



INSURANCE INNOVATORS

Report 2019 / 2020



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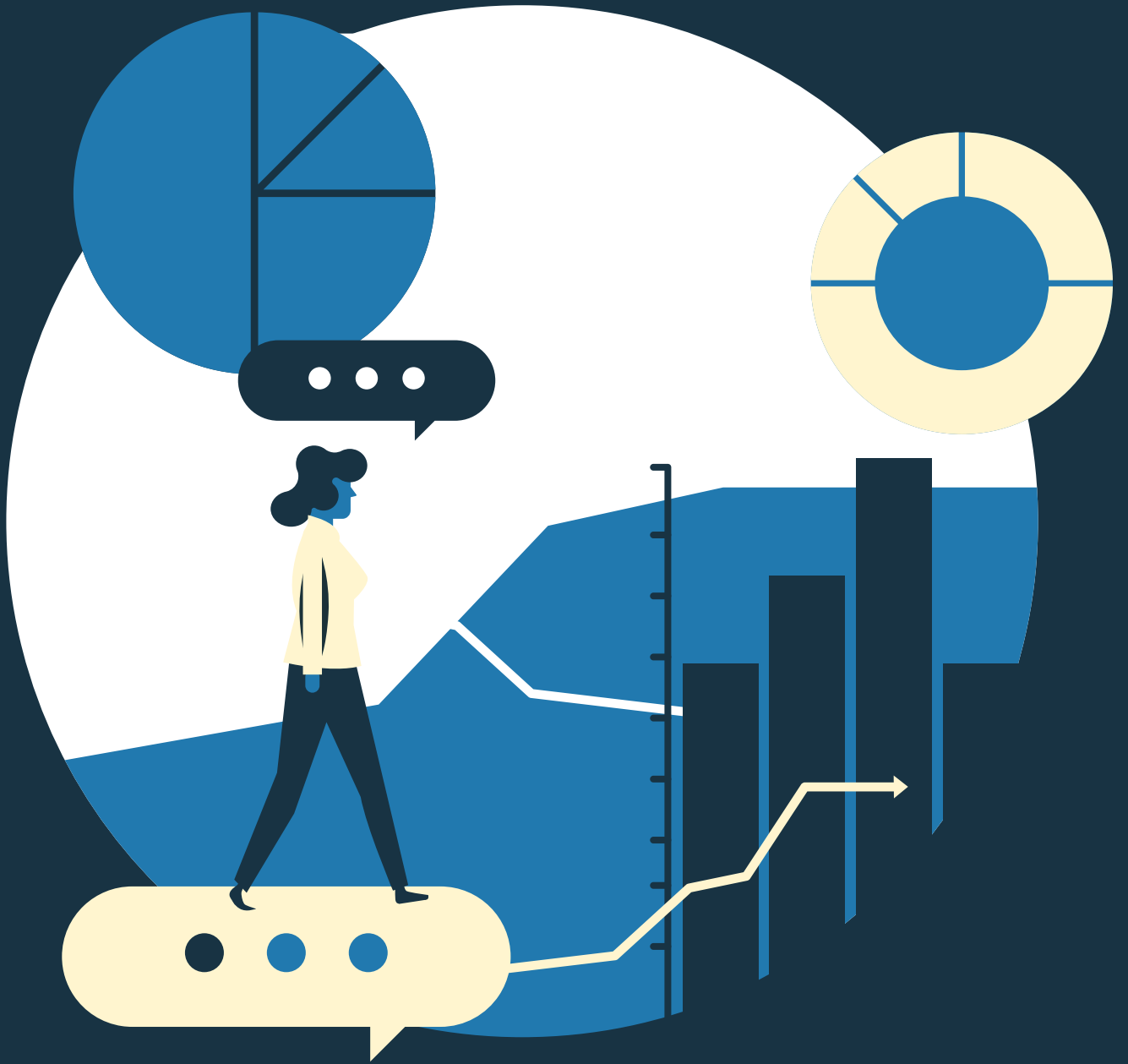
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The next phase of digital transformation in insurance



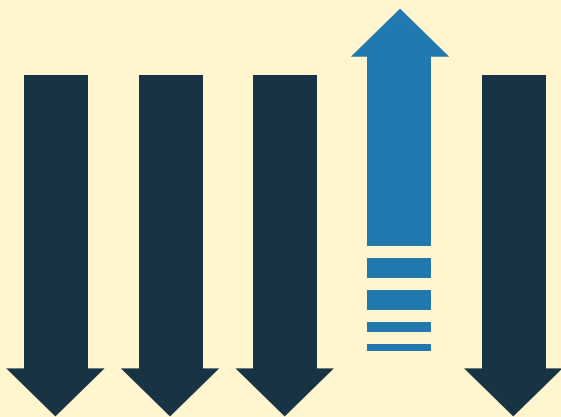
In the early stages of the digital revolution, many insurers simply digitised existing products; online was just another channel that replicated the same touchpoints – and pain points – as offline journeys. This is a revolution that cycles quickly, however, and what once was good enough is no longer fit for purpose.

New digitally-enabled models

Tech pioneers have shown it's possible to use new technology to do things very differently, whether it's summoning a taxi at the swipe of an app (Uber) or re-ordering washing powder at the push of a button (Amazon Dash). Some insurance players are now rethinking the possibilities and are using technology to completely re-engineer insurance processes to make life simpler and easier.

Urban Jungle, for example, launched in 2016 to redesign insurance for a new generation of renters and sharers. The digital-first insurer offers flexible contents insurance, with customers onboarded in the time it takes to make a cup of tea and new distribution partners set up in less than a day.

And it's not just new players that are leading the way in this new wave of digital insurance. The QuickFoto Claim feature in Allstate's mobile app is an easy three-step process for customers involved in a minor car accident to launch a claim using their smartphone camera; the US insurance group is also using drones to capture evidence of property claims, reducing claims cycle times by 30 to 40 per cent.



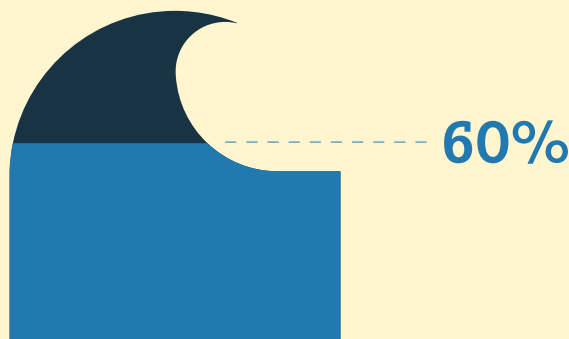
93% agree that success in insurance is now dependent on moving to new models enabled by the digital revolution

93 per cent of our respondents think that success in insurance is now dependent upon moving to new models enabled by the digital revolution. Little wonder with the AI-driven insurance product selectors on the horizon that

will make switching insurance policies and evaluating their relative merits a breeze. "Business as usual" just won't cut it when rivals are harnessing the power of technology to move away from a cumbersome and often grudging "repair and replace" model to a slick and personalised "prevent and protect" partnership. Equally, annual policies and long forms will seem anathema to a generation now offered insurance so accessible and flexible that it can be turned on and off at the press of a button.

Digital immaturity

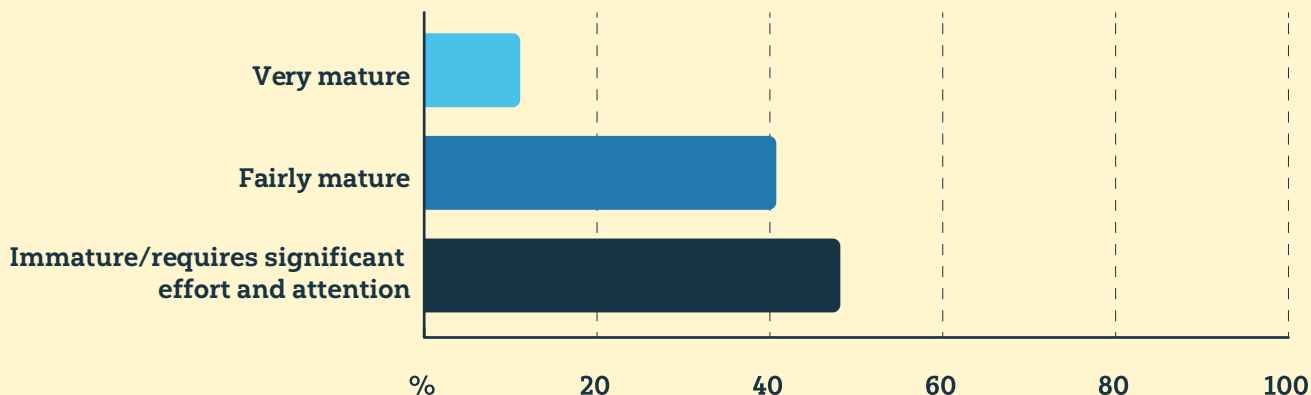
48% rate their organisation digitally immature and requiring significant effort and attention



60% of our surveyed insurers say they are inadequately prepared for the coming wave of data-driven convenience and the new business models and ecosystems that will go with it

However, despite this widespread recognition of the need for a new level of digital sophistication, a significant proportion within the industry consider their organisations to be falling short of the mark. 60 per cent of our surveyed insurers say they are inadequately prepared for the coming wave of data-driven convenience and the new business models and ecosystems that will go with it. 48 per cent rate their organisation digitally immature and requiring significant effort and attention; only one in ten (11 per cent) rate their organisation as very digitally mature.

Whilst acknowledging that digital transformation will always be an ongoing process, how would you rate the digital maturity of your organisation?



The API economy: changing the game

At the heart of the next phase of the digital revolution lies the API economy. APIs are not new; they are the digital glue that holds our connected world together, enabling businesses to integrate and connect different bits of software so that they can create slick user experiences, share data, authenticate people and leverage third-party algorithms to create new and exciting products, services and business models.

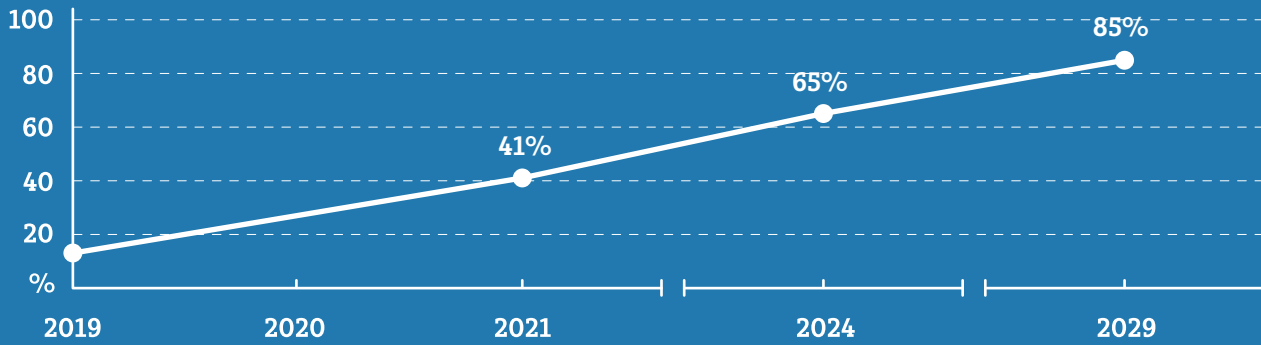
Platforms are enabled and scaled by APIs: Uber leverages Google Maps through an API to match drivers with passengers; Airbnb offers an API to enable partners to publish and manage listings directly through the partner's own system; Deliveroo's Point of Sale (POS) API enables orders to go straight to a restaurant's till. Similarly, open banking relies on both mandatory open APIs, through which customers can permit their account data to be shared and payments to be triggered, and commercial APIs, which stimulate innovation and choice by allowing third-party developers to build applications and services around the financial institution.

73% of our respondents expect regulation mandating APIs to open up customer data held by insurers in their domestic market within five years

Open APIs have yet to be mandated in insurance as they have been in banking in many countries; however, 73 per cent of our respondents expect regulation mandating APIs to open up customer data held by insurers in their domestic market within five years.

And, irrespective of regulatory intervention, industry-driven moves are afoot. Internationally, the Open Insurance Initiative (OPIN) is focused on allowing data to be securely shared with third parties using open APIs. And, even now, incumbents are starting to open up their systems. German insurance giant Allianz, for example, is opening up its open-source platform solution Allianz Business System (ABS) to other insurance companies free of charge, reasoning that this type of co-collaboration is common in the tech community and fosters the kind of game-changing innovation that can really move the needle for consumers. French insurance giant AXA clearly sees the writing on the wall, having appointed a Head of Open Insurance.

How soon will insurers offer an API that enables their sales platform to be integrated into others' websites and apps?



65% expect their organisation to offer an API within the next five years that enables third parties to integrate its sales platform into their websites and apps

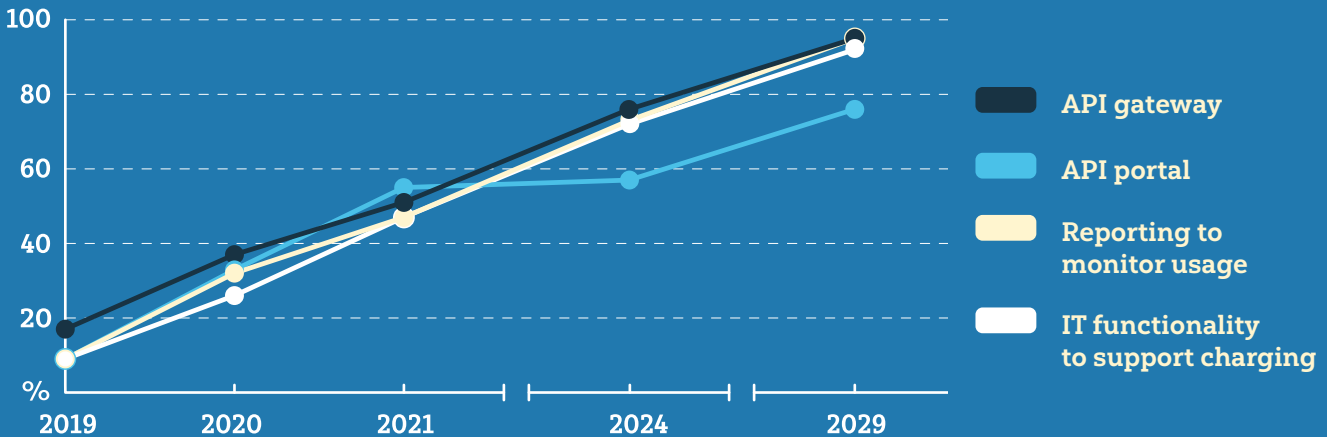
Many digitally-savvy insurance players are using APIs to make it easier for their products to be sold through third parties. Lemonade, for example, provides an API that enables third parties to easily integrate the Lemonade sales platform into their own websites and apps, including a widget for Lemonade's AI bot Maya, which can help customers navigate the process of getting insured. A wide range of enterprises, from lifestyle brands to e-commerce sites, will be able to offer insurance on their app using Lemonade's API, setting it up in a matter of hours and without in-depth coding knowledge.

Meanwhile, Tröv, the on-demand specialist, has pivoted its business to focus on sharing its "Powered by Tröv" technology solutions with a wide range of partners, including large retailers, banks, insurers and vehicle

OEMs. Its Vehicle Activity API, which adjusts insurance premiums based on data received in real-time from connected vehicles, has been integrated into the US car-sharing service of Groupe PSA, sold under the brands Peugeot, Citroen, DS, Opel and Vauxhall.

In a world in which insurance is increasingly being sold within the context of wider, related online ecosystems, having an effective API strategy is crucial. 65 per cent of our surveyed insurers expect that within the next five years their organisation will offer an API that enables third parties to integrate its sales platform into their websites or apps; 41 per cent expect to do so within two years.

Significant minorities of our surveyed insurers also already have technology infrastructure in place to manage their APIs. 17 per cent have an API gateway to handle usage requests, 9 per cent have an API portal that provides information on APIs available and 9 per cent have the functionality to monitor API usage. And, encouragingly, these numbers are expected to surge



in the coming years as insurance companies invest heavily to upgrade their API capability.

Data advantage?

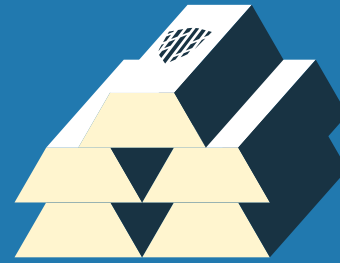
In the long term, open APIs will create a more level playing field in access to data. Right now, however, incumbent insurers enjoy a wealth of proprietary data from which competitive advantage can be leveraged, from underwriting to claims processing to fraud detection. They also have a history of data mastery but one that is losing its shine as they struggle to contend with unprecedented volumes and new types of data. Renewed data mastery, drawing on all that cloud computing and artificial intelligence have to offer, will be crucial to leveraging their data advantage.

Worryingly, the industry admits it is ignoring a huge amount of valuable data because it doesn't have the capability to analyse it. Four out of five (85 per cent) of our respondents agree that data that is not currently analysed because it is unstructured or stored in silos represents an untapped goldmine within their organisation. Indeed, 58 per cent rate their organisation to be significantly inferior to best in class when it comes to interrogating unstructured data and 52 per cent are falling similarly short when it comes to integrating disparate data sets.

Analytical advantage

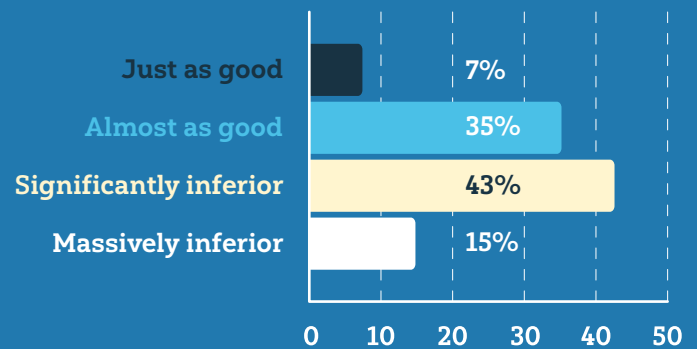
Insurers are more confident about their abilities when it comes to data analytics – after all, this is the core of their business – with almost six out of ten (56 per cent) judging their organisation to be just as good or almost as good as best in class when it comes to data analytics.

This appears to be backed by the finding that there's a cohort of insurers who are growing increasingly comfortable deploying AI to improve business performance. AI may not yet be mainstream but a sizeable minority of insurers is now using AI-driven analytics for personalisation “to a significant extent” – 23 per cent in underwriting and pricing, 20 per cent in marketing personalisation, 20 per cent in product bundling and 24 per cent in customer experience.

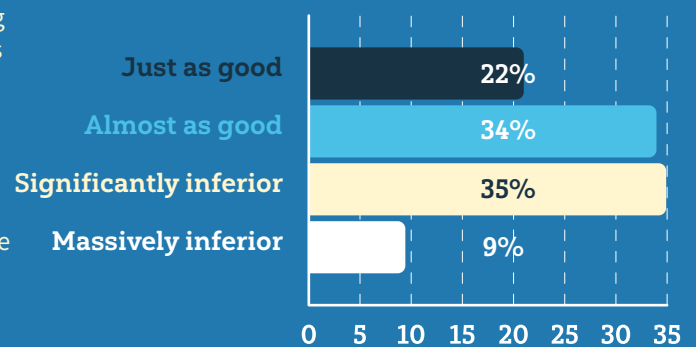


85% agree that data that is not currently analysed because it is unstructured or stored in silos represents an untapped goldmine within their organisation

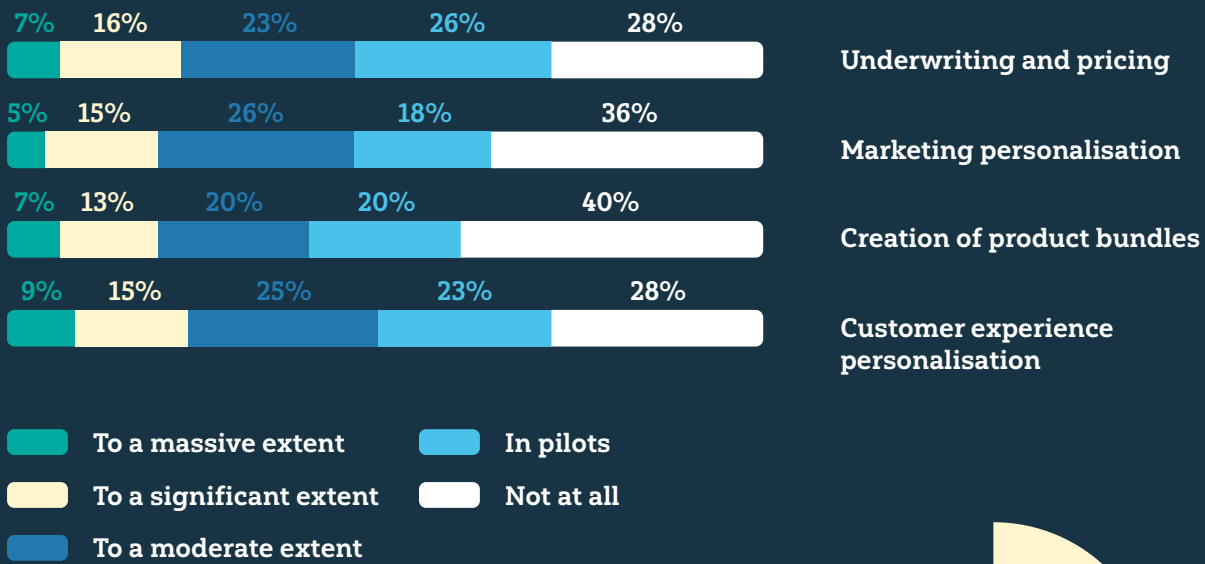
Interrogating unstructured data:



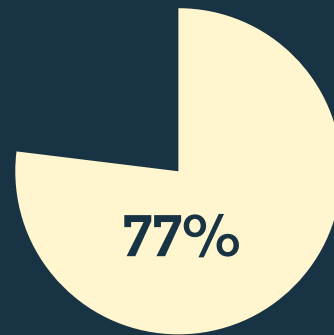
Data analytics:



Extent to which insurers are using AI-driven analytics for personalisation

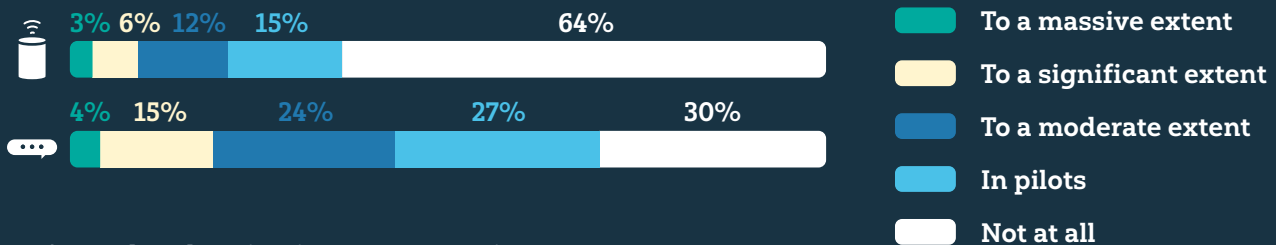


This chimes with confidence that the industry is well-on track when it comes to delivering hyper-personalised messaging to customers based on real-time and location-aware data – something that simply isn't possible without the lightning-fast computational power of AI. According to our results, a third of insurers think hyper-personalised insurance marketing will be widespread within the next 24 months and 77 per cent think it will be mainstream within a five-year time frame.



77% think hyper-personalised insurance marketing, drawing on real-time and location-aware data, will be widespread within the next five years

The rise of conversational channels

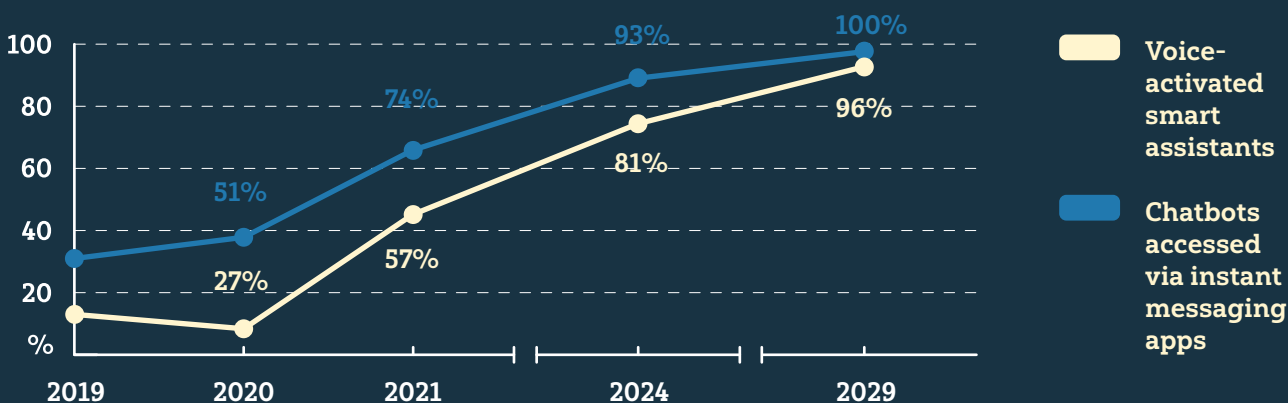


19% are already using instant messaging chatbots to a significant extent and 9% are making significant use of voice-activated smart assistants

It's not just marketing that will be super-charged by the deployment of AI. AI-enabled channels, from instant messaging chatbots online or voice-activated digital speakers, such as Alexa, are also transforming how organisations and their customers interact. Predictive analytics and natural language processing are creating slick experiences that are responsive, intuitive, engaging and available 24/7, and with which customers are growing increasingly comfortable.

Insurance companies are not only trialling these new channels; they are already in widespread use. Our research finds that one in five (19 per cent) are already using instant messaging chatbots to a significant extent and one in ten (9 per cent) are making significant use of voice-activated smart assistants. And among those not yet making heavy investments in this area, almost half (48 per cent) intend to do so within the next two years, which will deliver a significant upswing in chatbot and smart assistant deployment by 2021.

How soon do you expect the following to become important customer interaction channels for insurers?



This investment is essential in order to keep pace with changing customer behaviours: in surveys, 96 per cent of consumers say they want companies to be more responsive and 60 per cent expect business to use their preferred channel – and in many regions around the world, messaging is ranked as the number one channel¹⁰. What's more consumers want messaging to be a two-way-street: 85 per cent said they would like to reply to a message from a businesses or engage in conversation.

57% expect voice-activated smart assistants to be an important customer interaction channel within two years; 74% predict the same for chatbots accessed via instant messaging apps

The insurance industry is certainly aware of customer appetite for instant and natural channels: 57 per cent of our respondents expect voice-activated smart assistants to be an important customer interaction channel within two years and more than seven out of ten (74 per cent)

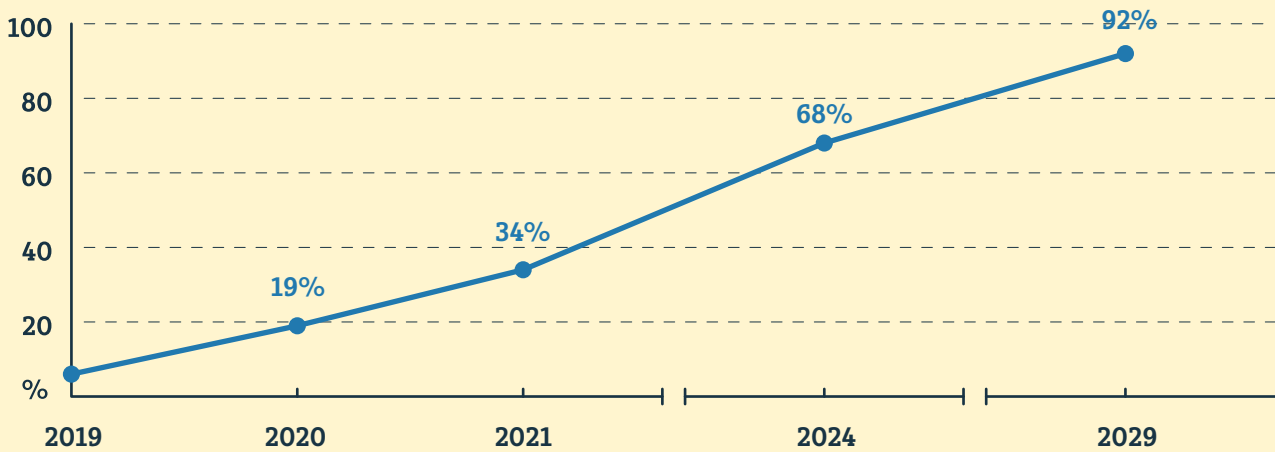
predict the same for chatbots accessed via instant messaging apps.

Many insurers are busy rolling out these new channels. Liberty Mutual Insurance offers a voice-controlled chatbot that pairs with Amazon's Alexa, enabling consumers to navigate the process and get a quote just by speaking. GEICO's new virtual assistant, Kate, "lives" in the company's app and can respond to customer questions with quick, personalised answers about their policies 24/7. Lemonade's AI chatbot Jim famously claimed a world record in 2017 when it reviewed a claim for a lost coat, cross-referenced it against the policy, ran 18 anti-fraud algorithms on it, approved it, sent wiring instructions to the bank for the transfer of the claim and informed the customer of the payment – all within three seconds.

¹⁰ Statistics from Twilio

The legacy lag

Time frame in which insurers are expected to have fully migrated away from legacy systems



As ever, however, the possibilities of the new technology are currently impeded by the limitations of the old. Just 3 per cent of our respondents from traditional insurers, reinsurers or brokers have fully migrated away from pre-digital era systems and a third (34 per cent) expect to have done so even two years from now. Indeed, one in ten predict they never will.

Only 34% of insurers expect to have fully migrated away from legacy systems even two years from now

As AI-powered systems convert real-time data into meaningful business and customer insights, transforming the customer experience and business performance, a clear gap will open up between the AI-haves and have-nots – a gap that is likely to be marked by those still clinging to pre-digital systems that are no longer fit for purpose in the new insurance age.

The MarkLogic view

When it comes to digital transformation, it all starts with data. No company, be it a digital start-up targeting a piece of the value chain or an incumbent operating across multiple lines, can expect to keep pace with changing customer expectations unless it has the data to truly understand those customers. Indeed, research conducted by MarkLogic in 2019 found that 70 per cent of insurers believe a single unified view (SCV) of their customers is either critical or very important to their business. Worryingly, however, our survey also found that nine out of ten do not have an SCV, with complex legacy systems and an inability to integrate data across the organisation cited as the biggest barriers.

No company, be it a digital start-up targeting a piece of the value chain or an incumbent operating across multiple lines, can expect to keep pace with changing customer expectations unless it has the data to truly understand those customers

Once a company does achieve a single unified view of its customers, it can begin to convert that data into actionable insights to create compelling new propositions that are timely, relevant and personal. Companies that achieve SCV will not only be able to power ahead with digital transformation – they will also be able to accommodate changing regulatory requirements around privacy and security. This will enable companies to capture more permissioned data, earn customer trust and remain compliant in a data-rich world.

It's a virtuous circle, and it all starts with data integration. For those insurers weighed down by decades of legacy systems and product silos, this may seem daunting. Yet, by choosing the right technology partner for this vital first step, companies will have the freedom to become more agile, reduce IT costs, safely share data and transform the customer experience in all areas, from marketing and underwriting to claims and fraud detection. Importantly, the right data will enable companies to tap into the growth area of value-added services as the industry shifts from today's reactive compensation-based model to a proactive "prevent and protect" model. Get the data right and that transformation will already be underway.



Insurance organisations need a holistic view of their business across a number of areas, including customers, operations, and risk assessment. Putting an end to obstructive data silos, MarkLogic's innovative technology unlocks the value of all the information that exists across your organisation — enabling compliance, managing risk, driving market insight, and powering better customer experiences. With our next-generation database, insurance organisations are achieving the operational agility and cost reduction that drives business growth. Designed to

integrate data from silos better, faster and with less cost, MarkLogic can help you integrate data and build a comprehensive 360-degree view of it up to four times faster than if using a traditional legacy database.

Headquartered in Silicon Valley, MarkLogic has offices throughout the U.S., Europe, Asia, and Australia. For more information, please visit www.marklogic.com

Conclusion

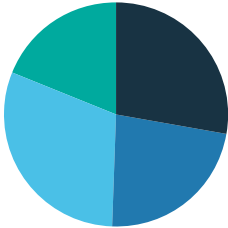
Radical transformation is underway across all parts of the financial services sector – and insurance is not immune. Indeed, our report makes it clear that the profitable insurers of the future will look very different from today's traditional insurance companies and will instead be ecosystem players, offering a wide range of services to help customers lead easier, safer and smoother lives.

Making this transition will not be easy; most will not make it. Companies will need to make a choice about which type of insurance company they want to and can be: an ultra-niche player, a white-label provider of products or an orchestrator of services in an ecosystem hub. These are big questions, and the answers may require companies to rethink every aspect of their operations, from systems to people to corporate culture.

It is also clear that these changes are happening at speed. Some insurers, such as Ping An in China, are already fully-fledged ecosystem players – and they're thriving. Given the power of first-mover advantage in the digital era, insurers need to act fast if they wish to stay relevant and compete effectively. The good news is that technology solutions exist to help companies prime their operations for a new insurance model. More than anything, success will be about having the vision, the skills and the culture to deliver innovative and best-in-class customer-centric solutions – and that's got to be led by the top. Insurance innovators, it's over to you.

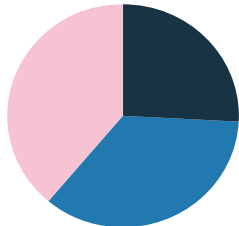
Methodology

The report is based on research undertaken by Insurance Innovators, the Chartered Insurance Institute and Salesforce in September and October 2019. We surveyed over 450 senior insurance professionals, including insurers, brokers and aggregators, from both commercial and personal lines, 68 per cent from within Europe, 18 per cent in Asia and the remainder spread across the rest of the world.



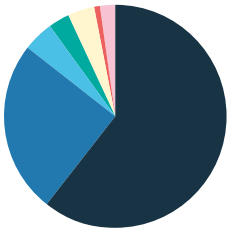
Size of organisation

- 28% Very large
- 23% Large
- 31% Medium
- 18% Small



Area of insurance

- 26% Personal lines
- 35% Commercial lines
- 39% Involved in both



Type of organisation

- 61% Traditional insurance provider
- 25% Traditional insurance distributor
- 4% Insurtech insurance provider
- 3% Insurtech insurance distributor
- 4% Reinsurer
- 1% Aggregator
- 2% Other



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