they face the potential for radical change in taxation and compliance repercussions. At the federal level, new capital standards are being prepared for significant insurance companies, and HUD and the Federal Insurance Office may intensify investigations into the affordability and accessibility of personal lines of insurance to customers from different backgrounds.¹⁰

Legacy systems were not built to adapt to these frequent changes to rules and regulations established by federal agencies or each state's Department of Insurance. Automated, digital platforms make it easier for insurers to comply with regulatory guidelines, reduce employee headcount for managing compliance, mitigate risks and help maintain litigation readiness.

"National jurisdictions are pushing for better information reporting and compliance in such areas as accounting, solvency, fair practices, transparency, governance and marketplace equity."¹¹



How insurers measure up digitally

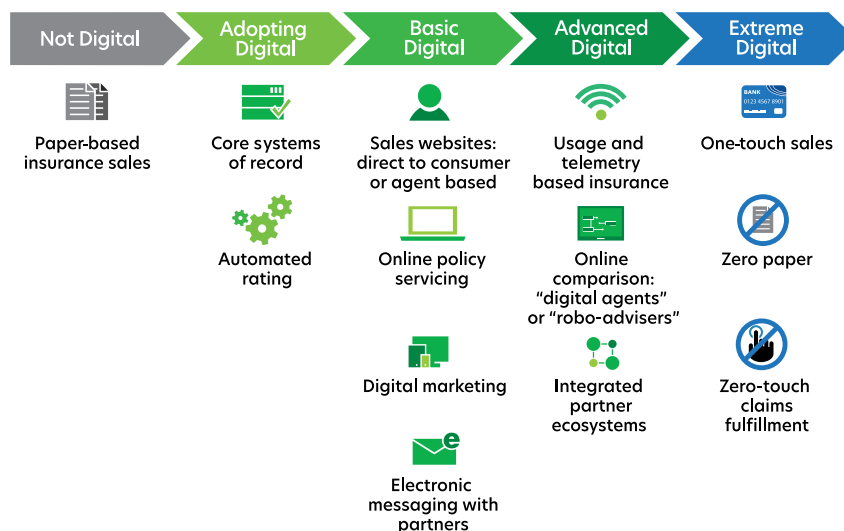
The current state of digitization

Despite a slow evolution, many within the insurance industry now associate “digital” with distribution, mobile, front-end capabilities and some automated processes, such as rating. Indeed, many insurers have already begun making significant investments in digital basics—for example, replacing phone conversations and paper processes with online portals and mobile apps.

Nevertheless, industry analysts like Celent say true digital transformation includes both front and back office operations, as well as the broader ecosystem.

Figure 2 below shows a continuum of insurance propositions that range from “Not Digital” to “Extreme Digital.” The **Not Digital** status was common for most insurers several decades ago, when everything was produced through a paper-based model. For many insurers, it is still a reality.

Figure 2: Digital Technology Adoption Phases for the Insurance Industry¹²



In its 2014 report “Digital Transformation in Insurance: Differences Across Continents,”¹³ Celent asserted that insurers worldwide understand the importance of improving digital operations through process automation, online sales, mobility, and digitization of documents and marketing materials and communications.

However, one of the biggest industry game-changers coming to digitization, they point out, will be the focus on gathering more data through connected devices to improve the basics of insurance.

The International Data Corporation predicts that by 2020 there will be more than 40 zettabytes of data, 37% of which will be considered useful for analysis (up from 22% in 2013).¹⁴

¹² Hunting for Extreme Digital - Celent

¹³ Digital Transformation in Insurance: Differences Across Continents - Celent 2014

¹⁴ Digital Insurance Era: Stretch Your Boundaries - Accenture

Seventy-seven percent of insurers agree that companies will move toward real-time platforms and systems as businesses adopt mobility and Internet of Things solutions.¹⁵

Positioning for future opportunities

Advanced digital propositions will move your company beyond the basics and into position for capitalizing on up-and-coming opportunities in usage-based and telematics-led insurance. Real-time quoting, comparative raters and comparison sites are also opportunistic examples. A fully integrated claims supply chain would enable your company to realize cost reductions across the enterprise, improve customer service and facilitate loss mitigation even before an event occurs. But functions like these aren't possible without significant digital infrastructure.

Fifty-one percent of insurers plan to partner with major digital technology and cloud platform leaders within the next two years.¹⁶

By adopting advanced digital capabilities, you will see a shift in your underlying business model and begin seeing tangible benefits from the faster, cheaper, smarter and better opportunities accessed.

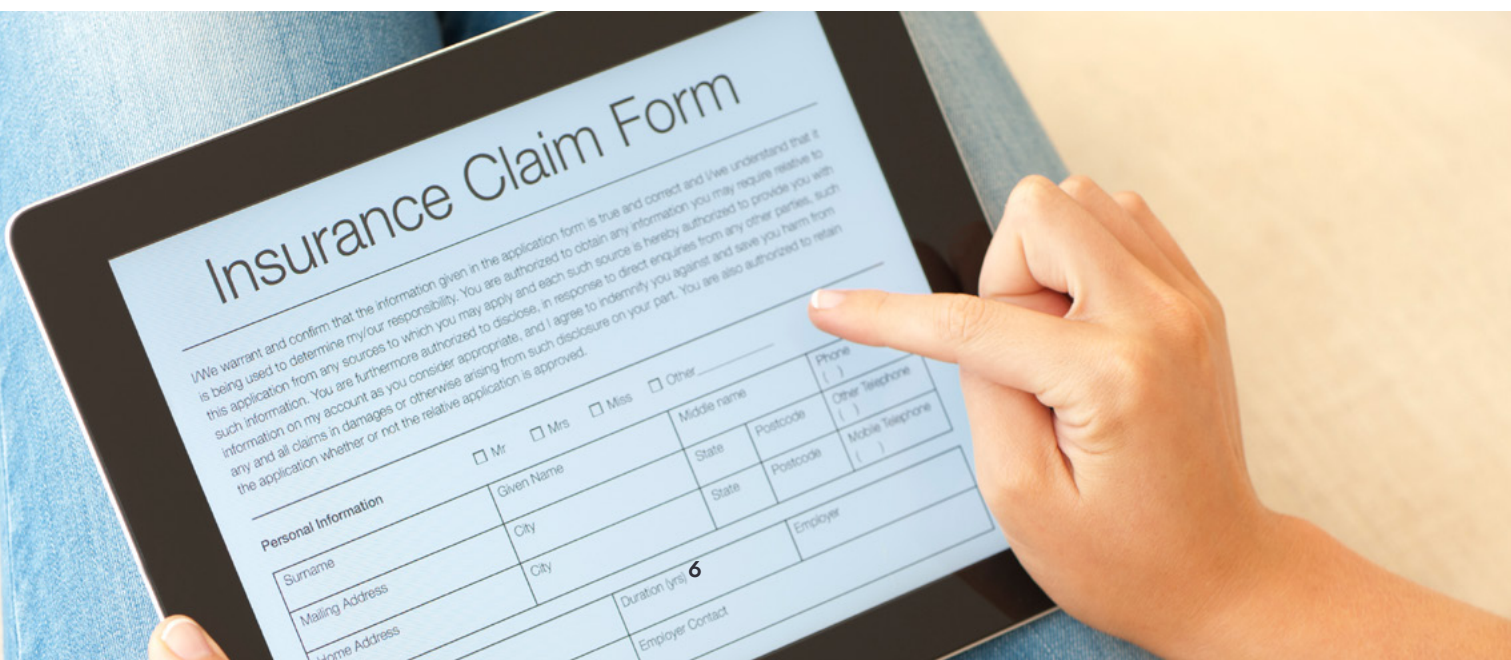
According to an Accenture report, the percentage of insurers is as follows:¹⁷

- ▶ Dedicated innovation team: 46%
- ▶ Partnerships and/or alliances with innovation companies: 42%
- ▶ Investments in innovative companies: 36%
- ▶ Establishment of an internal "innovation lab": 33%

Analysts agree that becoming a digital insurer will no longer be about incorporating digital technologies into an organization. Instead, it will be about using them to create a broader fabric that connects customers, partners, employees and industries, and enables new insurance value propositions that expand value creation and growth.

15 Accenture Technology Vision for Insurance 2015

16, 17 Digital Insurance Era: Stretch Your Boundaries - Accenture



Creating organizational readiness

Achieving true digital transformation within an insurance enterprise takes commitment. That's why the first step to ensuring success and assessing corporate readiness is to secure buy-in from key players across the organization—from C-level management to those along each touch-point of the customer journey.

Second, it is critical to understand that an ad hoc approach to providing digital solutions doesn't equate to transformation.

"Efforts to go digital often result in adding more document production systems and new functionalities for mobile and social media. Insurers end up spending more money, losing more time, and requiring more work from their staff to manage disparate systems."¹⁸

You may consider establishing a dedicated "digital transformation task force" comprising members from each identified area of digital impact to bring their collective input, expertise and process ownership—as well as allocated resources—to the planning table. In that environment of collaboration, a cultural shift toward digitization begins to emerge.

"An overwhelming majority of Life and P&C insurers—70%—lack the confidence to execute complete digital transformation because they feel they don't have an achievable plan with critical elements such as a clear vision, compliance, and risk processes."¹⁹

At a glance

To achieve organizational readiness:

- ▶ Gain executive-level sponsorship
- ▶ Establish innovative, cross-functional teams focused on the customer journey first and internal processes second
- ▶ Broadly communicate the vision, goals and success criteria to ensure alignment throughout the organization

18, 19 The CIO's Guide to Building an Agile Communications Strategy - Oracle

Developing a transformation plan

Once you have received the necessary buy-in from corporate leadership, established a dedicated transformation team across all levels of management and obtained committed resources for implementation, you're ready to begin building a plan for transformation.

Even the most complex plan is manageable using consistent tools and standardized steps to:

- 1. Map, prioritize and identify opportunities for digitization
- 2. Assess digital maturity
- 3. Guide the redesign of business processes

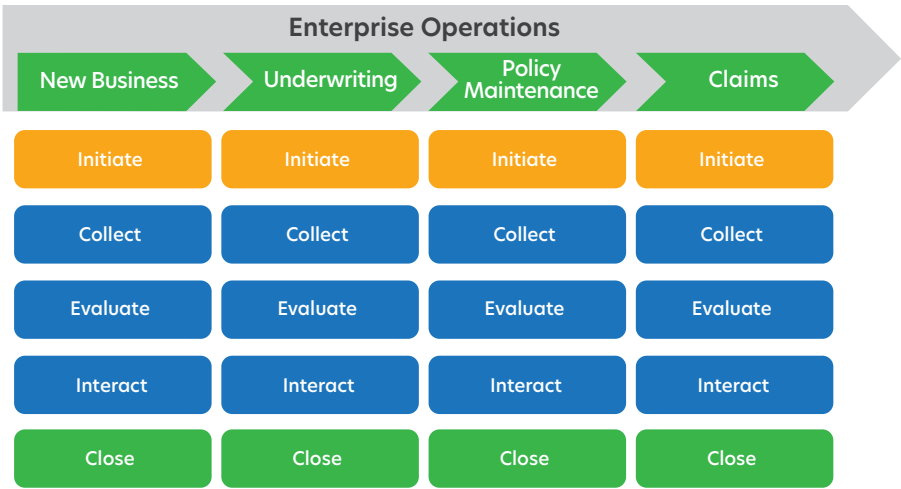
This section details each of these standardized steps.

1. Mapping, prioritizing and identifying opportunities

Digital transformation across multiple lines of business—from customer acquisition and underwriting to claims processing and policy maintenance—is a significant undertaking and one that many insurers do not have the resources to tackle simultaneously.

Using a Business Process Matrix (Figure 3) to target digital opportunities will help you begin to identify opportunities for digitization within your organization by focusing on core business functions within the insurance lifecycle. These core functions can then be evaluated in light of the five common process steps that occur within each of these functions.

Figure 3: Business Process Matrix



“Providing personalized customer engagements and experiences is a top three priority for 73 % of insurers.”²⁰

In the graphic on the previous page, the insurance policy lifecycle is represented at the top, from left to right, by the core business functions of New Business, Underwriting, Policy Maintenance and Claims. These core operational functions are supported at the corporate level by HR, Marketing and Accounting. The column under each core function lists the five common steps or phases of any business process.

Generally speaking, any business process or request has some form of trigger or event to INITIATE the process. Once a process starts, you typically COLLECT some amount of information and data so that you can EVALUATE the request and make an informed decision. Once a decision is made (and throughout the process, really) you INTERACT with the customer or process stakeholders to provide the status or outcome of the process. Finally, every process comes to a CLOSE, wherein core systems are updated and the activity is deemed complete.

You can use this Business Process Matrix to help identify digital opportunities within your organization across all stages of the insurance lifecycle and down through each process step or phase. As you move across and down the matrix identifying digital opportunities, look for intersections where:

1. Your customers might make decisions about the type of company you are
2. Your competition might look to see what kind of threat you might be
3. You can influence how your customers and competitors view your company

In addition, be aware that the prioritization of opportunities depends on the degree to which your products and services are, or could be, digitized and how new technologies are changing the way your customers engage with non-traditional distributors.

Getting started

When developing your transformation plan, start with the customer-facing processes (or intersections in the Business Process Matrix) across all channels and lines of business that:

- ▶ Have the greatest impact on your organization's results
- ▶ Impact the largest customer bases
- ▶ Help you keep pace with or outrun competitors
- ▶ Contribute to low Net Promoter Scores (NPS)

Finding Opportunities

Next, identify and prioritize opportunities within the front and back office processes. (See *the Assessing digital maturity* section of this document for more information.)

You can discover high-impact, high-priority opportunities in the large back office processes with low levels of digital maturity. Such processes involve large numbers of full-time employees performing redundant manual tasks and require managing a high volume of paper documents.

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Boundaries - Accenture

These processes often consist of:

1. High incidence of manual data entry
2. Low cognitive requirements; checking of documents for completeness and data accuracy (for example, policy change requests)
3. Redundant manual data extraction and document verification
4. High percentage of exceptions requiring Not in Good Order (NIGO) resolution

As you identify and prioritize opportunities using the Business Process Matrix, you will have a good snapshot of your entire value chain and assigned priorities. This will allow leadership to then select the best opportunities for digitization and devise a roadmap for meeting your organization's strategic objectives.

"Customers want searchable documents that are easy to navigate and responsive to whatever device they happen to be using, including smartphones and tablets. They want personalized information that's relevant to their unique situations, delivered in real-time and consistent across all touchpoints."²¹

At a glance

- ▶ Create a model of prioritized opportunities driven by immediate customer, competitive or regulatory demands
- ▶ Assess customer experience and front and back office digital maturity
- ▶ Prioritize digitization for short-term, high-impact wins in strategic lines of business

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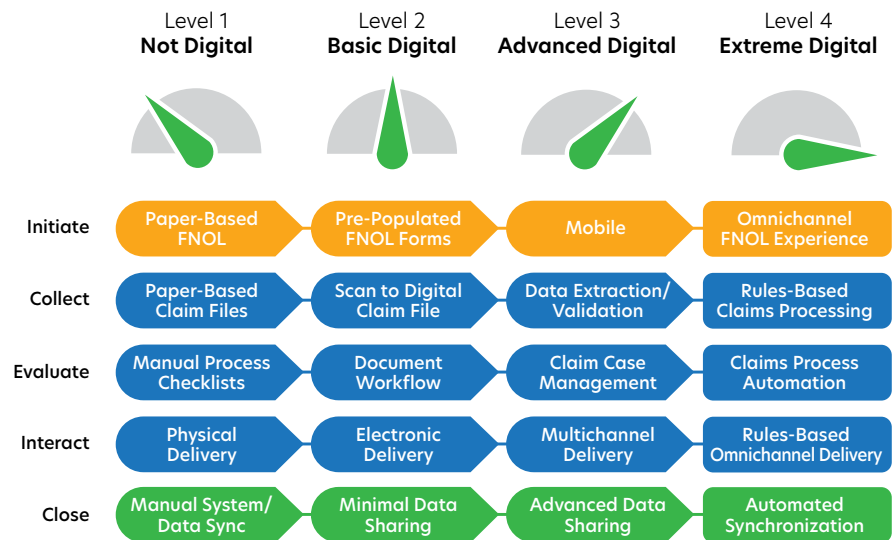


"An agile, customer-centric strategy must have a built-in system for capturing and recording information about every customer's history and preferences."²²

2. Assessing digital maturity

Processes for each line of business can vary widely with respect to the amount of investment in digital capabilities and thus, digital maturity. The Process Maturity Model in Figure 4 can help you measure digital maturity and its consistent competitiveness.

Figure 4: The Process Maturity Model



The Process Maturity Model is helpful for assessing your organization's current digital state, again using the four core business functions and five-step process within each function. The boxes to the right of the five steps represent insurance tasks that can be measured against a continuum ranging from Not Digital to Extreme Digital.

Moving from manual to full digital means:

1. Reducing paper
2. Automating processes
3. Adding and connecting digital channels (mobile, online, email, social media, etc.)
4. Engaging the customer in self-service and proactive, personalized communications interchange
5. Integrating data between insurance systems and external sources
6. Automating regulatory compliance and audit trails
7. Analyzing processes to determine "what happened", anticipate "what could happen" and "what should be done"

Tip: Consider using your digital maturity assessments of the front office customer experience and back office processing in your Process Maturity Model as factors when assigning priorities for digitization on your Business Process Matrix.

Use the sample Process Maturity Model to reveal opportunities to both further digitize your customer's experience and engagement, and identify opportunities to digitally transform your operating model as you advance from manual and paper-based to a fully digital and paperless environment.

"Your organization needs the power and flexibility to adapt to changing consumers, regulations, technology, the environment, and global economy."²³

By assessing digital maturity across your organization, you can determine which areas need improvement, prioritize the areas you want to digitize first and start developing an end-to-end digital transformation plan.

3. Guiding the redesign of business processes

Focusing solely on the front office customer experience will result in missed opportunities to enhance the customer journey, reduce costs, fend off competition and maintain compliance.

Therefore, once you decide to digitize a process, focus on the entire process from initial customer engagement all the way through policy maintenance and claims processing.

Get the big picture

But before adding a digital solution to any business process, it is vital to have a clear, big-picture perspective on your long-term automation needs throughout the enterprise. Zero in on the entire process: from customer engagement and communications to product lines, market requirements, regulation and compliance, online and mobile channels, collaboration strategy and future vision.

Once you've reached a company-wide consensus of your transformation priorities, the next step is to consider the best digital options for getting there. For example:

Mobile Capture – Allows policyholders to apply for insurance policies or initiate claims anytime and anywhere. Conversely, claims adjusters can use mobile capture to send in forms, reports and images for each submitted claim. Application and claims processing is significantly expedited, and manual data entry errors and postal costs are eliminated.

Process Intelligence – Manages and directs your business processes from marketing, sales and distribution to claims/policy process. Unlike traditional analytics, which simply shows what happened in the past, process intelligence not only helps you understand and remedy bottlenecks in your business workflows in real time, but also provides unique understanding of how the "way" your process flows impacts your key business metrics.

Customer Communications Management (CCM) – Strengthens customer relationships by enabling timely communications such as claims notifications, policy briefs and coverage descriptions, explanation of benefits and other relevant information. CCM also provides near-real time tracking and status updates, alerts and personalized communications to customers—so your employees can stay focused on other business tasks.

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Improving customer loyalty

Speed and transparency are the two most important factors that influence customer satisfaction in P&C insurance, aside from the settlement itself, according to an Accenture survey of nearly 8,000 P&C customers in 14 countries.²⁴

Robotic Process Automation (RPA) – Eliminates the manual, repetitive tasks that reduce productivity and result in costly errors. RPA mimics the same tasks your employees do: collecting and integrating data among external websites, portals or various desktop applications. You can use RPA to improve customer engagement activities such as price matching, coverage comparisons and customer call center experiences, as well as streamlining the claims process and ensuring regulatory compliance.


Case Management – Whether converting paper documents into digital versions, tracking case status, assigning and re-directing workflow, or achieving seamless collaboration in the decision-making process, managing caseloads is more efficient and profitable with the help of Business Process Management (BPM) and Enterprise Content Management (ECM) systems. Integrated with a CCM function, your case management process is optimized, and customer engagements and experiences are significantly enhanced.

Points to consider when you review and redesign processes:

- ▶ Study the customer engagement journey and the potential impact process changes may have on your customers
- ▶ Look for redundancy and manual verification—often in processes related to compliance
- ▶ Find opportunities for eliminating data entry, metadata extraction, verification and manual document processing
- ▶ Integrate systems of engagement with systems of record and external data sources
- ▶ Leverage opportunities to digitally engage customers by enabling self-service
- ▶ Use customer data to provide personalized offers and communications
- ▶ Facilitate back office collaboration and decision-making
- ▶ Design dashboards for your customers, as well as for continuous improvement and compliance purposes

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"In addition to speed and transparency, customer satisfaction is evaluated by the ability to contact insurers 24/7 to check on a claims status, timely and informative communication, empathy from insurance staff, and the ability to engage with an insurer using preferred channels."²⁵

"The claims process is an especially risky stage for the P&C insurer because the customer is almost twice as likely to switch providers within 12 months following a negative claims experience. This is because customers filing a claim are often in a state of high-anxiety during the process due to personal suffering from an accident, home burglary, or other catastrophe, and need to be assured that their crisis will be resolved quickly, accurately, and with compassion."²⁶

^{25, 26} The Insurance CIO's Guide to Building an Agile Communications Strategy - Oracle

Results

Process redesign should result in your customers being able to enter less data and receive process confirmations and alerts from an automated platform. In addition, customers should experience near real-time communication that allows for self-service and support from any channel.

Designing business insight into process improvement and compliance initiatives can also provide your company with the competitive advantage of being able to make better-informed business decisions, as well as ensure regulatory compliance. Digital process and data analytics allow you to both proactively discover and address customer-related issues, and mitigate the risks of non-compliant operational processes.

Digitized processes provide:

- ▶ The digital experience customers expect
- ▶ Real-time customer engagement and personalized communications
- ▶ The opportunity for frictionless communications and processing
- ▶ Advanced process management and back office collaboration
- ▶ Seamless integration of business rules into processes that ensure compliance and provide an audit trail
- ▶ Process analysis and continuous process improvement

"An agile communications strategy must include an enterprise-wide customer communications management system that weaves through web, mobile, and print and supports all business processes."²⁷

Creating a digital environment

As your company takes the first step in its journey to digital transformation, competing with digital competitors, and improving customer experiences and operating models, you may face some hurdles when assessing how to evolve quickly.

One way to help yourself navigate these potential hurdles—particularly those related to gaps in technology—is to align with skilled technology partners. They can also help you hone internal skills and identify ways to digitize quickly, without having to perform comprehensive system replacement.

1. Modernize existing core systems

The escalation of unstructured information, regulations, and new customer channels and systems of engagement have forced many organizations to process documents and data using disparate, disconnected systems.

With the right vendor support, manual processing functions can be eliminated by integrating a mix of digital automation technologies with existing systems, and by connecting to internal and external information sources—such as document management, enterprise content management (ECM), business process management (BPM) and customer communications management (CCM) systems.

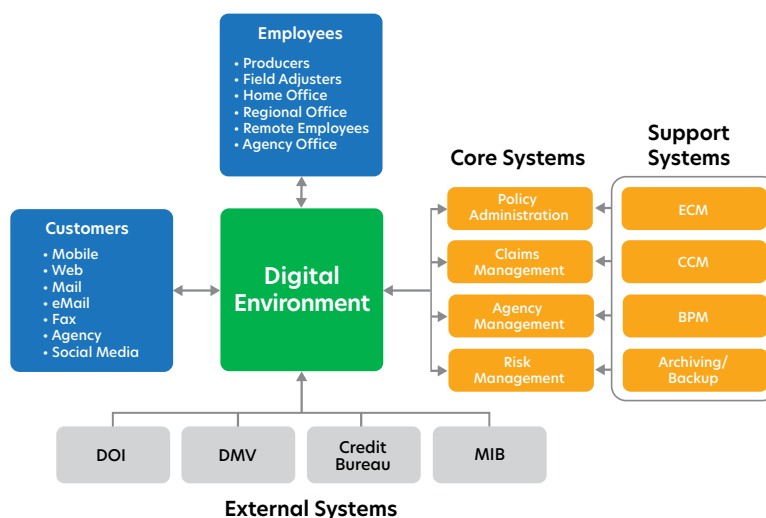


Figure 5: The Digital Environment Model illustrates how internal and external systems can cohesively interface across business applications.

When possible, use flexible software platforms instead of rewriting or substituting legacy architecture. The collaboration and dynamic communication capabilities that digital transformation offers can provide your customers with personalized, seamless and secure digital engagement.

Bottom line: the more you implement flexible software platforms, the faster you will see a digital transformation.

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Taking advantage of two-speed IT

Two-speed IT is a concept that should be included in your digital technology planning stage. It essentially allows for some digital projects to be fast-tracked, rather than compete for resources with IT functions that support your day-to-day business activities.

Flexible digital technologies not only connect systems, but also support two-speed IT projects. Two-speed IT allows you to continually enhance mobile and online experiences for customers, while simultaneously providing stable, well-maintained processes to support systems of record.

Advantages of a truly flexible environment

A digital environment that is truly flexible is one that can be leveraged across multiple business units, either in a dedicated manner or as a shared service across multiple lines of business. For example, in a shared service environment, documents from multiple lines of business can be sent to an intelligent document capture engine to classify and index them, as well as to extract data. Extracted data can then be returned to the appropriate core insurance system for each line of business.


When considering a digitization solution, make sure to select a flexible, scalable and proven architecture that you can:

- ▶ Configure across lines of business, such as P&C and Life
- ▶ Integrate with infrastructure that is already in place and usable to meet digital system requirements


2. Partner for success

True digital transformation requires initiatives that 1) transform your company's operating models, customer experiences and engagement, and 2) address ongoing gaps in technology and internal skill sets so you can focus on delivering innovative products and services that increase your competitive edge.

Choosing a strategic technology partner at the start of your transformation journey is an important first step in building and implementing a digital environment that fits each phase of your digital roadmap.



"Change is inevitable, and your technology solutions must be able to work together - not only for greater efficiency internally, but more importantly, to deliver the best customer experiences."²⁸



“To meet changing expectations, insurers need to digitize interactions with customers, employees and suppliers. Building new distribution channels and working closely with existing distribution partners to enhance the customer experience is a strategic imperative.”²⁹

Summary: Benefits of complete digital transformation in insurance

Although many insurers have invested in document automation systems to update and upgrade their digital capabilities, a complete omnichannel interface remains rare among insurance providers. Alternatively, insurers need to refrain from creating new architectural silos and introducing complexity that can reduce their ability to seamlessly service and satisfy customers across all products and services.

At a glance

- ▶ Use industry-leading partners with expertise integrating into existing insurance systems
- ▶ Look for partners with a flexible platform that can be leveraged across the enterprise
- ▶ Consider partners with a successful track record of collaboration and on-time project delivery

Analysts predict that by 2018, the total cost of ownership (TCO) for business operations will be 30% lower than today because of a wider use of smart machines and individualized digital services.³⁰ Clearly, the case for digital transformation is compelling, and organizations continue to see demonstrable results in terms of economic value and impact on key performance indicators (KPIs).

29 2016 U.S. property-casualty insurance outlook - EY

30 Gartner Reveals Top Predictions for IT Organizations and Users for 2015 and Beyond

End-to-end digital transformation benefits both you and your customers by providing customizable, easy-to-configure digital experiences that help you meet shifting customer expectations and achieve more efficient processing, which in turn reduces costs and frees resources across the insurance enterprise.

How digital transformation impacts market drivers

In the *Why digital transformation?* section of this paper, we identified the four main market drivers of digital transformation—**customers**, **competitors**, **costs** and **compliance**. Below are examples of how digital transformation positively impacts these four drivers:

Customers

Through strategic capital investments in digitization, many P&C and Life insurers are reporting tangible business benefits that include increased customer acquisition and retention, new sales and cross-selling opportunities, and reduced servicing costs and claims payouts.

Progressive Casualty Insurance, a U.S. carrier, was one of the first to launch a mobile photo quoting function. By 2013, nearly one in five of Progressive's customers had their first interaction with the firm through a mobile device. When Progressive launched mobile photo quoting in one state alone, the company saw an 8% uplift in overall quoting activity.³¹

Another creative insurer, John Hancock Financial Services, used digitization to develop the John Hancock Vitality program. As part of the program, John Hancock Vitality members receive personalized health goals. The healthier their lifestyle, the more points members can accumulate to earn valuable rewards and discounts from leading retailers. Additionally, they can save as much as 15% on their annual premiums.³²

DID YOU KNOW?

Carriers that embrace the new, collaborative "We Economy" have an opportunity to enable and monetize digital disruption.³³

75%

of insurers believe industry boundaries will dramatically blur

64%

plan to engage with new digital partners in the insurance industry

45%

aim to find partners outside of insurance

Competitors

Insurers with digitally integrated channels and systems can compete better with traditional carriers, as well as non-traditional distributors. These digital platforms provide the enhanced levels of engagement, customer experience and rapid response times insurers need to gain a competitive edge. An investment in digital is an investment in customer loyalty, as digital customers have proven to be less likely to switch to a competitor and more likely to buy and use more products and services.

In this new "We Economy," your collaboration with other organizations will be key to long-term effectiveness and targeted business outcomes. Your company's core purpose in society becomes clearer to customers as it relates to a larger digital world.

A good example of this is Tokio Marine & Nichido Fire Insurance, which partnered with NTT docomo to create a health insurance product that seeks to prevent claims, rather than simply paying out at the time of loss. Called "How My Body Feels" and targeted to young women, the product uses mobile technology to monitor the user's health and uses various data to make suggestions concerning healthy lifestyle options.³⁴

31 Make the Business Case for Mobile Insurance - Forrester Research Inc., July 2015

32 Celent's Model Insurers 2016

33 Accenture Technology Vision for Insurance 2015

34 Digital Insurance Era: Stretch Your Boundaries - Accenture

Costs

The data is clear—measurable cost savings and efficiency gains occur when insurers adopt digital operating models. Less manual effort translates into reduced errors, less redundancy in data and document verification, and fewer full-time employees (FTE).

The underwriting function has emerged as a primary driver of growth and profitability. New data sources, better analytic tools and more automated systems are giving insurers expanded options for improving underwriting quality and productivity across lines of business. As a result, nearly 90% of carriers are investing in their underwriting function—or plan to do so—over the next three years.³⁵

Asteron Life created a new approach to underwriting audits that provides a portfolio-level overview of risk management and the ability to identify trends, opportunities and pain points in real time, as well as identifies inefficiencies and inconsistencies in the underwriting process.³⁶

The claims processing function at one global insurance company with more than 50 million customers was transformed through the deployment of a mobile engagement channel. Now, 70% of claims, data and documents are captured and submitted digitally. This not only improved the customer experience, settlement accuracy and end-to-end claims process, but also helped reduce costs associated with duplicate submissions, resulting in a project return on investment in just 11 months.

Compliance

Digital processing and automation allow insurance providers to incorporate business rules and use data sources to ensure regulatory compliance. In all cases, digital processing provides the visibility and audit trail needed for reference in the event of an audit or suspicious activity. This is where robotic process automation (RPA) can come into play. With the help of RPA technology, the core system can capture business rules and interpret data sources to process, trigger responses and communicate compliance to current regulations.

The claims department at Ageas Insurance Limited, an award-winning insurance industry leader in the U.K., became bogged down by the high volume of incoming claims documents received each week. A team of 450 employees were processing more than 60,000 claims manually. To eliminate the bottleneck, Ageas integrated an automated process and content management system into their existing legacy system, which allowed documents to be scanned and captured digitally and linked to policy holders in just seconds. Now the claims process is fast, efficient and more secure. The improved productivity also allowed Ageas to realize savings in operational expenses.

Sagicor Life Inc. designed and developed Accelewriting®, an eApp integrated with a rules engine, which uses analytic tools and databases to provide a final underwriting decision within one to two minutes on average for simplified issue products.³⁷

35 Voice of the Underwriter - Accenture

36, 37 CA Golden Day for Insurance:
Celent's 2016 Model Insurance
Winners

Contextualized coverage

The future “smart home” will become a single connected entity with an ecosystem of service providers that monitor and react to data that is relevant to itself. This includes the security team, emergency services and the insurer, among others.

Homeowners will receive a variety of data—from energy consumption levels to alerts and even surveillance video feeds—on their mobile devices or any other channel they prefer. In this ecosystem, how can the insurer go beyond offering cover to help customers manage risks and prevent accidents that would lead to a claim?³⁸

38, 39 Digital Insurance Era: Stretch Your Boundaries - Accenture

Insurance 2020: The age of engagement

The speed with which consumers are now relying on digital technology to purchase and use products and services to manage their personal lives has forced the insurance industry to take a hard look at traditional methods of customer engagement, risk mitigation and coverage.

The fact is that outdated legacy systems of record simply aren't sustainable. To stay competitive, new business models must include holistic digital strategies that are supremely customer-centric and highly collaborative in their reach into new markets and customer pools.

In the age of engagement, a two-pronged approach to digital transformation is imperative: In the short term, your organization must leverage new technologies to improve operational processes, provide mobile access to products and services, and create greater value through personalized customer engagements and experiences. Then a subsequent long-term plan for digital investments will allow you to take advantage of emerging consumer trends (such as driverless cars) predicted to reshape the insurance industry over the next decade.

Digital giants Google and Amazon are industry disruptors that have forever changed your customers' expectations and buying preferences. This is your opportunity to embrace the “disruption” to the status quo and use it to explore new frontiers in selling solutions—not just products and services.

Seventy-five percent of insurers believe that, in the future, industry boundaries will dramatically blur as digital platforms reshape the industry into interconnected ecosystems.³⁹

A digital future envisions use of data to accurately assess risk per individual customer or business. Automated systems will help your organization reduce costs and streamline business processes with measurable outcomes, while intuitive software enables smart machines to interact with your employees to provide extended “team member” support.

In the age of engagement, you have an unprecedented opportunity to manage the risks inherent in new technology innovations and capitalize on them—giving your company a competitive edge and a clear path to higher growth.



Take the next step to digitally transform your enterprise.

Ready to take the next step to digital transformation? We can help you increase efficiency and reduce costs with a digital transformation strategy designed to suit your specific business requirements.

Start today. Call us at +1-800-539-6275, or simply [fill out this form](#).

Your digital transformation begins with a customized digital strategy

Lexmark International is a global technology leader creating enterprise software, hardware and services that remove the inefficiencies of information silos and disconnected processes.

Lexmark combines our innovative technology with deep industry expertise to automate information-driven processes in retail, financial services, insurance, healthcare, manufacturing, education, government and more. These solutions bridge crucial gaps between your core systems and the information outside their control—simplifying and completing the processes that run your business.

By applying exceptional customer engagement to understand our customers' complex challenges, we connect people to the precise information they need at the moment they need it.

