Key Shifts Mark the Path to Digital Insurance
Empowered consumers, innovative competitors and new technologies are bringing massive changes to the insurance industry. Instead of selling the same old indemnification products through a network of traditional agents, insurers must now create an entirely new set of products that inspire customer demand by anticipating and holistically addressing real customer needs and wants. These products must be simple and flexible enough for customers to evaluate, tailor and purchase through any channel, including online. To do this, insurers will need to develop their own ecosystems of partners and value-added service providers, easily consumed through the insurer’s digital platform. They’ll also need to tackle, once and for all, their legacy business and IT landscape and gain control over a vast IT estate that must keep pace with the business.
Insurance companies expect employees across the organization to develop skills in collaboration (67%), data analysis (49%), and IT literacy (47%) — an indication of the growing importance of technology to drive improved performance across the board.

Source: Global Digital Enterprise Survey 2016-2017, conducted by the Economist Intelligence Unit and sponsored by CSC.

Like watching storm clouds gather on the horizon, insurers have seen change building over the past few years in their industry. The same advances in technology that upended music, publishing, travel and other industries are pushing their way inexorably and forcefully into the insurance market.

Consumers, who’ve come to expect a highly personalized, self-directed shopping experience followed by instant fulfillment, are looking for the same service from insurers. And competitors, emboldened by the disruption and ahead in adapting to the new reality, are entering from many different industries — financial, retail, automotive and more.

Regulation and a conservative business approach have caused insurers to adjust slowly, but outside forces are now bringing to reality the full effects of this transformation-in-waiting for the insurance industry.

The shifts that are now taking place affect every aspect of the industry value chain. In the near future, the insurance marketplace will look nothing like the one of the past. This paper examines the drivers of change, the shifts that are occurring and what insurance companies can do to accelerate their journey to a digital future.

Why Business-as-Usual, Isn’t

Much of what’s happening in the industry today wasn’t feasible, or widely adopted, just a few years ago. Web-scale technologies, developed by companies such as Google and Amazon, were exotic. Consumers were just becoming comfortable with cell phones that ran “apps.” Content generated by social media users was beginning to ramp up, and the power of ecosystems, being pioneered by those same Silicon Valley giants, was just a theory.
Today, that picture looks completely different. Buying habits continue to be reshaped, and expectations raised, by a combination of smart, mobile devices consumers carry in their pockets plus new and innovative business models such as those that tap into the “sharing economy.” Consumers of all ages have become comfortable with electronic transactions, and they expect ease and immediacy in everything they do online. Not surprisingly, they’re bringing those expectations to the marketplace, looking for the same level of productivity, collaboration, and convenience in their roles as agents, customer service representatives and adjusters.

Cybersecurity Risks in Tomorrow’s Insurance Industry

Digital shifts are changing the way we all think about security, regardless of the industry. Insurance is no stranger to this change, as more insurers embrace technologies such as cloud, big data and the Internet of Things (IoT). In doing so, insurers must scrutinize the security of their data more than ever, as it no longer resides solely within the traditional moat-and-castle environment. Today’s world is one in which data regularly flows across boundaries through an API-driven ecosystem.

To do this successfully, insurers must continually seek the optimal balance between business agility and innovation on the one hand, and protection and security of sensitive information on the other. That is, an insurer should be able to absorb and analyze data from outside the enterprise through wearables, automobiles and phones, for example, while also protecting customer data and meeting evolving privacy and compliance regulations. Should a breach or data leakage occur, the reputational damage from the loss of information can devastate a company.

To improve agility and create cost efficiencies, companies are shifting data from on-premises to cloud-hosted, and cloud environments could be managed by individuals who may or may not be employed by the provider. This shift in ownership and trust can be challenging to accept because of the perceived loss of control; however, it can also provide an opportunity to “right the ship,” gain needed visibility, better organize processes and data, and prioritize based on data criticality.

To continue to lead in the insurance industry, companies need to keep in mind the following questions so they can ensure a level of security within their organizations to protect not only their data but also that of their customers, partners and suppliers. These questions should be posed to your internal security teams or your external security services providers:

1. What insurance industry-specific regulations and standards are we responsible for meeting, and how can one track and report on one’s compliance score and continuous improvement in meeting these standards?

2. Can we list the top five adversaries that are targeting our industry? If so, what are the most prevalent tools, techniques and procedures they use?

3. How can we properly evaluate and assign criticality to our data and systems for a more prioritized set of security controls?

4. How can we implement a set of controls that will adapt to new technologies of today and tomorrow without having to constantly adjust solutions to fit the needs of the technology landscape?

5. How can we respond effectively to a breach — not only to contain or eradicate the threat, but also to reduce data leakage and quickly restore services to preserve brand integrity?

Just as important, advances in cloud computing and storage, elastic networks, and sophisticated development and analytics platforms are making inexpensive, massively scalable computing resources available to virtually any company. Powered by automated provisioning and advanced service management platforms, the as-a-service economy is maturing exponentially, with more and more of today’s enterprise IT capacity consumed from outside partners.

These tools of the digital economy — largely based on open source software and commodity hardware — give new digital insurance players the ability to rapidly try new products, instantly market and scale those that work, and quickly eliminate those that don’t.

Security is, of course, another area that insurers must rethink. A fortress mentality won’t function effectively in this new environment. The need to expand enterprise boundaries, build ecosystems with third parties and make information available to many more stakeholders, both inside and outside the enterprise, are all necessary to create and deliver the services and experiences consumers want. Insurers must strike a new balance between enablement and protection, drawing upon the fundamentals of identity and access management but implementing them using new and emerging technological capabilities.

In this environment, insurance companies that insist on hewing to traditional business models will find themselves marginalized. A policy-centric, siloed business approach isn’t fast, isn’t flexible and won’t be profitable enough to effectively compete. It’s not that insurers don’t recognize the need to change; the challenge is in reaching today’s clients with a more personalized, digital experience and a broader, more flexible range of products and services that can be tailored to meet a customer’s holistic needs.

While there seems to be no end to the changes and challenges insurers and their employees face, there is good news.
Companies that understand and respond to changes in the industry have the opportunity to capture new growth opportunities, control infrastructure costs and lay the foundation for a more dynamic and profitable future as a digital insurance company. The shift to digital insurance is a transformational journey that will ultimately lead the insurance industry to redefine its basic value proposition from one of simple indemnification of loss to one of education, enablement, mitigation and continuous value.

From Policy-Centric to Customer-Centric
Traditionally, insurers have resided in the background of consumers’ lives, offering security in the knowledge that when trouble strikes, customers have a resource to call on. Innovation tended to happen from the inside out, as new products and lines of business were developed and sold through agents who put customers into the product that best fit their needs. This policy-centric point of view profited insurers for decades.

As a result of this behind-the-scenes approach, customers have typically thought about insurance at only two points in time: when they buy or renew and when they need to make a claim. The rest of the time, their insurer remains largely out of sight — and out of mind. In hindsight, the time between those events represented a missed opportunity for insurers to connect with their customers. And, in the digital age, those long periods of no contact, or perceived value-add, became an easy entry point for new and innovative competitors.

Insurers that shift from a policy-centric way of working to a customer-centric approach will find a wealth of opportunities to connect with customers. They can offer advice, provide...
education and feedback, and find new ways to help customers understand and reduce risk (a win-win for all concerned). By offering value centered on customer needs, insurers can establish deeper and ongoing relationships that will prove to be longer-lasting and more valuable.

This shift is crucial as insurers move from an indemnification-based value proposition to one of continuous value. Indeed, the concept of a core protection product has become fully commoditized, creating another entry point for new competitors. But consistent customer engagement through digital channels goes a long way toward helping insurers maintain share of mind in the marketplace and simultaneously ward off competitive threats.

The digital insurance experience is far less about dictating the terms under which insurers will sell their products. It is more about anticipating customer needs, developing products and associated services that encourage customers to buy and about providing an ongoing set of branded experiences. The key to making this pivot is something insurers are already familiar with: data.

From Data Capture to Data Analytics
So what’s new about data? Insurers have been collecting and using it for years. The difference today is in the growing range of data types and sources, coupled with the use of new advanced analytics. The strategic aggregation and analysis of data promise to transform every part of the industry value chain.

Data now drives new product development, distribution, and marketing and sales activity as insurers gain a more comprehensive understanding of their target markets and a 360-degree view of their customers. By using data from existing

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A Creative Response to Emerging Threats

New digital-only players threaten to disrupt the insurance industry. These companies have the potential to provide value to consumers that traditional insurers will find hard to match. The situation is comparable to TV networks competing with Netflix, travel agencies competing with Expedia and retailers competing with Amazon.

To respond to emerging digital threats, insurers need to embrace modern platforms and new ways of dealing with data, while also allowing for product innovations such as dynamic pricing strategies.

They can use modern platforms to better access and share data, a strategy that will allow traditional insurers to thrive in a market with emerging rivals. If companies can effectively share data, they can join forces with new entrants and form digital ecosystems of innovation. Insurers can gain a significant competitive advantage by cultivating partner ecosystems that allow them to deliver new tools and services to consumers.

This model goes beyond the traditional approach of offering preferred vendor relationships to customers. It allows insurers to add value to core products and policies by helping policyholders, for example, with the purchase of a new car or home.

The digital ecosystem is an innovation that many customers are eager to embrace. Industry research indicates that many consumers would be willing to provide additional personal and lifestyle information to their insurers in exchange for better services.

Sharing data through digital ecosystems will make everyone involved more customer-centric. It will allow larger carriers to focus on more comprehensive customer services and smaller carriers to focus on specialty products and niche markets. It will allow insurance companies to form partnerships with nontraditional companies and become involved in other aspects of customers’ lives.

Regardless of size or market focus, the shift to modern platforms and data sharing is an effective way to fend off emerging competitive threats and stay relevant.

— Jerry Overton, Data Scientist, CSC Distinguished Engineer

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63% of insurance executives expect their strategy to become entirely digital over the next three years, compared with 39% of executives in other industries.

Source: Global Digital Enterprise Survey 2016-2017, conducted by the Economist Intelligence Unit and sponsored by CSC.
systems of record, augmented with data from external sources including social media and, increasingly, from telematics devices, insurers can develop a more complete picture of customers, understand who their best customers are and gain insight into what motivates them.

Data-driven product development helps digital insurance companies bring new products to market faster and with greater chances of success. Online customer interaction opens up more of the customer’s buying journey, giving insurers an opportunity to position tailored offers through client interaction following the “next click,” “next to” practice, which presents cross-sell or upsell opportunities. Better, more insightful data can be used to improve actuarial assessments and the pricing of risk. This can not only drive deeper segmentation, but could potentially allow insurers to price risks on a per-customer basis.

A growing abundance of real-time data offers the potential to change pricing strategy altogether in a way that benefits the digital insurance company and rewards the customer. For instance, auto insurers can use telematics data to understand a driver’s actual driving habits in a way that’s far more insightful than analyzing his or her credit score and demographic data. Health insurers can get a far clearer picture of an individual’s risks, based on lifestyle data collected from wearable devices. In both cases, insurers can offer incentives and channel relevant partner services to enable mutually beneficial behavior changes.

Data also holds the key to improvements in fraud detection and broader risk management. Real-time telematics data, images and video, along with sophisticated analytics and pattern matching, all help insurers identify potential fraud before or as it happens, instead of reacting to misrepresented claims after the fact.

Insurers already have the skills needed to make this shift, to become more analytical and predictive and to make better use of existing and new data. They know how to integrate external sources of data and analyze that data in sophisticated ways — that’s integral to pricing risk, something insurers know how to do well. So they aren’t starting from square one. They simply need to equip themselves with more data, better data and new tools to accept, manage and analyze it.

**From Manual to Digital**

Paper has been making a long, slow exit from the industry. As printed materials have been phased out, a greater share of products, services and processes has made the transition from manual to automated methods. Even though many records remain in print, more sophisticated document-processing tools have helped insurers automate paper-based processes to improve speed, immediacy and quality. This “inside-out” focus on efficiency and cost is not enough in today’s market.

A truly digital customer experience starts with products that are easy to comprehend and simple enough to enable e-applications, automated underwriting and direct issuance — all of which help deliver the type of instant gratification consumers expect in a digital economy. Some insurers may not be able to offer complex, differentiated products in a streamlined way, but they can seek to offer a better experience or added value through their partner ecosystem. Like the change from policy- to customer-centricity, this fundamental shift will require insurers to reconsider how they design and build new products, how they go to market, and how they interact with their intermediaries and customers.

For one thing, digital insurers will need to offer an omnichannel buying experience that augments traditional channels with robust self-service options. Insurers must provide traditional and new outlets, direct purchasing and a highly personalized customer experience across traditional and new digital channels. Digital insurers will also need to introduce a higher degree of automation from front to back, straight-through processing (STP) made possible through simplified products, automated underwriting for new business, first notice of loss (FNOL) automation, and self-service options for claims. Additionally, insurers will need the ability to quickly scale computing resources up to meet demand created by new opportunities, new product types, and the high levels of online customer engagement they are likely to require.

The strategic aggregation and analysis of data promises to alter every part of the industry value chain.
All of these requirements speak to the need to develop a complete end-to-end digital insurance platform, including a modern API integration framework and a whole new set of persona-based systems of engagement. Insurers won’t get it right the first time — so, following the best practices of successful startups, they need to embrace lean management principles, including the concept of a minimally viable product (MVP), and agile development methods. Business, IT, partners and even customers need to collaborate and continually innovate as they collectively reimagine the business of insurance.

In this changing environment, digital insurance CIOs face a daunting challenge. While everyone’s attention may be focused on next-generation technologies and greenfield digital applications, CIOs know that legacy systems of record won’t all be retired anytime soon. Any strategy that purports to be comprehensive must not only deliver new digital capabilities, but also find ways to extend and enhance the rich value embedded in today’s heritage platforms.

This dual agenda — to tackle legacy business and IT issues while innovating and building new capabilities — will be difficult to address in isolation. Insurers will need to re-evaluate their partnering strategy. They can no longer expect to keep up with the massive investments being made by today’s incumbent and new technology leaders. Neither can they amass all the skills and experience necessary to effect transformational change at the pace business requires. Today’s IT organization needs to shift from being builders and stewards of capital-intensive IT to being integrators and aggregators of internal and external capabilities, drawing more and more from the emerging as-a-service and API economies.

Adapting to the Shift

Insurance customers of the past were passive buyers; today, they’re active participants. They review insurance products and report experiences through their social networks. They are self-directed and will both offer and accept support from one another. Their buying journey is their own, and they demand new levels of access, mobility and personalization. They want to engage on their terms and will quickly drop any service provider who is unable to give them the experience they want. It’s a buyer’s market with new and innovative providers entering every day.

What will it take to change this? While we see some promise in the peer-to-peer insurance segment — perhaps through new companies such as Uvamo — we are more inclined to look for new firms to succeed in new areas. New data sources from an exploding range of Internet of Things (IoT) devices, new business models based on a sharing economy (Uber, Airbnb, et al.), and the application of industry-specific machine intelligence will generate new products and new challengers in insuring things such as self-driving cars, drones, robots, self-service healthcare, blockchain transactions and more. Today’s leaders must resist complacency. At some point, disruptive shifts seem inevitable. Those insurance firms with their digital house in order will be best positioned to respond.

The Leading Edge Forum (LEF) is the independent research arm of CSC.
While 98% of insurance companies use traditional on-premises servers, executives say they have also invested more frequently than other companies in the public cloud (96% to 82%), the hybrid cloud (94% to 83%), and collaboration software (96% to 62%).

Source: Global Digital Enterprise Survey 2016-2017, conducted by the Economist Intelligence Unit and sponsored by CSC.

much more difficult. With that in mind, in our extensive work with digital insurance clients, we see the most progress when insurers focus on three key areas:

Mastering engagement. Insurers need to develop a strategic vision of digital insurance with the ambition to change the basic value proposition from one of commoditized indemnification to one of rich, continuous value. To do this, they need to develop products and services that fill the “white space” between purchase and claim — and not just to fill the space, but to help customers enjoy happier and more productive lives with lower risk. This level of engagement requires seamless interaction among customers, insurers, intermediaries and partners. It delivers a highly personalized, tailored experience throughout the entire customer life cycle, including turning beneficiaries into word-of-mouth advocates and even new customers.

Mastering understanding. This step is essential to making the shift from a risk table-based, policy-centric business to one that is behavior-based and customer-centric. It begins by investing in a new breed of systems of analysis and embedding analytics into every aspect of the value chain. It means developing a deeper and richer understanding of market needs, at both a segment and individual customer level — not just at a point in time, but throughout the customer’s lifetime relationship and on an hourly, daily or weekly basis. These same systems and tools can be turned inward to better understand the business, operations and employees, creating insights that can be used to incrementally improve and grow.

Mastering consumption. To develop a true omnichannel experience for customers, agents, brokers and internal stakeholders, an insurer needs to embrace the concept of the service-enabled enterprise and the API economy. This begins by focusing on ways to make the company easier to do business with and envisioning a customer’s buying journey across channels. The concept also represents a move away from an in-house IT mentality to embrace external infrastructure, cloud computing, as-a-service options and mobility. It features an IT-centric set of initiatives designed to make the enterprise more open, agile and prepared to participate in the digital economy. The goal is to both consume, from the burgeoning innovation community, and be consumed, by the ever-growing range of new entrants.

Starting the Journey

While any one of these shifts would be a challenge to address, today’s insurers must deal with them all at the same time, further raising the stakes. However, the effort to make the shift to digital insurance is worth the returns it can offer and, more so, essential to survival.

Digital insurance enables a symbiotic relationship between carriers and customers, a relationship built on sharing and trust that leads to continuous interaction and real-time delivery of value. A customer-centric view, powered by new forms of analytics and automation, offers insurers the ability to meet customers’ real-world needs while at the same time growing and operating a more sustainable and profitable business. If insurers are unwilling to make the shift, plenty of eager market entrants are willing and ready to take their place. But by embracing the right strategy and working with the right partners, today’s insurers have the knowledge, ability and capacity to enter this changing space with confidence.

Consistent customer engagement through digital means goes a long way toward helping insurers maintain share of mind in the marketplace and ward off competitive threats.
How CSC Can Help

CSC knows that insurers are strained by changes in every part of the business, and that innovating is a challenge when operational stability and risk tolerance are commonplace in your organization. As a strategic partner, we offer a Digital Insurance Solution with a comprehensive set of IT services composed of: an omnichannel digital engagement platform with integration to digital claims administration, big data platform and analytic services, and the necessary application transformation services required to integrate and customize a customer-centric client engagement process. It also includes consulting services to help you with an enterprise-wide transformation of structures, processes and mind-sets.

Our CSC Analytics Platform as a Service (CAPS) is a fully integrated and managed big data environment. Delivered as a subscription service, CAPS makes it faster, easier and far less costly to develop and deploy big data applications. CSC’s comprehensive portfolio of big data and analytic services support the planning and execution of your digital insurance strategy. These services provide a means for you to ingest and analyze data — both structured and unstructured — from new and existing sources, including sensors and telematics devices.

CSC’s OmniChannel system of engagement allows you to deliver a distinctive and seamless user experience across distribution channels, while taking your self-service capabilities fully digital. OmniChannel also delivers insurance-domain RESTful APIs, improving your competitive edge by jump-starting the journey to an enterprise digital service ecosystem.

CSC and its partners offer technical and program management capabilities that help clients deliver on transformative programs to free up both schedule and budget. For example, CSC has helped clients re-platform to the cloud, add mobile services and move applications from hosted to as-a-service implementations.

CSC has served the global insurance industry for more than 45 years, with expertise in all sectors: life insurance, pensions, annuities, health insurance, property and casualty (P&C) or general insurance, reinsurance and workers’ compensation. CSC’s customer community includes more than 1,500 insurers around the globe.

We are ready to help you realize the potential of new opportunities created by change — competitive advantage, efficiency gains, customer satisfaction and business growth. Now is the time to act, adopting agile new operating models to prepare for whatever the future holds.
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About CSC
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