



Digital Transformation is Upending the Insurance Industry

Are You Prepared to Leverage the Disruption?

A Frost & Sullivan White Paper

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INTRODUCTION

The insurance industry is undergoing remarkable changes to its business, thanks largely to new technologies that enable a wide range of digital disruption. Automation, analytics, mobile technologies, artificial intelligence and the Internet of Things are all driving better, faster workflows, leading to richer customer experiences, increased employee productivity, larger margins, lower costs and higher revenues. Often called “InsurTech,” these and other tools are transforming the way life and property and casualty insurance is sold, claims are handled, and customers are recruited and retained.

The benefits of today’s innovative tools can be dramatic: online quote development and policy management shrink sales cycles and lower costs; individual risk development minimizes claims and increases profitability; digitized policy management and data capture ensure actuarial accuracy; and automated compliance processing keeps companies in line with all necessary regulations.

But even as customers and agents demand advanced capabilities, the insurance industry is struggling to overcome aging technology and business processes. Frost & Sullivan data shows that to stay successful, insurance companies must familiarize themselves with the new tech options available to them, and then deploy the right tools to improve productivity, increase customer satisfaction, boost revenues and stay relevant in an increasingly digital world.

DIGITAL TRANSFORMATION: REMAKING HOW BUSINESS GETS DONE

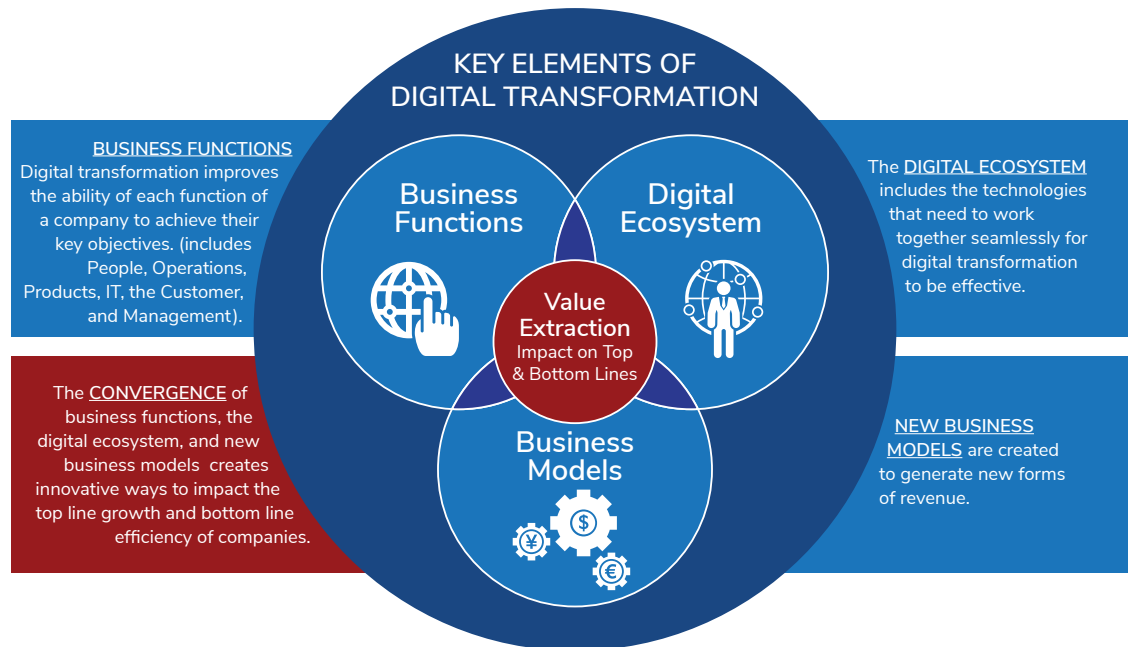
According to a recent Frost & Sullivan survey of almost 2,000 IT decision makers around the world, aligning IT and business goals is the number-one challenge corporate leaders face. That influences their drivers for IT investment, reducing operational costs, improving the customer experience and improving digital presence. Not surprisingly, in an effort to improve efficiency and outcomes, 62% of respondents plan to increase their IT budgets, with an average increase of 26%.

One reason for increased technology awareness and use is digital transformation—the process of using technology to alter the ways in which business gets done—impacting every aspect of corporate life. Frost & Sullivan research shows that 90% of the data in the world was created in the past two years, and those numbers are only going up. As we enter this new era of digital dominance, companies are faced with opportunities and challenges. To succeed, they must re-evaluate how they approach every aspect of their business.



Frost & Sullivan's Digital Transformation Framework

How does this Transformation Impact your Business?



Source: Frost & Sullivan

AUTOMATION AND IOT PUT THE CUSTOMER FIRST

Many insurance firms are facing dramatic changes to the way they operate their business, propelled by new technology that gives employees and customers relevant, contextual information whenever and wherever they need it. Digital transformation starts with automation, which enables faster and more effective decision making and workflows, leading to better and more profitable outcomes. Meanwhile, the Internet of Things (IoT) generates data from a wide variety of public and private sources to inform processes and automation, allowing companies to react to market changes on a population or individual level in real time.

To survive the disruption—and, indeed, leverage it to their advantage—insurers must adopt a customer-first approach that transitions from an enterprise-driven culture to one that is customer- and user-driven. Unfortunately, many insurance companies are weighted down with legacy technology, a short-term focus on earnings and balance sheets, a highly distributed workforce, and sclerotic processes that make it all but impossible to be nimble in the face of change. But to succeed in today's always-on global marketplace, firms must reorganize to deliver innovation and customer service, at scale and speed, throughout the organization.

INSURERS THAT USE ANALYTICS TO CONVERT INFORMATION INTO INSIGHT WILL ATTRACT MORE CUSTOMERS, INCREASE PROFIT MARGINS AND BUILD EVEN RICHER DATA STORES TO LEVERAGE IN THE FUTURE.



This starts by leveraging customer data. Consumers are increasingly willing to share their personal information in exchange for more robust policies and lower rates. And thanks to mobile and social technologies, companies have access to more data than ever to help them better understand their customers, tweak their product offerings and manage opportunity and risk.

INSURTECH: WHAT IT IS AND WHY IT MATTERS

The insurance industry has leveraged technology for years; however, the benefits delivered from today's tools are impacting areas of the market that may not be directly affected by technology but are affected by broader shifts in business and consumer interactions. It's all part of a new innovation cycle: customers demand that companies change how they do business, which drives new customer experiences, which then lead to even higher expectations in the future.

Collectively, these new technologies are referred to as "InsurTech." Some of the biggest changes are driven by mobile devices and apps, wearable technology, augmented/virtual reality (AR/VR) and a range of data-analysis and business-automation software. They are transforming the way insurance is sold, customers are supported and claims are handled.

HOW BIG DATA & ANALYTICS ARE TRANSFORMING THE BUSINESS

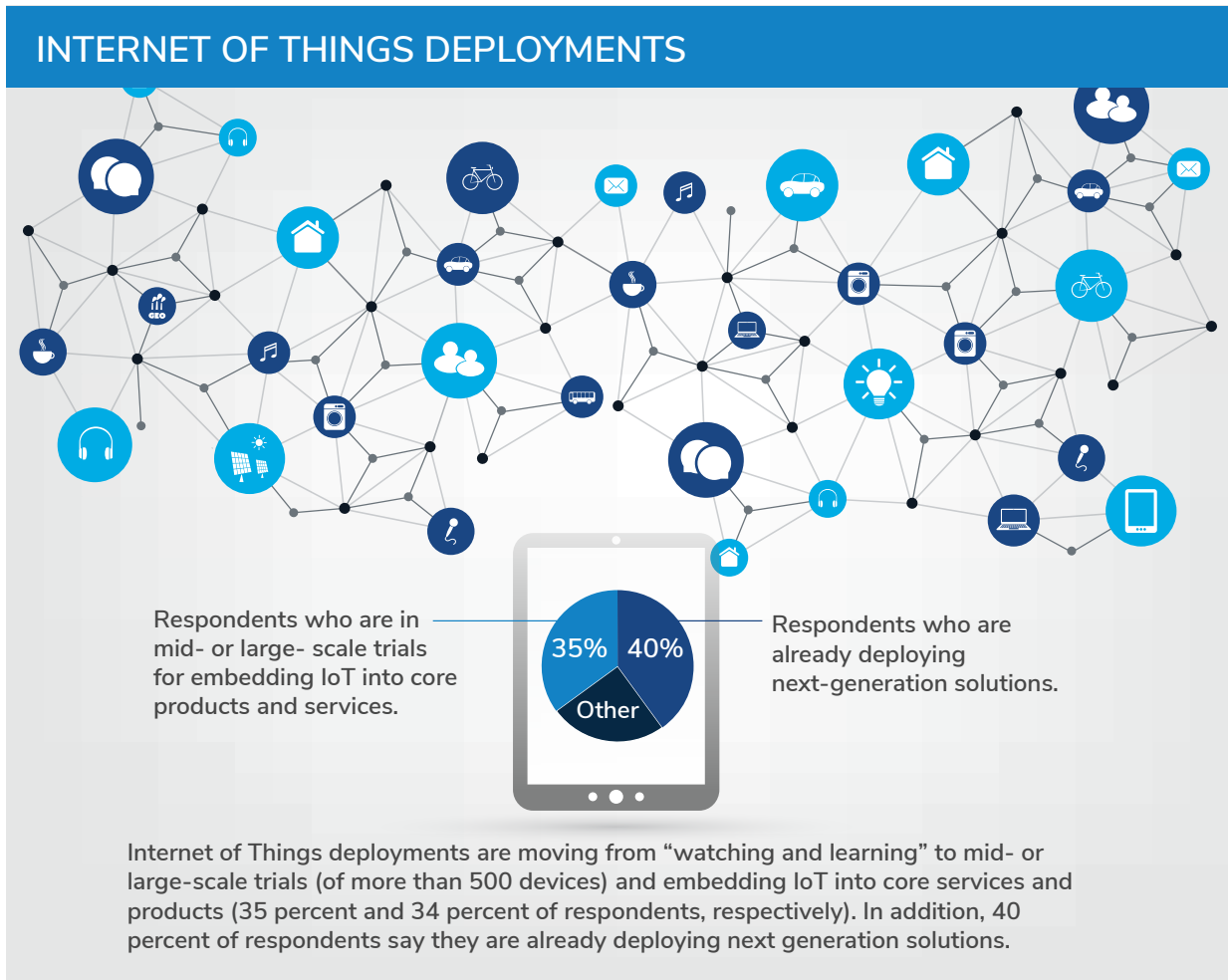
Big data and analytics are helping insurance companies refine their processes, cut costs, increase profits and revenues, and deliver an exceptional customer experience. To take full advantage of the benefits analytics can provide, firms must develop a strategy around three key areas: mobile apps and devices; wearable tech; and virtual and augmented reality. These tools deliver enormous amounts of data that can then be leveraged for maximum effect, empowering employees to make better decisions and giving customers the information they need to purchase new policies, file claims and update their personal information to ensure maximum return on investment.

The Internet of Things is making such information easier to access and use, thanks to our always-connected world. The goal: seamless connectivity among devices anywhere, anytime and under any conditions to create new efficiencies and opportunities.

In the recent Frost & Sullivan survey of IT decision makers, respondents listed a number of benefits they are already seeing from IoT: boosting customer service (36%), collecting customer data (35%), lowering costs (32%) and improving operations (31%). Meanwhile, deployments have moved from "watching and learning" to mid- or large-scale trials (more than 500 devices). More than a third of companies are already embedding IoT into core services and products, and 40% are deploying next-generation solutions. No wonder the Internet of Things is the top mega trend priority for them and their organizations.

InsurTech affects all Areas of the Business:

- **Customer Engagement**
Price setting, online purchasing, omni-channel customer service, online claims processing.
- **Compliance and Regulation**
Identification, automated reporting, automated contract creation.
- **Data and Analytics**
Data management, real-time risk assessment, customized underwriting.
- **Real-time Operations**
The IoT, asset tracking, home and auto security.
- **Information Security**
Fraud detection and mitigation, cyber insurance, risk management, loss-prevention services.

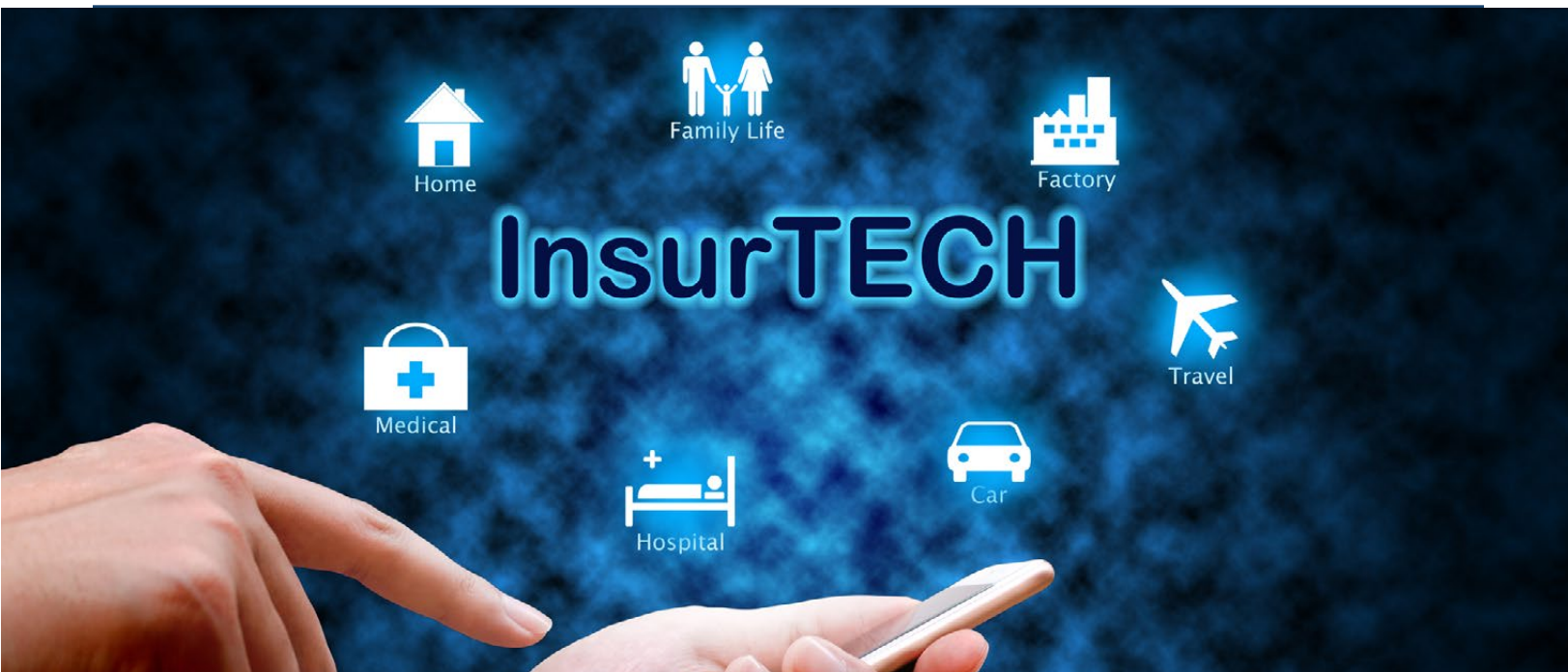


Insurance companies that take advantage of the huge amount of information available today and in the near future—combining smart sensors, mobile devices and other technologies—will improve decision making and enable the accurate delivery of advanced functionality like predictive insights. Pervasive, or ubiquitous, computing is gradually helping technologists worldwide realize the IoT vision.

MOBILE IS CRITICAL TO SUCCESS

By focusing on the mobile user experience, insurers can speed cycle times, meet real-time customer demands and interaction, drive employee productivity and build loyalty inside and outside the organization. Indeed, smartphones and apps are already impacting how insurance firms market and sell their policies, assess risk, set pricing, and manage and settle claims.

Take inventory management, which is one of the most difficult issues to deal with after a loss event. Most people don't maintain a complete record of what they own—including everything from furniture and appliances to clothing and artwork—and have no way of knowing exactly what they've lost. Mobile devices with cameras and inventory software make it easy for renters and homeowners to keep an up-to-date record of everything in their possession. In the event of loss, links to outside data can help insurers identify replacement costs or current value information, and then give their customers the appropriate benefit as soon as possible.



Meanwhile, commercial claims adjusters can use smartphones and tablets in the field to create incident reports and damage assessments as soon as an accident happens, ensuring payouts and repairs are based on accurate, real-time information. That helps get corporate clients back to work while ensuring the insurer is fulfilling its obligations as cost-effectively as possible. Cameras can detail actual damage and capture evidence to help determine fault, and apps can ensure adjusters are entering all data into a corporate platform, supporting any necessary back-end integrations and meeting all compliance needs.

SENSORS MAKE USAGE-DRIVEN POLICIES POSSIBLE

Smartwatches, biometric trackers, beacons and embedded sensors can help insurance companies track customer behavior in real time, allowing them to alter benefits and pricing accordingly. For example, smartwatches can help customers make better decisions about their use of safety devices, electronics and appliances by offering real-time suggestions in response to their environment, while sensors can help insurers track risky behaviors, then use that information to suggest customers alter their actions or adjust policies and pricing in response. For example, if a life insurance customer starts smoking, sensors could pick up on his behavior and modify his premiums to take his life-shortening behavior into account. Or, if a company driver opts to travel during an ice storm, her watch's geo-location capabilities could alert her company and its insurer, and the company or her manager could send her a message suggesting she take specific safety precautions or offer links to alternate transportation options, resulting in fewer accidents and fewer payouts.

Similarly, camera-ready wearables can transform the auto insurance industry by capturing and storing video footage of accidents in real time, ensuring insurers and their corporate clients know exactly who was at fault and what damage was incurred as a result. Biometric trackers can tell whether a driver had a physical reaction preceding the crash or whether he was impaired by alcohol or drugs, which can impact fault determination, work-comp benefits and other issues. Meanwhile, companies can analyze all such data from all their claims to better understand what is causing accidents in the first place—and then work with their insurer to develop processes for avoiding those situations in the future.

PARTNER WITH A PROVIDER TO LEVERAGE BEST PRACTICES FOR SUCCESS

Insurance companies that want to deliver the best experience for their customers—and increase revenues and market share in the process—must embrace new technologies. But selecting the right provider can mean the difference between failure and success. Here's what to look for:



1. **Ease of Use** Data needs to be accessible, intuitive and easy to use, regardless of the user's technical or analytical expertise. Look for a solution that helps employees understand the value of data, quickly and easily. Visual clues, drag-and-drop features and natural-language capabilities will aid in this effort. The software should also be easy for IT to deploy, manage and support.



2. **Advanced Analytics** It's critical that insurers deploy a solution that can help uncover hidden meaning and value in the full range of corporate data. Non-technical users may not know how to find the true value in that information; look for a platform that supports deep data exploration in the main UI. Helping non-math majors understand powerful statistical analyses, creating data hierarchies, drilling down on interesting information in real time, and integrating with robust statistical tools are among the key criteria.



3. **Flexibility** When it comes to data, one size definitely doesn't fit all. You need a solution that will conform to your needs—not the other way around. Look for technology that will work with any type of data, in any amount, and which integrates with your existing infrastructure. This will ensure you can continue to leverage your prior investments while reaping the benefits of new technology today and into the future.






4. **Collaboration** Data analytics shouldn't be hard, but they can appear daunting to new users, and it takes time to learn how to get the most out of the best tools. A provider that boasts a rich community of users dedicated to helping others find value in its products can deliver maximum return on your investment. This can be enabled through structured training, ad-hoc information sharing and leveraging best practices to drive change within any organization. Look for a vendor that actively supports community forums, user groups and peer support.

CONCLUSION

InsurTech is already transforming the insurance industry by tapping into digital transformation and data analytics to streamline business processes, increase profits and revenues, and positively impact the customer experience. These tools are helping companies improve everything from marketing and sales to pricing and claims adjustment.

As insurance companies begin to evaluate, deploy and embrace advanced analytics, they must pay close attention to the platform's ease of use, analytic depth and flexibility. It is also critical to work with a vendor that supports a knowledgeable community of peers and experts to help drive change in all customer organizations. That will ensure your organization can compete in an increasingly digital marketplace and see maximum return on your investment.

NEXT STEPS

-  **Schedule a meeting with our global team** to experience our thought leadership and to integrate your ideas, opportunities and challenges into the discussion.
-  Interested in learning more about the topics covered in this white paper? Call us at 877.GoFrost and reference the paper you're interested in. We'll have an analyst get in touch with you.
-  Visit our **Digital Transformation** web page.
-  Attend one of our **Growth Innovation & Leadership (GIL)** events to unearth hidden growth opportunities.

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