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Accenture Technology Vision for Insurance 2016

# People First: The Primacy of People in the Age of Digital Insurance

High performance. Delivered.

Winning insurers in the digital age will do much more than tick off a checklist of technology capabilities. They will be defined by their ability to evolve their corporate culture to take advantage of emerging technologies and of the new business strategies that those technologies drive.

Insurers should not focus simply on using more technology, but rather on enabling people—consumers, workers and ecosystem partners—to accomplish more with technology. They will have to create a new corporate culture that looks at technology as the means to enable people to constantly adapt and learn, continually create new solutions, relentlessly drive change, and disrupt the status quo.

*In an age where the focus is locked on technology, the true leaders will place people first.*

# A Survey of 450 Insurance Executives Highlights the Need for Workforce Transformation

## Digital technology is bringing unprecedented change to the insurance industry, but the disruption has only just begun.

According to our survey of around 450 insurance executives, in 15 countries, 90 percent of carriers anticipate that the pace of technology change will increase rapidly or at an unprecedented rate over the next three years.

There are new technologies and solutions, more data than ever before, legacy and new systems to tie together, an upsurge in collaboration (inside and outside the insurance enterprise), new alliances, new start-ups, new customer demands for personalization and convenience, and much more besides.

As the next wave of digital technologies matures—including the Internet of Things, platform-based ecosystems and artificial intelligence—it promises to transform the very nature of the insurance organization and what it does. Added together, these digital trends offer insurance companies an opportunity to stretch their businesses beyond the boundaries of traditional insurance.

They will be able to shift from a business model based solely on pooling and pricing risk using historical data, to one where they can also automatically assess and price some risks directly, individually and in real-time, as well as help customers to avoid losses in the first place. Yet to take full advantage of these trends, most insurers will need to dramatically transform their workforce and culture.

The potential for upheaval is significant. A 2013 Oxford Martin study found that insurance underwriters are in the highest risk category for jobs that will be eliminated by automation. Also under threat are the roles of claims and policy processing personnel, claims adjusters, examiners and investigators.[1] Sales, marketing and distribution functions are also being challenged by ongoing disruption.

Insurers are thus under pressure to evaluate what digital technologies will mean for their workforce as traditional roles are automated. They must get their people ready for a digital world—whether that means retraining or recruiting. The workforce may become smaller, but the people will need to be more tech-savvy, creative, and analytic—perhaps even entrepreneurial.

New roles will arise; for example, that of the ecosystem architect who helps to orchestrate partnerships between insurers and third-parties such as automakers and technology companies. Existing roles will change, too. The claims agent may become a customer service advocate rather than a process worker, while the actuary could become a customer experience architect.

The technology skills of the digital-native generation will be essential for insurers in this new world. Many insurance carriers and brokerages have an ageing workforce and face ongoing difficulty in attracting top science, technology, engineering and mathematics talent. They will need to change their staid job-for-life workplace to accommodate the millennials.

This 'born digital' generation has different expectations than older colleagues about how work should be organized. It expects to find pervasive collaboration technologies at work, and is open to freelance and portfolio careers. Today's young talent also expects to find a sense of purpose from their work.

These changes demand a different way of looking at all the insurer's moving parts—and particularly its people. They mean insurers will need to sharpen up the value proposition they offer their employees if they want to attract the best talent in rare skills such as digital technology and data science.

Getting past the digital culture shock that so many insurers experience today sounds daunting. But fortunately there are models already available for inspiration. Not only have many large tech companies established a thriving digital culture, but there are also early adopters in insurance showing the way ahead.

Some insurers are creating innovation labs or teams to nurture their next generation of digital talent and solutions. MetLife Asia's LumenLab innovation center in Singapore is home to innovation experts, many of whom have a background in start-ups or come from outside the insurance industry.[2]

Others are partnering with technology companies to drive innovation, like the major European insurer working with Accenture on a shared-risk basis to pilot and implement a connected home solution for low income households. This new business model places the insurer in the middle of the future Internet of Things ecosystem.

However they approach the challenge of digital transformation, the mantra for success for tomorrow's insurance leaders is 'People First.'

# Pillars of the Corporate Cultural Shift

There are four key pillars for a vibrant and successful digital culture that puts people first. Insurers will need to strive to be built for change, be data driven, embrace disruption, and be digitally risk-aware.

## BUILT FOR CHANGE

Moving at the speed required to be a digital insurer means developing new skills, new processes, new products, and whole new ways of working. It may mean launching innovation teams, new business models or even new businesses, either within the organization or separately as joint ventures. For these insurers, it might mean exploring digital opportunities at high speed while continuing to evolve the core existing business at a slower pace.

'New IT' will be essential for the digital insurer, with DevOps models and practices to drive continual delivery, service-oriented architecture and the cloud for scalability, software-as-a-service for efficiency, architectures built for agility, and platforms for collaboration.

But all of this will be meaningless without an acceptance of change by the workforce. Whatever their role, the insurer's people need to expect change, understand its impact and keep pace with it by evolving and adding to their skills. Already, 90 percent of insurance executives we surveyed report that the need to train their workforce is more important today than three years ago.

Every insurance organization must start to have a workforce strategy that prepares workers to adapt to the new organizational culture, way of working, and customer behavior of the digital era. And it must think about where it can secure skills it doesn't have or is unable to develop internally.

## DATA DRIVEN

Being truly data driven goes beyond just having better tools or skills for data and analytics. It means changing the basis for making decisions at every level of the insurer. Predictive analytics, for example, has an important role to play across the organization, from customer retention and cross-selling to fraud detection.

Instead of relying on gut instinct or traditional experience, or deferring to the most senior person in the room, what's needed is for data to become so pervasive that it supports insight-driven decision-making throughout the enterprise. In addition to exploiting their own data more effectively, insurers should tap into external sources such as census, flood and weather, and credit score data.

This isn't just about people using data—machines must also be equipped to harvest and act on intelligence. Consider the example of a large US insurer which uses structured and unstructured data sources—combined with machine learning techniques—to detect fraud in workers' compensation claims. It has experienced a 15-fold improvement in its fraud detection rate since it implemented the solution.

## EMBRACE DISRUPTION

Instead of focusing primarily on efficiency gains from digital, frontrunners in insurance will embrace disruption as part of their corporate DNA. They will inspire their people with a vision for how technology enables things to be done differently and done better.

As a key part of this, they'll listen carefully to people—customers, partners and employees—using technology as the means to deepen understanding of the emerging needs, requirements and attitudes that drive disruption.

They'll create and embed strategies to underpin their success in a dynamic world. And they'll be at the forefront of reshaping their (and others') industry boundaries—playing a lead role in the formation and coordination of existing and future ecosystems, especially around the Internet of Things.

For example, European insurer Allianz has created an alliance with Chinese search engine Baidu and investment group Hillhouse Capital Group. It will leverage emerging technologies such as the cloud and artificial intelligence to drive innovation in China's insurance industry.[3]

## DIGITALLY RISK-AWARE

Change at the pace we're seeing from the digital economy creates new areas of risk for insurers. More than three out of four (78 percent) insurance executives in our research agree they are exposed to more risks than they are equipped to handle as a digital business. Cyber risks, especially, are coming to the fore.

Digital insurers will encounter and create risks that traditional insurers were never exposed to: new security threats; demand for transparent use of sensitive data; and questions around the ethical use of new technologies. Compounding the risk is the recognition that the huge scale that gives software much of its opportunity also amplifies the potential problems.

This means that insurance leaders will inherently need to take digital trust into consideration in everything they do. Security, privacy and digital ethics cannot be reverse-engineered around a technology; instead, they must be integral to the development process from the outset.

For insurers, these new privacy and security risks also spell opportunity. Since insurers are in the business of financing and mitigating risk, they also have the opportunity to craft new products and services that help other organizations manage the many new risks of the digital age.

# 2016 Technology Trends

This year's Accenture Technology Vision for Insurance highlights five emerging technology trends shaping a new digital landscape where people come first. Tomorrow's leading insurers are taking these trends on board and executing strategies to secure their clear digital advantage.

## Trend 1: Intelligent automation

Powered by artificial intelligence, the next wave of digital solutions will gather unprecedented amounts of data from disparate systems and—by weaving systems, data, and people together—will fundamentally change the organization, what it does and how it does it. For insurance, with its reliance on data analysis for decision making, this trend is particularly significant.

## Trend 2: Liquid workforce

Insurers are investing in the tools and technologies they need to keep pace with constant change in the digital era. But there is typically a critical factor that is falling behind: the workforce. Insurers need more than the right technology; they need to harness that technology to enable the right people to do the right things in an adaptable, change-ready, and responsive liquid workforce.

## Trend 3: Platform economy

The next wave of disruptive innovation will arise from the technology-enabled, platform-driven ecosystems now taking shape across industries. Having strategically harnessed technology to produce digital businesses, leaders are now creating the adaptable, scalable, and interconnected platform economy that underpins success in an ecosystem-based digital economy.

## Trend 4: Predictable disruption

Few insurers have grasped quite how dramatic and ongoing the changes arising from new platform-based ecosystems will be for their business. It's not just business models that will be turned on their heads. As these ecosystems produce powerful, predictable disruption, insurance and the adjacent industries and economic segments it serves will be redefined and reinvented.

## Trend 5: Digital trust

Without trust, insurers cannot share and use the data that underpins their operations. That's why they need advanced security systems that go well beyond establishing perimeter security and why they must make a powerful commitment to the highest ethical standards for data usage.

Trend 1

# Intelligent Automation: The essential new co-worker for the digital age

Leading insurers will embrace automation not just to take advantage of the breakneck pace of digital change, but also to create a new digital world where they hold a competitive advantage.

Machines and artificial intelligence will be the newest recruits to the workforce, bringing new skills to help people do new jobs, and reinventing what's possible.

The volume of data that insurers need to gather, manage and analyze is growing at an exponential rate as cars, commercial and industrial equipment, fitness wearables, and homes are woven into the Internet of Things. Thanks to the billions of sensors and devices joining the connected world, insurers will have more and more information than ever about the lives and assets that they insure.

Armed with all this real-time data, insurers can move away from underwriting risk based on historical data, and paying out claims based on damage assessment, towards helping customers to reduce risks, prevent losses and achieve better personal and business outcomes. But to get this right, insurers must put in place the tools and processes that enable them to embed real-time data analytics into their business processes.

Sifting through the masses of big data to make rapid decisions is beyond the capability of the human workforce. Luckily, the next generation of intelligent automation technologies and big data tools bridges the gap. This is not about a simple transfer of tasks from human to machine, but maximizing the strengths of technology and the workforce. It's about freeing people up to focus on knowledge tasks and customer care while machines do the heavy lifting.

Machines offer strengths and capabilities (scale, speed, and the ability to cut through complexity) that are different from—but complementary to—human skills. Leading insurers are already looking at how this blend of automation and human agency can transform every area of the organization—from underwriting and claims assessment right through to the customer experiences they provide.

The goal is not just to help the insurer's people to perform the same tasks faster and more efficiently. It is also to underpin the move to new platform- and ecosystem-based business models, and to enable new products and services, ones that are more personalized and real-time than traditional insurance cover (see Trend 3: Platform Economy and Trend 4: Predictable Disruption).

## Growing Footprint

With the increased footprint of digital technology, more business processes and objects are touched by software, expanding the scope of what can possibly be automated. What's more, we're seeing dramatic advances in the application of artificial intelligence (AI) technologies. In practice, that means intelligent automation will enable insurers to not only become more efficient, but also to innovate and evolve.

However, incorporating AI into the business will not be a trivial task. Insurers will have to redefine both their business and IT architectures. The use of AI at each layer means that firms will essentially be doing things differently, and that includes incorporating AI as a new and important layer in that architecture.

Start-ups are eying the potential of AI as a means to disrupt insurance. Insurify, from Massachusetts in the US, has created Evia (short for "expert virtual insurance agent") to help customers choose auto insurance. Users simply snap a photo of their license plate, text it to Evia, and answer some questions. The smart software then helps them to find the best insurance plan for their needs.[4]

Some insurers are already deploying intelligent automation to transform their use of data. MS&AD Group, one of Japan's major insurers, has introduced IBM's Watson AI system to analyze texts and voice logs to assess customer claims automatically. Two P&C companies in the group have piloted Watson as a way to streamline contact center interactions with customers.[5]

Robotic process automation software such as BluePrism and Automation Anywhere, meanwhile, can automate manual processes across multiple business systems. This class of software captures data from existing applications to process a transaction, manipulate data, trigger a response and communicate with other digital systems.

Xchanging, a UK-headquartered business process services firm, has reported that it has seen vast reductions in the time needed for insurance processes after introducing BluePrism automation. In addition to the time savings, it benefits from having multiskilled software robots working on each process 24 hours a day, seven days a week.[6]

It's not just in IT systems that automation is driving real change. It's happening out in the physical world too, promising faster ways of assessing claims and risks. Several US insurers including State Farm, USAA and AIG have secured Federal Aviation Administration (FAA) approval to test drones.[7]

State Farm is researching how unmanned aerial vehicles (UAVs) could speed up the assessment of insurance claims, for example following natural disasters such as fires, floods or hurricanes. The result is that assessors could start working on claims without needing to head into the danger zone after catastrophe strikes.

AIG, meanwhile, has FAA approval to operate drones to conduct inspections for risk assessment, risk management, loss control and surety performance. The company has already established an international UAV research and development program and conducted flights in New Zealand.

Insurers will only be able to manage the enormous wave of complexity that arises from pervasive digital change if they can seamlessly harness and integrate, at scale, everything that's coming their way—new products, services, technology tools, business models, ecosystems and more. Intelligent automation is an essential new co-worker for the digital age.

## Fundamental Change in IT

Rather than just being looked at as an add-on, AI now represents a foundational layer of IT architecture. Enabled by today's vast amounts of data, cheap storage, scalable computing, and advanced data science, new tools allow machines to become more sophisticated in how they learn and make decisions.

This means that the process of automating tasks through AI becomes much easier. Examples abound: from Google's now open-sourced image recognition software to IPsoft's Amelia, an AI contact center agent who replies to emails, answers phone calls, can hold conversations in several languages, and can learn from company manuals, the Web and even her colleagues. AI agents are also likely to play a growing role providing personalized advice to life, healthcare and P&C customers.

Some insurers are even exploring solutions that blend image recognition or video analytics with deep learning and pattern recognition in order to, for example, assess vehicle damage after an accident or even adjudicate claims. The footage could be sourced from an on-board camera on a vehicle or from public cameras. And natural language processing and text analytics, coupled with machine learning, can help in detecting fraud when processing claims.

In our Technology Vision survey, the vast majority of insurance corporate executives said they are making significantly more investments in AI-related technologies than two years ago. Around 82 percent plan on using machine learning and embedded AI solutions like Amelia more extensively, 73 percent aim to leverage video analytics, and 75 percent are investing in machine learning.

## Key Takeaways

- Intelligent automation will give insurers new-found power to drive change.
- AI will become a core competence—a pervasive capability for every aspect of insurance.
- Take a 'People First' approach by adapting the enterprise's organization, culture, skills, and experience to use AI.

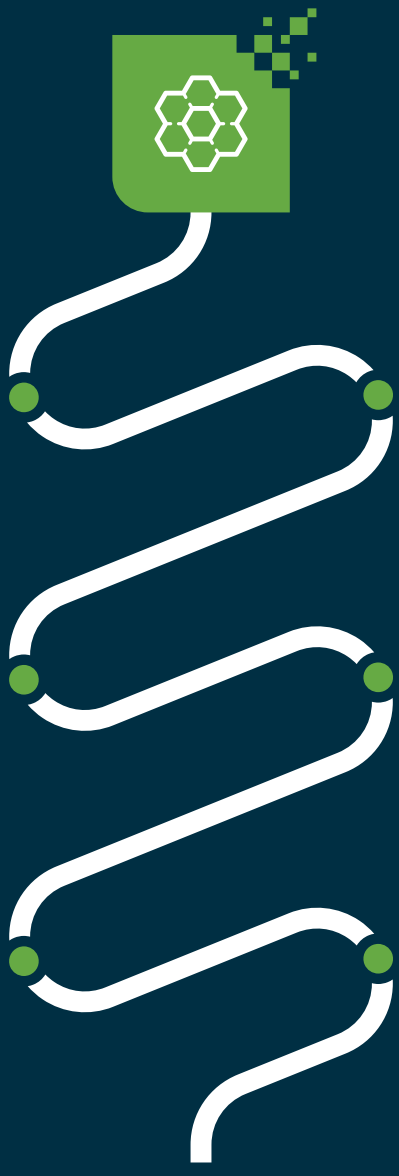
**35%** of insurers report more than 15% in cost savings from automating systems and processes in the past 2 years

**82%** of insurers agree AI-driven automation will be seamlessly embedded into every aspect of business over the next 5 years

## Intelligent Automation:

# 100-Day Plan

Over the next three months, develop a comprehensive understanding of the current state of intelligent automation and artificial intelligence in your organization.



**1.** Identify the AI and analytics capabilities your company uses today to undertake a capabilities and gap analysis.

**2.** Take an inventory of labor-intensive business processes and identify appropriate opportunities to invest in automation and machine-learning capabilities.

**3.** Identify specific applications that require frequent and manual updates, rapid scaling, data extracts, and/or a high degree of personalization. If an application relies on data, classify it as a top candidate for AI, such as machine learning for self-evolution.

**4.** Map these examples/use cases against your current business processes and corporate strategy to prioritize specific opportunities—to catch up or gain new advantages.

**5.** Cultivate your data talent: develop a plan to build, buy, and/or partner to support your data and your automation know-how.

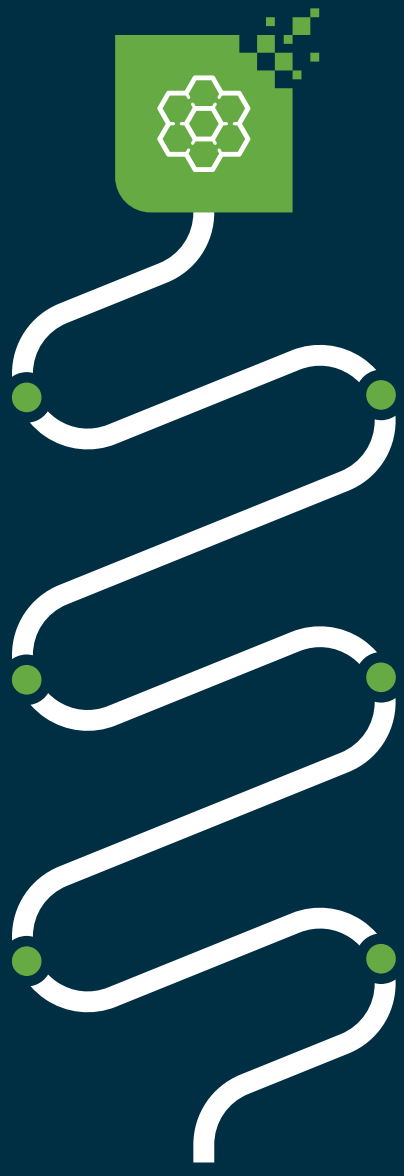
**6.** Map the implications of tasks being automated—the changes to roles, organization needs, processes and skills.

**7.** Create a 'People First' strategy for transitioning the organization, training on new skills, and implementing the changes.

## Intelligent Automation:

# 365-Day Plan

Begin to infuse automated intelligence throughout your organization to spur change—by providing rule-based automation capabilities, implementing new machine-learning technologies, and evaluating the latest AI products.



**1.** Review your top candidates for automation projects as determined in your 100-day plan. Implement AI technologies that address one of these use cases. Quantify its business impact and use those cost savings to justify the next project(s).

**2.** Create the impact and transition plans required to scale the automation project.

**3.** Develop machine-learning skills internally by implementing a machine-learning software solution that utilizes a defined data set for a very specific use case. This solution should benefit from advanced analytics, such as a personalization application.

**4.** Pilot a machine-learning solution that discovers new data associations. Review the outcomes with an eye toward identifying new opportunities for growth and innovation.

**5.** Review your machine-learning use cases with a questioning eye. Set up a quality assurance process to support or refute the conclusions being drawn and subsequent actions taken.

**6.** Create a training program to ensure that your data scientists and software engineers are educated in the latest deep-learning and AI technologies, specifically in natural language processing and image recognition.

**7.** Establish a top-down strategic commitment to AI and data science, including R&D investment, innovation programs, and production development.

Trend 2

# Liquid Workforce: Building the workforce for today's digital demands

Insurers are investing in the tools and technologies they need to keep pace with constant change in the digital era. But to achieve their ambitious goals, insurance leaders need to focus on an often overlooked factor: the workforce.

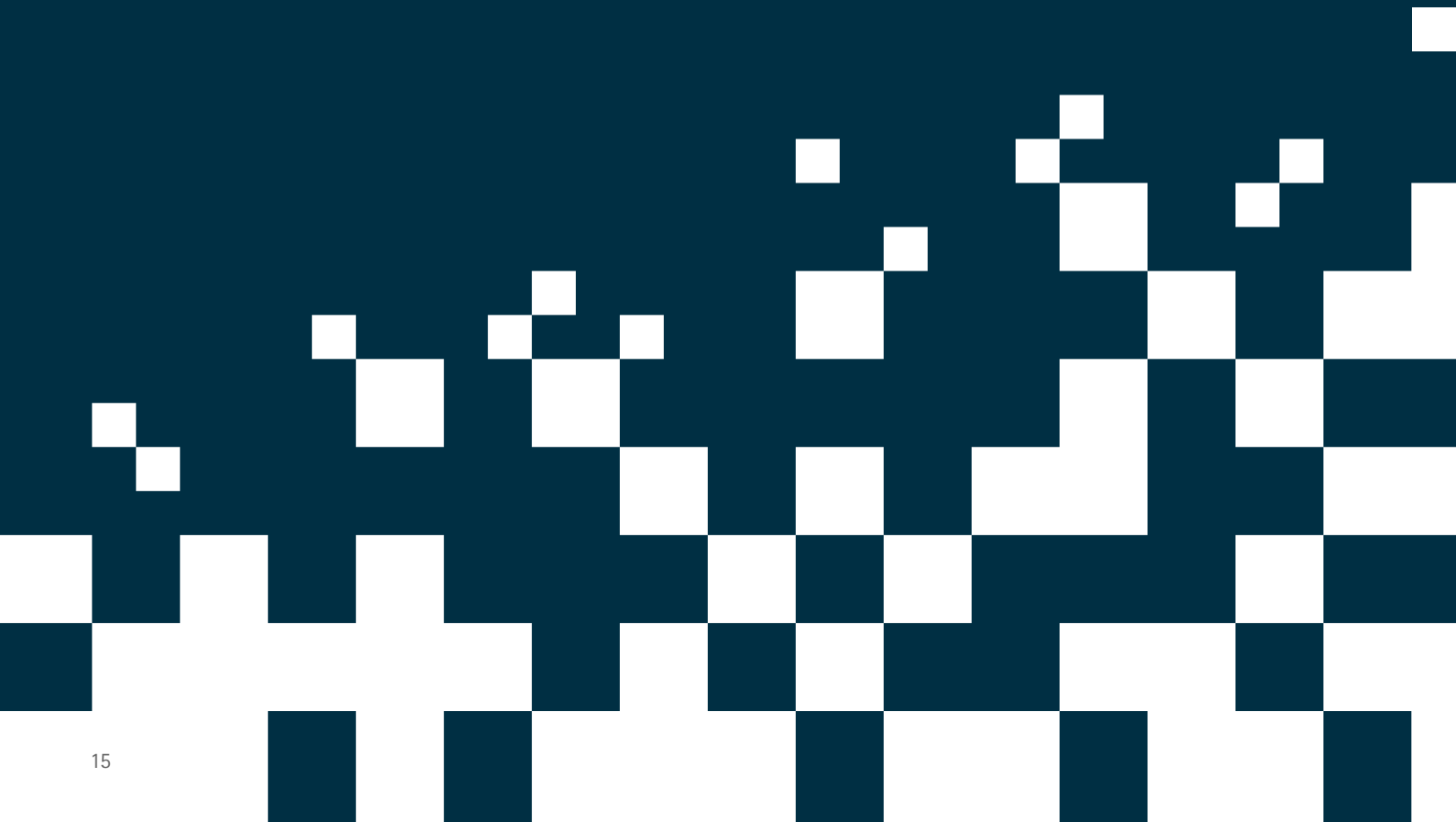
They must look at technology as not just a disrupter, but also an enabler to transform their people, projects, and entire organizations into a highly adaptable and change-ready enterprise. In short, insurance leaders are realizing their new liquid workforce can become their new competitive advantage.

With insurers being pushed to change products, services, and even business models in response to technology innovation, they need to confront a looming skills crisis. Today's insurance workforce isn't aligned with the demands of the digital era. It's largely hierarchical, often organized in siloes, and in many carriers, arranged according to tightly defined job functions.

In some insurance companies, the workforce is ageing and there are major gaps in succession planning. Insurers are struggling to attract top young professionals—only 2 percent of recent graduates in the US express interest in working in an insurance company[8]—and they face competition from other industries for digital and entrepreneurial skills. What's more, there is a schism between the tech-savvy millennials entering the insurance workplace and an older guard that values the personal touch over technology.

Without a fresh look at their workforce, traditional insurers may find themselves unable to keep pace with the digital change brought about by the next wave of digital technologies. To cope with disruption, insurers will need to reshape their people into a more liquid workforce, one abler to drive and manage change.

They will need to become agile at each level of their business: their skills, their projects, and their organizations. They must operate on the assumption of continuous change—which means they need to access critical skills sooner, innovate faster, and operate more effectively.



## Labor Market Shifts

Digital technology is fundamentally changing every aspect of the insurance business: strategies, processes, job functions, and business models. The workforce needs not only to adapt to meet evolving demands from employees and consumers, but also to develop the skillsets to achieve its new goals.

For example, underwriters need to team with data scientists to leverage new and broader sets of data from both within and outside the company. Product developers, meanwhile, need to become proposition designers, focused on developing and delivering outcomes that customers value. And new roles may start to come to the fore, such as innovation architects who facilitate disruptive business models.

This 'people disruption' is about much more than just the rise of a new generation of tech-savvy workers leveraging digital tools. In the United States alone, 43 percent of the workforce (60 million people) is expected to be freelance by 2020— roughly four times the number in 2015. It's just one more dramatic development affecting how insurers should find and deploy talent.

In the Accenture Technology Vision 2016 survey, insurance executives reported that "deep expertise for the specialized task at hand" was only the third most important characteristic they required for employees to perform well in a digital work environment. The "ability to quickly learn new work requirements" and "proficiency with digital technologies" ranked higher; also ranked highly was "the ability to work differently with minimal notice".

This indicates that insurance leaders are placing a premium on candidates whom they believe will evolve with their business. Partnerships with technology start-ups and universities can introduce insurers to new sources of skillsets, while online exchanges, skills platforms such as Kaggle, and crowdsourcing platforms are all potential sources of talent.

Technology is driving these workforce disruptions; it is also creating some of the solutions. These include massive online open courses (MOOCs) for scalable training; communication tools such as Slack that foster collaboration; and predictive workforce analytics that allows large insurance organizations to make better decisions.

End-to-end workforce management solutions—such as those provided by Oracle, Workday, and SAP—also have a role to play in delivering key insights into workforce capabilities and readiness. As they get more information about the workforce, insurance leaders can evolve their HR organization from its focus on people management, to one becoming an orchestrator for optimizing the organization's entire output.

## Flexible, yet Rigorous

Some insurers are experimenting with innovative business models and technologies that help them take advantage of a more fluid workforce without bringing widespread upheaval in their workplaces. Allianz is just one of many insurers to create an innovation lab to incubate ideas, experiment and pilot innovations.[9]

Ping An Insurance of China, meanwhile, won a Gold Award from the Brandon Hall Group for a large-scale pilot mobile-learning program that delivered hundreds of mobile courses within one year. The program, which utilized a platform jointly developed by Accenture, is an innovative and cost effective way to serve not just employees of the Ping An group but also 200-plus partner companies.[10]

And Italy's Reale Group has built a social platform called Fabbrica Futuro (or Future Factory) to facilitate informal conversations across all of its constituent companies. Luca Filippone, General Manager of Reale Mutua, calls it "a first concrete step towards the kind of digital workplace that now exists in the most advanced organizations."[11]

Creating an agile workforce might sound challenging, but the rewards on offer are immense. Once insurers start to harness the power within such a workforce, they will find that they can grow smarter and faster than they ever imagined.

## Key Takeaways

- Address workforce disruptions today.
- Agile workforce = agile business.
- Start the transformation in these ways:
  - Make training a core competency
  - Become more project-oriented and agile
  - Empower collaboration and new ideas
  - Manage a distributed workforce
  - Overhaul silo-based structures and create flatter, more organic teams
  - Review incentives and compensation to attract top talent

**78%** of insurers agree that a more fluid workforce will improve innovation

**80%** of insurers agree the workforce of the future will be structured more by projects than by job functions

**75%** of insurers are planning to pursue digital initiatives with start-up partners over the next 2 years

## Opportunities of the Liquid Workforce

Automation is taking over more routine and manual tasks.

→ Workers can be reassigned towards more creative, interpersonal and non-routine analytical roles.

42% of the insurance workforce is expected to comprise contract, freelance or temporary positions in 3 years' time.

→ Insurers can build new strategies to leverage the contingent workforce and quickly access a wide range of deep technical skills, and other valuable outside experience.

New technology is constantly emerging, and the pace of adoption is faster than ever.

→ By making training a core competency, insurers can actively develop the skills that will set them apart from competitors.

In 2015, millennials became the largest share of the workforce. By 2025, that number will be 76 percent globally.

→ With the right engagement strategy, insurers can leverage the excitement for technology, teamwork, and digital acumen of millennials to push forward on their new initiatives.

## A More Liquid Workforce Can Become a Competitive Advantage

### The Present

Siloed work generally aligned by business function (engineering, sales, marketing, design, etc.).

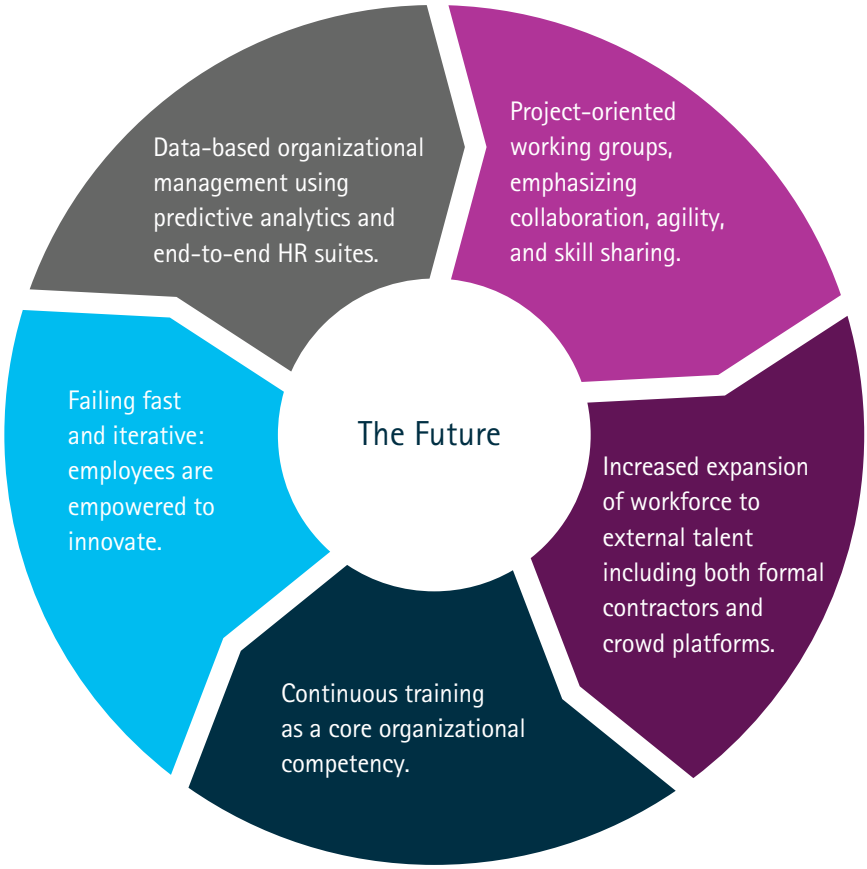
Training is ad-hoc, as needed for a particular tool or technology (in which the company has generally already invested).

Fragmented workforce management tools.

Innovation generally practiced by specific non-official groups or 'lone wolves' in the organization.

Low levels of collaboration.

Today: Static workforces organized around specific skills and functions.




Tomorrow: Adaptable workforces organized around projects, with embedded training.

## Liquid Workforce:

# 100-Day Plan

The emergence of the liquid workforce is already underway, and the time to initiate a new workforce strategy is now:

**1.** Perform a skills gap analysis and determine where high-priority roles are remaining unfilled and where succession planning is inadequate due to difficulty finding appropriate talent. Focus on areas such as digital and ecosystem skills.

**2.** Build a strategy for expanding your organization's training capabilities. Determine what investments in facilities, technology, and people are needed to deliver training consistently and effectively across your workforce.

**3.** Create a new engagement strategy, keeping in mind what millennials demand from their employers and where their native skills with digital technology will be most valuable.

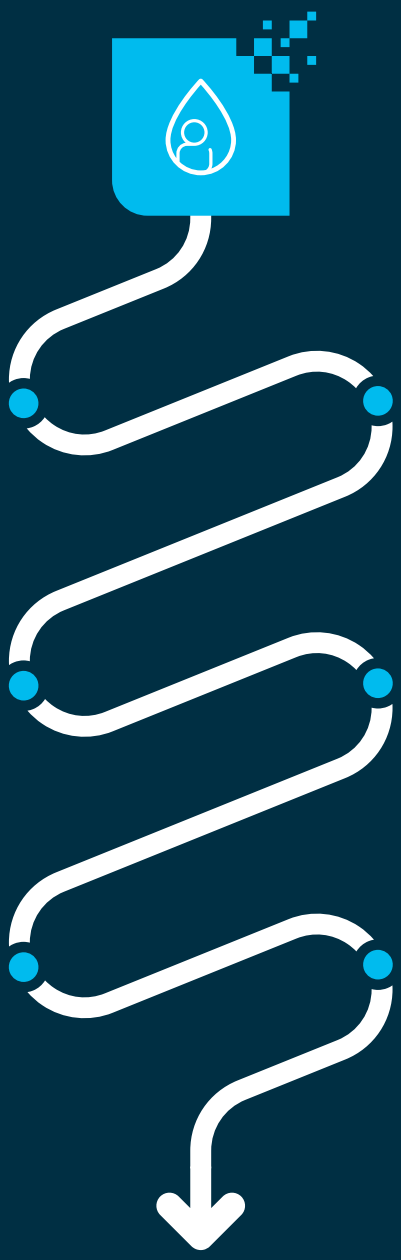
**4.** Formalize your organization's approach toward engaging with freelancers and contractors.

**5.** Pilot a new liquid project. Give one of your groups the autonomy and dedicated resources that allow them to accomplish a goal. Use this pilot as a foundation for developing a formal liquid-project strategy.

## Liquid Workforce:

# 365-Day Plan

A year from now, liquid workforce transformation should be well underway.
Plan to drive the momentum across your organization in the following ways:



**1.** Pick one high-need skill and pilot a new curriculum to train existing employees in that area. Use this initiative to determine which combination of training sources (e.g., bootcamps, MOOCs, personalized training) is the most effective strategy for your workers.

**2.** Build a plan to scale your liquid-project practices across the organization. Learn from the progress of your pilot group.

**3.** Consider commissioning a few crowdsourcing projects that each focus on a different area that the crowd is well suited to address. Use insights from these projects to formalize a crowdsourcing strategy.

**4.** Integrate the use of analytics into your HR organization. Pair a team from HR with your data scientists to derive new insights from your workforce that could help with reviews, promotions, hiring, or other areas that need improvement.

**5.** Introduce predictive analytics to one area of your people management strategy (promotions or hiring, for example). Use your team of data scientists and HR professionals to develop a comprehensive plan for how predictive analytics could enhance existing practices.

**6.** Look at opportunities to share workforce and skills with ecosystem partners; consider a pilot project.

Trend 3

# Platform Economy: Technology-driven business model innovation from the outside in

Industry leaders are unleashing technology's power by developing not only new technology platforms, but also the platform-based business models and strategies they enable. But the technology changes are only the beginning.

For a glimpse of how platform-driven business models might transform the global insurance industry in the years to come, look to China where internet powerhouses like Alibaba and Tencent are leveraging their skills, customer bases and technology to move aggressively into financial services.

Like Google and Amazon, these online giants have always understood the power of digital technologies. Their groundbreaking innovations are not products or services; they are the platforms on which these products and services are built, and the business models that these platforms enable.

Last year, Alibaba announced a partnership with software provider eBaoTech to launch what it calls the world's first internet insurance cloud platform. The solution lets insurers "check in like at a hotel" and access suites of standardized internet insurance capabilities without needing to deploy their own systems, according to the company.[12]

Elsewhere in the world, South African insurance group, Discovery, has turned an incentive-based wellness program called Vitality into a revenue-generating platform by providing the intellectual property to other carriers such as Generali, Manulife and John Hancock.[13] Discovery tracks health and lifestyle data by means of wearables, mobile apps and other new technologies. With a foundation based on actuarial science and behavioral economics theory, the program aims to reduce health care costs in both the short and the long term.

In the above cases, a platform can be loosely defined as a technical architecture, a governance model, and a set of technology services to enable the creation of industry-specific applications. Underpinned by the latest wave of digital technologies—social, mobile, analytics, cloud, and the Internet of Things—such platforms enable companies to provide services to their own businesses as well as connect with partners, customers, suppliers and other members of the value chain.

Tech companies such as Salesforce.com and Amazon are masters of platform strategies, but the opportunity is opening up to other industries. By 2018, IDC predicts that more than 50 percent of large enterprises—and more than 80 percent of enterprises with advanced digital transformation strategies—will create and/or partner with industry platforms.[14]

Leading companies in industries as diverse as automotive manufacturing (General Motors, Fiat, Tesla and others), heavy industrial equipment (Caterpillar), financial services (Goldman Sachs), and education (Houghton Mifflin Harcourt) are embracing platform-based business models. Insurers, too, are likely to embrace platform-based business models to fundamentally change how they run their businesses in the years to come.

Eighty-three percent of insurers expect platform-based business models to become part of their growth strategy in three years, while 81 percent of insurers agree that platforms will be the glue that brings organizations together in the digital economy.

Platforms will allow insurers to create entire ecosystems that do much of the work to grow the company and drive strategies. They allow value to be created in two-sided markets through the interactions of platform ecosystems of stakeholders (customers, partners, developers, and others)—delivering better outcomes for users and more efficiencies for providers.

## The Shift to the Demand-Side

The rise of platforms represents the advent of demand-side economies of scale, otherwise known as 'network effects'. This decisive economic shift combines the impact of the internet, digital technologies, and platforms. The demand-side model means companies can create value by tapping into resources and capacity that they don't have to own.

Prior to the internet, demand-side economies of scale or network effects did not play a significant role in the economy (outside of telecoms) because of the resource and technical challenges of creating networked business environments. Now, with billions of people and billions more sensors connected to the internet, insurers can also take advantage of the network effect.

By taking part in platform-based ecosystems, they can access the data and customer interaction points to offer personalized, real-time outcomes—including offerings beyond insurance—on a massive scale. For insurers, this represents a major change from a supply-side business model based on achieving significant economies of scale in the back-office, building distribution and service reach, and having a strong balance sheet.

Whether the insurer 'owns' a platform ecosystem or is plugging into another company's, what matters is having a platform strategy and the business know-how to exploit it. Progress will start from a clear understanding of those parts of the business that are prime for platform business models, and those that are most vulnerable to unforeseen attacks from other platforms.

With the rise of the Internet of Things and the wealth of data it could potentially produce about insured lives and assets, insurers need to consider where they could face new forms of platform-driven competition so that they can take a defensive position. What are the cross-industry threats and opportunities?

How will sharing-economy platforms like Uber and Airbnb change the dynamics of owning and insuring assets? What are the competing and complementary ecosystems for insurers? For example, could connected-home providers such as Google, with its Nest division, extend beyond home automation into home insurance? Might a move into auto insurance make sense for automakers that are building connected-car platforms?

As a small example of this trend in motion, a US start-up called Beam Technologies created a smart toothbrush and app two years ago to help people track their brushing habits. In August 2015, it launched a new dental insurance product leveraging technology and data from the toothbrush. It hopes to reduce the cost of dental care and incentivize customers to take better care of their teeth.[15]

## To Own or to Plug In

How to approach platform-based ecosystems may vary in different markets and for different kinds of insurance. For many consumer-facing insurers in both the life and P&C markets, it might make sense to support ecosystems led by auto, lifestyle or health brands rather than building their own platforms from scratch. After all, these brands have the day-to-day customer relationship, own the customer interface, and have already built much of the infrastructure and technology. Taking advantage of the proven appeal of these ecosystems may be wiser than expecting customers to flock to an insurance-led ecosystem.

Rather than lead the customer relationship, carriers could embed apps for things such as usage-based insurance or real-time risk pricing into platforms that the consumer uses every day. Insurers should start thinking about how they could contribute risk-management-as-a-service to such ecosystems in a manner that is portable and open.

For example, with the shift to vehicle telematics, could the industry benefit from a standard for electronic driving records that follow drivers around? Such an approach could help spur growth in adoption of telematics-driven insurance policies, yet insurers would need to open their minds to a third-party owning and controlling the data.

In the commercial insurance market, many insurers might find ways to lead ecosystems as providers of advice about mitigating risk and avoiding losses. For example, an insurer at the heart of a connected-mining ecosystem could partner with industrial vehicle makers, mining equipment suppliers, and other service providers to help mines mitigate the risk of business interruption.

The focus will be on managing risk rather than settling claims. It may entail leveraging GPS tracking, predictive maintenance, and other Internet of Things-based processes to prevent interruptions to mining operations. Likewise, and in addition to insurance cover, cyber-risk policies may increasingly include advisory services that aim to help customers avoid a breach or outage.

## A Leap of Faith

To survive and thrive in this new arena, insurers must redefine their roles and goals, and embrace the new rules of business. Winners will master the strategic use of digital technologies to build successful platform business models. But this may involve a leap of faith.

They'll need to embrace a world where they work with a range of ecosystem partners to deliver services—they will not be able to do it in isolation. They'll need to improve their capabilities in areas such as big data, analytics, service design, personalization and the customer experience. This may require investment in more flexible core platforms that support underwriting and pricing based on data from the Internet of Things.

Whereas many insurers look at short-term monetization, the platform economy is about investing to be an early mover positioned for exponential growth as the network effect kicks in. Uber, Google, Facebook, Salesforce and other technology platform companies understand why it is important to take a longer term view—leading insurers are starting to emulate their thinking.

One example of an insurer adopting such a strategy is USAA, which has invested in Automatic Labs through its investment arm.[16] Automatic Labs is a connected-car start-up that has developed a suite of apps and an open development platform to support the ecosystem of car apps. Its aim is to provide car owners with apps offering services that include roadside assistance and expensing business mileage.

That doesn't mean insurers need to put their core businesses at risk. Instead, they can continue to manage and evolve their traditional insurance revenue streams while expanding into the platform economy through partnerships with tech companies, strategic investments in start-up companies, and experimentation in innovation labs.

Data and users have enormous monetary value and could be important assets for early insurance movers in the years to come. Digital champions across all industries are writing the next chapter of the digital economy. Bold insurers could be among them, but only if they master disruptive innovation and shift their cultures to accommodate a faster speed of change.

## Three New Rules of the Platform Business

### 1. Network Effects/Two-Sided Market

Producers and consumers generate network value for each other, resulting in mutual benefits that drive demand-side economies of scale. The more connected users and transactions there are, the more the value creation and scale. The more vehicle telematics data insurers collect, the more accurately they can price risk, and potentially reduce both insurance premiums and loss costs.

### 2. Distribution Power Law

Platform business models enable scale by allowing others to generate profits in the 'long tail' of the distribution curve—avoiding the diminishing returns associated with traditional, linear value chains. Specialty lines of business can take advantage of the long tail by finding customers across the country or the world and, in the absence of expert local agents, using the platform to provide the service these customers require.

### 3. Asymmetric Growth and Competition

Asymmetric competition exists when two companies go after market opportunities with very different approaches and resources. Consider Airbnb and Uber versus the traditional hospitality and personal transportation industries. In insurance, San Francisco start-up, Metromile, is using driving data from connected car platforms to enable pay-per-mile insurance and compete with traditional insurers.

Platform technology building blocks to master:

1. Foundation: Cloud services
2. Digital Glue: API strategy and architecture
3. Accelerator: Open-source and reusable software
4. Digital Treasure Chest: Mobile development platforms
5. Real-time Business Models: Driven by the Internet of Things
6. Containers: Independence and portability of software.

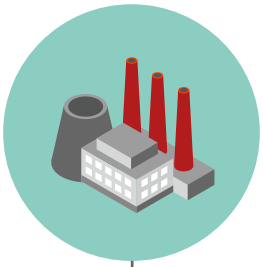
## Key Takeaways

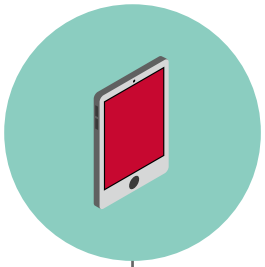
- Driven by the new rules of business, platform business models will bring profound disruptive change to insurance.
- Like Silicon Valley's giants of platform capitalism, insurers need to invest in platforms as a long-term play.
- While tech and born-digital organizations have been dominating the digital economy, traditional insurers need to be thinking deeply about their platform strategies.
- The strategic use of technologies to create platform business models is driving unprecedented growth opportunities in the rapidly expanding digital economy.

**85%** of insurers believe industry boundaries are being erased and new paradigms are emerging

**90%** of insurers agree the power of demand-side economies of scale will be very or extremely important to their businesses in 5 years

## Macroeconomic Transformation—Platform Economy





**Industrial Era**
**Changed every aspect of life**

Products

Value chains (linear)

Power of controlling supply chain

Supply-side economies of scale

Physical assets and capital depreciation

Diminishing returns

Market valuations driven by return on assets

Growth organic or via mergers and acquisitions

GDP as economic measurement

**Digital Economy Era**
**Transforming every dimension of life**

Platforms

Ecosystems (non-linear)

Power of optimizing ecosystems

Demand-side economies of scale

Digital assets and innovation capital

Distribution power law and network effects

Market valuations driven by ecosystems

Growth driven by asymmetric and network effects

New measures, digital density and 'free goods'

## Platform Economy:

# 100-Day Plan

Over the next three months, begin to develop a comprehensive strategy that will establish the foundation for your platform business model and ecosystem.

**1.** Appoint a C-level champion to lead a cross-functional team of technologists, business experts, and economists. This team should assess opportunities to build platform business models.

**2.** Identify and prioritize parts of the business that are prime for platform business models.

**3.** Identify the parts of the business that are most vulnerable to disruption from new platform-based business models. Prioritize platform investments to protect core profits from attack.

**4.** Assess your knowledge gaps around demand-side economies of scale, network effects, distribution power law and asymmetric competition. Start building a knowledge base and education program to fill the gaps.

**5.** Launch a company-wide campaign on platform business models. Create a network of internal platform champions to evangelize the message.

**6.** Assess your digital technology capabilities and gaps in building platform ecosystems. Get help filling those gaps in order to successfully design, architect, and launch pilot programs within 12 months.

**7.** Prioritize the overall opportunities and threats, and then start with a small initiative to pilot, including internal initiatives to start the journey into platform business models.

## Platform Economy:

# 365-Day Plan

A year from now, leadership should have developed a platform business model strategy, and launched a small pilot program:

**1.** Finalize plans to launch an initial pilot with a cloud partner.

**2.** Develop a multi-phase plan to transform parts of the business to platform business models.

**3.** Establish a formal governance plan and organization to manage digital partnerships and developer communities in order to optimize the value of the platform ecosystem.

**4.** Formalize an approach to track and report on platform growth opportunities, relevant ecosystems, and competitive threats from both inside and outside the industry.

**5.** Communicate the vision of where your company fits in an economy without industry sector segmentation and with boundary-less competition.

Trend 4

# Predictable Disruption: Looking to digital ecosystems for the next waves of change

Fast-emerging digital ecosystems—think precision agriculture, the industrial internet or smart cities—create the foundation for the next big wave of enterprise disruption in insurance. Digital ecosystems like these, and the businesses that power them, are already straddling markets and blurring industry boundaries.

The next set of disruptive trends—among them, The Internet of Things, the sharing economy, platforms, and the rise of the blockchain—all promise to change the world of insurance profoundly in the years to come. The threat they pose: the rise of new competitors from outside the insurance sector as the lines between industries blur.

The opportunity they promise: a means for insurers to embed themselves into new business ecosystems, enable change for their customers and monetize it for themselves, and ultimately, put themselves on a path of higher growth for the future. This time, disruption is predictable; forward-thinking insurers have the line of sight to redefine their role, and fundamentally change how they create and deliver their products.

That's because ecosystems are inherently tied to industries and business models, so established organizations like insurers are well placed to predict ecosystem trajectories—and, what's more, take advantage of them. Such ecosystems are emerging around every insurable asset, life, and commercial or consumer activity.

The home is becoming the smart home; the car the connected car; governments are building smart cities; manufacturers are moving to *Industrie 4.0*, which includes the fully self-organizing factory and precision agriculture; digital health—the list goes on. As products from personal transport to healthcare are transformed into "living services," insurers need to find their role in the emerging platform-based ecosystems.

Insurance leaders must study the large-scale changes to understand what they mean and how their business can take advantage. For some insurers, the trend may spell danger. The Internet of Things, big data, digital channels, and artificial intelligence will deliver improved risk monitoring, accident prevention, early loss detection, and preventive maintenance, all of which will in turn cause premium revenue to shrink.

On the other hand, these technologies will enable insurers to improve operational efficiency, assess risk and price their products with greater precision, and become better at identifying fraud. They could also enable insurers to create new business models based on personalized, real-time assessment of risk rather than using historical data and averaged pricing. Pay-as-you-go and usage-based insurance models, for example, will become more sophisticated in the years to come.

Insurers can also evolve from providing cover to becoming valued partners that help their customers monitor, mitigate and avoid risk. The result? A more transparent and trusted relationship between insurers and customers. Insurers can interact with customers more frequently than only when they pay or claim, creating positive moments of truth and boosting customer satisfaction in an industry that is becoming increasingly commoditized.

## Insuring the internet of everything

In the automotive industry, every major automaker is part of an ecosystem building connected cars. These ecosystems are creating opportunities for partners to offer services and capabilities such as mobile hot spots, remote diagnostics, safety and security, infotainment, variable insurance, car sharing, and much more.

Look at a recent partnership between General Motors and Lyft, the taxi-hailing platform. They are jointly launching a short-term car-rental program that is expected to eventually evolve into an autonomous vehicle network. The program—which will be launched in Chicago in 2016 and roll out to Boston, Baltimore and Washington later this year—is aimed at prospective Lyft drivers who don't have cars that meet its standards.

They can rent a car from $99 a week, including insurance and maintenance. This initiative forms part of General Motors' broader on-demand program, Maven, which allows customers to search for and reserve a vehicle by location or car type and unlock the vehicle with their smartphone.[17]

Like the automotive industry, insurers must determine what role they have to play in the sharing economy, where personal vehicle ownership may become rarer and self-driving automobiles commonplace. How do personal lines P&C insurers leverage what they have learnt from using car telematics to personalize risk assessment and pricing for autonomous vehicles?

What risk mitigation and loss prevention offerings can they create to cater for a marketplace in which technology failure or security breaches are the major risks rather than human error or recklessness? What if liability starts to shift from drivers and car owners to auto manufacturers and technology firms? How will regulators respond to the changing nature and ownership of risk? How will subrogation change?

Leading insurers are evaluating the new partnerships and organizational structures they need to thrive. Similar discussions are playing out across different segments of the insurance industry, as insurers recognize that technology will not merely automate processes, but change the nature of risk transfer and recovery.

The growing use of drones and smarter robots to help or replace humans doing dangerous or tedious jobs in mines, factories, disaster zones and oil rigs will introduce new risks to be assessed by commercial insurers, while eliminating others from consideration. Insurance solutions will need to evolve accordingly.

Preventive maintenance of industrial equipment in mines, plants and factories—guided by sensor data and intelligent automation—could help reduce insurance claims for damaged equipment or business interruption. And sensor data could also enable usage-based or variable insurance pricing—for example, insurance premiums for commercial shipping based on cargo, weather and the route chosen, or agribusiness insurance based on crops planted and expected yields.

## Healthy ecosystems

In the home, sensors and other devices are being connected to ecosystems of providers offering repair services, security, emergency services, and more. Insurers such as State Farm, American Family and Allianz are forming relationships with the makers of connected-home technology to prepare for this future.[18,19]

Home owners will receive, on their mobile devices, a variety of data, from energy consumption levels and temperature to smoke alarm alerts and surveillance video feeds. Here, insurers have the ability to help their customers react quickly to incidents such as a burglary or burst water pipe, reducing any potential losses. Perhaps they could even flag maintenance issues such as an appliance that needs a service.

Again, the nature of liability will be complex, with a transfer of risks from personal to commercial. What happens if a house burns down because the household insurer's connected-home risk management service was not able to dispatch an emergency services team in time? What if a hacker breaches a home automation system and turns off the gas boiler the during winter holidays, causing the water pipes to freeze and crack?

Healthcare and life insurers, meanwhile, are tapping into ecosystems that integrate wellness data from wearable devices and apps, letting consumers track and share their daily steps walked, calories burned, heart rate readings, and other data. In exchange for their data relating to healthy behavior and vital signs, customers receive financial incentives such as discounts on their monthly healthcare premiums.

Here, the insurer's role isn't simply to provide insurance but also to help customers lead healthier lives. John Hancock in the US, for example, has launched an Apple HealthKit-enabled app, allowing policyholders to earn rewards for healthy behavior. They record their data on an Apple smartphone or smartwatch and earn discounts on their insurance policy for incentivized healthy behaviors.[20]

Insurers can also leverage ecosystems to create additional innovative products such as context-relevant small-ticket insurance—for example, on-the-spot cover for someone borrowing a car from a friend, or for an extreme-sport activity. The potential is particularly interesting in the sharing economy.

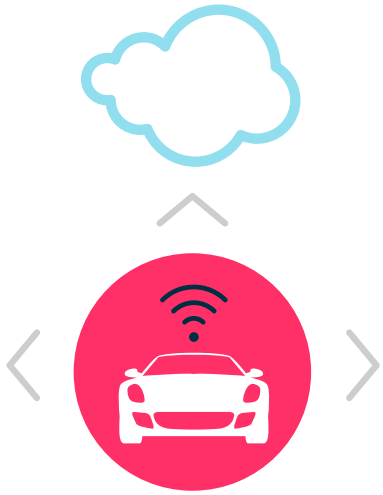
An example is SafeShare, the London-based fintech company that is using the blockchain to facilitate insurance in the sharing economy. It enables companies such as office-sharing start-up Vrumi to provide insurance coverage solutions to its customers in real-time while maintaining a history of insured transactions.[21]

## Power to predict

As forward-thinking insurers anticipate disruptions, they can redirect them, turning them into an opportunity to get ahead. Ecosystem disruptions won't arrive across all insurance lines of business at the same time, or with the same velocity. Commoditized personal products such as life and auto insurance are being disrupted far faster than specialized commercial insurance where customers require advice.

But the disruptions will arrive across the industry and they can be predicted. Industry leaders must act now, and act fast to build the services and develop the new partnerships that will allow them to stake their claim in these ecosystems. A good way to start is to watch the changes in peripheral industries. Armed with that knowledge, they can forge new roles, set new strategies for growth, and, most importantly, plot a course to seize the unlimited opportunities ahead.

## Connected Insurance



### New Business Intelligence

Data analytics is expected to have the biggest impact on the insurance industry.

Big insurance companies like Allstate are offering variable pricing based on performance. The companies use in-car data to gauge speeds, hard stops, and other factors that are known to have a correlation to accidents and subsequently indicate higher risk.

### New Business Models

In one 12-month pilot, UK Insurer Direct Line Group gathered more than 11 million miles of data from connected cars.

Usage data is also enabling new approaches to how insurance is delivered. For example, Metromile offers pay-per-mile coverage, so rather than paying a premium every month customers only have to pay per-mile for when they are in the car.

## Key Takeaways

- Digital ecosystems are becoming the foundation for the next wave of disruption in insurance.
- Industry boundaries are already blurring, shifting market power to newcomers.
- Insurers can gain visibility into the disruptive forces of ecosystems and take action now by developing strategies to forge new roles and new paths.

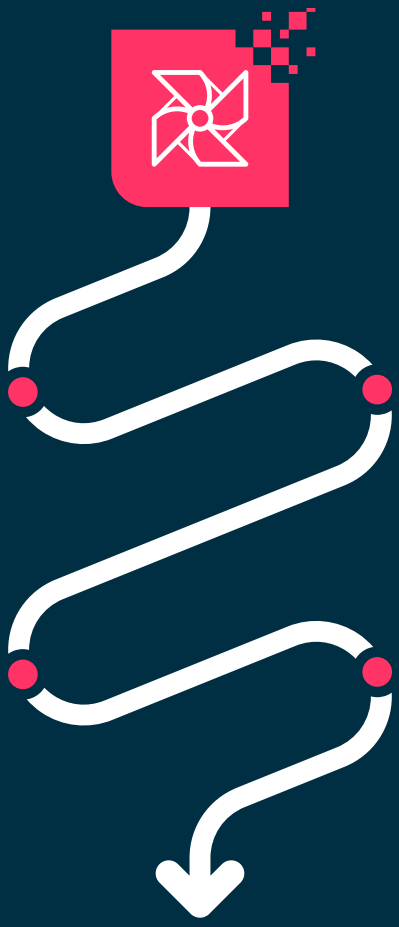
**84%** of insurers agree that organizations are being increasingly pressed to reinvent themselves and evolve their business before they are disrupted

**83%** of insurers see the Internet of Things bringing about complete transformation or significant change in the industry

## Predictable Disruption:

# 100-Day Plan

Over the next three months, start to understand the disruptive forces and opportunities of emerging ecosystems:



**1.** Appoint a C-suite sponsor to oversee a team that is responsible for championing your new ecosystem and digital partnership strategies.

**2.** Take an inventory of the ecosystems related to your business and prioritize the list according to those with the greatest potential for impact on your organization. Speak to external industry experts for fresh perspectives about growing digital ecosystems.

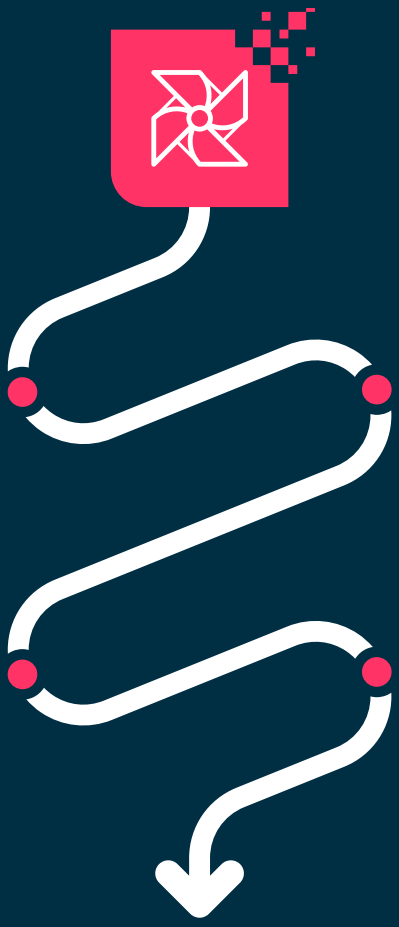
**3.** Have your team develop innovative ideas for how the organization will leverage emerging digital ecosystems. Envision your competitive position, new value chains, and new use cases for the ecosystems where you plan to compete.

**4.** Craft the strategy that will bring these ideas to fruition. Start to line up the resources, stakeholders, and investments necessary to forge this new path.

## Predictable Disruption:

# 365-Day Plan

A year from now, your company will have a balanced understanding of traditional industry competition and the ecosystem economy:



**1.** Build the partnerships that will support your ecosystem strategy. Identify the key players in digital ecosystems, choose your preferred alliances, and have initial discussions.

**2.** Pilot an initial foray into a digital ecosystem. Pick the one business process, product, or service that is best aligned with your prioritization of potential disruptions and can benefit from existing and new partnerships.

**3.** Create new metrics to determine success in digital ecosystems. Develop these by tracking the progress of your pilot.

**4.** Identify new skills demanded to support the expansion of your digital ecosystem strategy. What new technology skills are needed? Does your organization require experience in a specific industry? Develop a plan to acquire these high-priority skills.

Trend 5

# Digital Trust: Strengthening customer relationships through ethics and security

Trust is the cornerstone of the digital economy. Without it, digital insurers cannot use and share data. To gain the trust of individuals, ecosystems, and regulators in the digital economy, insurers must possess strong security and ethics at each stage of the customer journey.

In addition, new insurance products and services for a connected age must be ethical and secure-by-design. Insurers that get this right will enjoy such high levels of trust that their customers will look to them as guides for the digital future.

In 2015, Anthem suffered a cyber-breach that exposed personal information for 80 million customers to hackers. The reverberations are still being felt. The US health insurer offered those affected by the breach free credit monitoring services for two years and a $1 million identity theft insurance policy, yet faces a class-action lawsuit from customers who say their information has been fraudulently used.[22]

This incident underscores the growing role digital trust will play as digitally powered insurers look to disrupt their own markets and enter new ones. Indeed, 85 percent of insurance respondents to the Accenture Technology Vision 2016 survey agreed that trust is the cornerstone of the digital economy.

Insurers are at an especially high risk of cyber-attacks and data breaches because of the value and volume of the personally identifiable information they manage—national insurance numbers, medical records, credit histories, driving records and more. According to Accenture research, 59 percent of insurers experience attacks that test the resilience of their IT systems on a daily or weekly basis.[23]

What's more, insurers need to show that they are committed to using this data in ways that are fair and transparent to the customer. This is of particular importance as insurers seek to capitalize on new connected-insurance business models enabled by the Internet of Things. For example, customers sharing data from vehicle telematics, industrial equipment or fitness wearables will want fair incentives and clear policies from their insurers in exchange for their information.

Analyzing and sharing customer data from connected devices at massive scale gives insurers the ability to offer more personalized services, provide usage-based insurance, and help customers reduce or even eliminate the possibility of a loss. But it also amplifies the potential dangers and magnitude of mistakes in the use or handling of customer data.

As data-centric products and services put data-handling concerns in the spotlight, 84 percent of insurance executives agree that their companies are exposed to exponentially more risk. The risks of a data breach or the misuse of data include the loss of previously established trust, which in turn can lead to regulatory or legislative action that hamstrings innovation. This is in addition to the loss of customers, market share, reputation and company valuation.

Managing those risks and building trust start with data ethics and security. Digital ethics is broader than privacy, encompassing the operational processes where data is applied to effect real-world outcomes. Insurers' boards and their risk committees thus need to put in place comprehensive policies, training, incentives, and consequences for data and digital ethics.

## New Responsibilities

An important starting point is identifying an executive responsible for developing data ethics governance models, taxonomies, and principles-based codes. This role should also focus on technically challenging areas such as decision-making in autonomous systems, and should confront today's assumptions of what informed consent is, how to do no harm, and what it means to be truly anonymous.

A major part of the challenge lies in getting employees to embrace the culture and practices of digital ethics. However, making the right decisions internally to gain customer trust is only half the battle. Insurers need to make sure outsiders don't gain unauthorized access to data and abuse hard-won trust. They also must manage the risks associated with sharing information with agents and ecosystem partners.

That's why next-generation security mechanisms are following the data, taking user behaviors into account, and extending well beyond the perimeter. Wherever data goes, security must go with it. To address this challenge, security solutions—such as security-aware application design, integrated database security, dynamic access controls, and runtime application protection—are being integrated into new products. This data-centric philosophy is also changing identity and access management.

Better security, on its own, won't be enough to win digital trust; nor will tick-box compliance with privacy regulation. Insurers must manage data and digital ethics as core strategies for mitigating business risks, just as they do with cyber-security. Their reward? Stronger growth in an interconnected platform economy, where empowered customers trust their providers to lead them into the digital future.

## Insurers as enablers of digital trust

The new data trust and data ethics landscape poses as much opportunity for insurers as it does risk. Aon Benfield estimates that the global market for cyber-security insurance policies is around $1.5 billion in gross written premiums,[24] a figure that is set to grow along with the digital economy and as data privacy and protection laws become stricter.

Partnering with technology companies or start-ups, insurers could wrap cyber-insurance products into wider data protection products and services for commercial customers and ecosystem partners. In so doing, they would support the next waves of digital innovation while creating new revenue streams.

Two separate insurers, for example, are working with Accenture to deliver innovative cyber-insurance products, wrapped in a combined set of "protection services". These offerings include primary and excess coverage for security and data breaches that includes reputation damage, legal defense, fines, regulatory costs, lost income and even extortion.

Together with Accenture, these insurers also plan to combine this insurance with risk protection services that enable their customers to build their cyber-risk culture, inculcate secure behavior and strengthen their cyber-resilience.

## Key Takeaways

- Ethics and security must be primary considerations for any insurer's digital transformation.
- An insurer's exposure to risk scales in proportion to its digital business operations and connected product and service offerings.
- To protect against downside risk, insurers must foster strong ethical decisions, effectively use security to protect against external threats, and build trusting relationships with ecosystem stakeholders.
- In procuring new technologies, security and ethics must be key evaluation criteria.
- Insurers have a key role to play in helping their ecosystem partners and commercial customers manage data and security risks in a connected world.

**78%** of insurers agree they are exposed to more risks than they are equipped to handle as a digital business

**49%** of insurers report their organization has sustained twice as many privacy or security breaches as it did two years ago

## Digital Trust:

# 100-Day Plan

Over the next three months, understand the current state of the digital risk you're exposed to and benchmark data points that can be improved:

**1.** Survey stakeholders to quantify the level of trust in your offerings.

**2.** Search customer service logs and social media for the word 'trust' and run sentiment analysis against the results to understand how customers perceive your offerings and brand.

**3.** Take an inventory of data-driven business processes and connected insurance products; explore opportunities for enhanced security and data ethics for each.

**4.** Identify the executives responsible for building and maintaining trust, digital ethics, and security with vendors, partners, and customers.

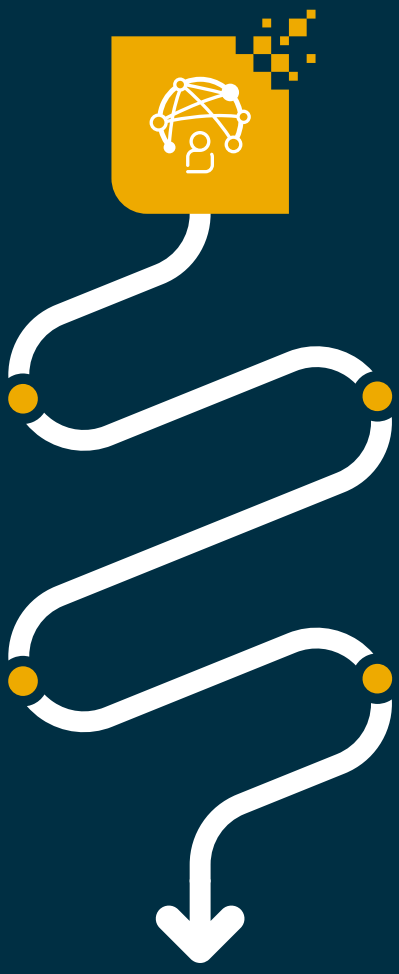
**5.** Research what your competitors do to build customer trust.

**6.** Compile a list of opportunities for security to move closer to data.

## Digital Trust:

# 365-Day Plan

In a year, you should have started to include provisions for strong digital ethics in your digital transformation strategies, have new security pilots underway, and have concrete plans to mitigate violations of customer trust:



**1.** Consider hiring a chief digital officer, chief trust officer, or chief ethics officer.

**2.** Pick one product or service to maximize trust. Build metrics for tracking improvement over time. Report the results to product teams and challenge them to meet aggressive targets.

**3.** Start tracking metrics for trust and both data and digital ethics. Use this data to include trust and ethical practices in your company's annual corporate social responsibility report.

**4.** Implement a portfolio of solutions to move security closer to data. Describe how their implementation has mitigated downside risk.

Conclusion

# The Digital Insurer Must Put People First

Leveraging the power of digital insurance is no longer simply about incorporating technologies into the organization. It's about reinventing the insurance organization—and the culture within it—to drive innovation, to drive change, to drive the business into the next generation.

Disruptive digital strategies are still emerging, but the proactive insurers that take the next few years to carve out their places in these newly forming digital ecosystems will be those that define their own destiny. The question for every insurer is this: Can you lead your people to get there?

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## About the Accenture Technology Vision for Insurance

Every year, the Technology Vision team collaborates with Accenture Research to identify the emerging IT developments that will have the greatest impact on organizations in the next three to five years. The process in 2016 started by gathering inputs from the Technology Vision External Advisory Board, a group comprising more than two dozen executives and entrepreneurs from the public and private sectors, academia, venture capital, and start-up companies.

The Tech Vision team also conducted interviews with technology luminaries, industry experts, and Accenture business leaders. To supplement the cross-industry findings with industry-specific insights, we tapped into the expertise of Accenture's dedicated insurance research team and insurance subject matter experts.

For the second year running, Accenture conducted a global survey of more than 3,000 business and IT executives in order to understand their perspectives on key technology challenges they face, and identify their priority investments over the next few years. The insurance sample included 445 respondents from 15 countries.

## About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world's largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 373,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.



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