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Accenture is a global management consulting, technology services and outsourcing company,with more than 223,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$21.6 billion for the fiscal year ended Aug. 31, 2010. Its home page is www.accenture.com.

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Insurance Technology Vision

The technology waves that are reshaping the insurance landscape

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Introduction

High-performance insurance companies are innovating to ensure that they can respond to – and in many cases stay ahead of – a rapidly changing market. They are creating agile and flexible business models that can accommodate major regulatory developments such as Solvency II. They are interacting successfully with customers who are increasingly demanding, impatient and expect to be able to manage transactions how, where and when they want. They are developing new products and services rapidly to meet specific customer needs. And they are using predictive analytics to successfully mine their ever-increasing volumes of data to uncover the actionable insights that will allow them to manage risks and continue to grow in the face of a challenging economic environment.

Technology Vision 2011*

The trends that Accenture has identified as critical for the next three to five years are:

- Data as a platform, distributed wherever it is needed
- Analytics at the heart of achieving enhanced customer insight and more efficient business processes
- Cloud computing creating value higher up the business through applications and services
- Service-centric rather than server-centric architecture to create flexible, responsive and agile business models and capabilities
- Reflexive and appropriate IT security that identifies and prioritizes gaps and vulnerabilities
- A risk-based approach to data privacy
- Social platforms to drive business intelligence and create new customer channels
- User experience becomes the paramount driver of new products, services and marketing

*http://www.accenture.com/technologyvision

One common thread, technology, runs through the achievement of all these business objectives. Technology is no longer simply a tool with which insurance companies can respond to the challenges and opportunities they face. It's driving change in its own right as the divide between the business and IT agendas blurs.

Accenture's annual analysis of key technology impacts, Technology Vision 2011[1], provides analysis and insight of the major trends that will have an impact across all industries over the next few years. In this paper, we apply those trends to the insurance industry and develop a clear picture of how technology and business trends are converging to create the need for a whole new set of capabilities that all insurance companies seeking high performance will need to develop. Their impact will be felt right across the insurance value chain.

Responding to business trends

After the shocks of the financial crisis, the insurance business landscape is reshaping, but it is a more challenging and uncertain environment. Those businesses that respond quickly and decisively to change will reap the benefits, as others struggle to adapt their business models.

More demanding customers, using more channels

Customers everywhere expect more. So insurers must innovate to develop customer-centric products and offer a seamless, multi-channel experience that allows customers to interact as they choose. For example, in an Accenture survey more than 40 percent of customers buying insurance in 2010 said that they will choose to do so online[2] and UK auto insurers receive up to half of their new business via aggregators.

According to the same Accenture survey[3] more than half of all consumers do not trust insurance companies to provide neutral information and advice. To rebuild trust, insurers need to find ways to help and advise customers through instantly available expertise, by using social media effectively and by maintaining the right balance between security and usability, and between data privacy and personalisation.

Tougher economics

Tough economic conditions require a laser focus on cost. In 2009, US life insurers issued one million fewer individual policies than they did in 2004 and over the same period the number of US households without any form of life cover increased from 24 million to 35 million.[4] Underwriting needs to follow the most competitive practices possible to maximize margins. Predictive analytics should be used to identify and minimize leakage from fraudulent claims. Cost reduction programs have to take in the whole enterprise and use analytics to identify rapid and sustainable savings.

Opportunities

Yet despite tougher times, opportunities are also unfolding. To capture them, insurance companies need to create product factories that can rapidly launch new products while keeping internal processes standard and simple. Cloud computing will be vital to achieve scale in new, emerging markets quickly and to ramp up services to handle peaks in demand and deal with major events. And architectures need to evolve in order to create agile and flexible user-driven services across the value chain from product development to investment strategies.

The central role of technology along the insurance value chain

Technology is and will play a central role in responding to those challenges and capitalizing on opportunities. Each of the trends identified as critical for the next 3 -5 years will have their role to play in reshaping the insurance value chain from product manufacturing, marketing, underwriting, managing policyholders, handling claims and managing investment. At all points, technology is helping to achieve greater efficiency, understand customers and their behavior better, achieve a faster, more flexible approach to product development, and enhance the ability to join up multiple channels into a seamless user experience.

Technology impacts and actions

Building the data platform

Insurance is already a data intensive industry. And the amount of data will grow exponentially, from an increasingly diverse range of sources. Having data available and making the best use of it are of course two very separate things. But insurers need to master the huge volumes of data that they have – both from internal and external sources – in order, in particular, to improve all their processes, enhance customer service, create products around the customer and meet emerging regulatory needs such as Solvency II.

Data is distributed across geographies, business silos and many different internal and external databases. It is both structured and unstructured. It is produced in huge volumes by new channels such as aggregators that in some markets, such as UK auto, can account for nearly half of all new business. That means it is not always available where and when it would be most valuable. So data needs to be effectively distributed - possibly in the Cloud where security and data privacy permits- to maximize the gains in productivity that could be achieved by all that need it having fingertip access to data on whatever device they are using. Marketing and distribution need to be built around correctly segmented customers, channels and markets and data needs to reflect those groupings as accurately as possible. Data from new acquisitions and emerging markets needs to be quickly and effectively assimilated. To achieve all this and more requires building an enterprise data model that takes the whole insurance value chain into account.

That data architecture will also help create required risk management capabilities. These need to be embedded across the whole enterprise and information about the performance of business units, products and regions needs to be available in order to understand the capital requirements, as mandated by Solvency II, and to make the right investment decisions.

Analytics at the core

Insurance companies have long used analytics. But the way they apply them is maturing, and becoming more sophisticated. The insights that predictive analytics can yield are particularly important to address changing customer behavior, more powerful still when they are integrated with business processes.

Analytics can improve marketing and distribution activities by helping to identify the right products for the right customers at the right time, shortening the sales cycle, boosting cross-selling and improving conversion rates. Product innovation is also more effective and faster when analytics are in the mix. Predictive and behavioral analytic tools can assess the likely take-up of a particular product. They can model the impacts of price changes and different features and create real time insights to fine-tune products to meet evolving customer needs. Applied to claims processes, analytics can help reduce fraud by

US start-up WeatherBill is using advanced analytics to create a statistical model of global weather that it uses to create customized insurance products that cover a wide range of climate events and are designed to meet the needs of diverse customers, from farmers to travellers.

spotting the elements of a claim that indicate a higher propensity for fraud. In the US, for example, the National Insurance Crime Bureau suggests that 10 percent of all property and casualty claims are fraudulent, yet only 20 percent of those are detected.

Discovering the value of Cloud

Cloud computing has yet to make the same impact in insurance as it already has in many other industries. That's largely because many insurers are saddled with legacy systems that cannot be easily moved into the Cloud. This is changing, however, as some insurers are beginning to source processing capacity and storage.

However, it's likely that some of the biggest gains will arise from the development of applications (software as a service, SaaS, and platform as a service PaaS) that will enable greater agility and flexibility, allowing them for example to move at speed and scale to address new opportunities, improve responsiveness and enhance processes such as underwriting. For example, Pitney Bowes Business Insight has launched a Cloud-based service, Underwriter's Location Profiler, which allows P&C insurers to automate location-based risk assessments and integrate them into underwriting processes to achieve faster, more comprehensive and more accurate risk pricing. Cloud will also provide the capacity to respond faster to new channels, for example allowing scalable and faster quote processing for submissions received from aggregators.

Tier-1 insurers are already making enquiries about how they can make best use of SaaS to create more flexible applications and many are moving ahead faster than their counterparts in other

Scenario 1 - The connected relationship manager

Matt Verra, a relationship agent at a large insurance company, receives an alert that one of his customers has a home insurance policy up for renewal in 90 days. He contacts the customer and arranges to meet him at his home. Using his mobile tablet device, Matt opens the customer file and launches the embedded analytics engine that provides real time insights about the customer. Matt reviews the customer's situation, the previous year's policy information, required information for renewal and claims history. The customer has a specific question about coverage that needs specialist advice. Matt uses his tablet to find available experts and quickly starts a live video-conference. With all his questions now answered the customer decides to renew. Again, Matt uses his tablet device to create the final quotation, he and the customer agree on the contract details, Matt builds the application form and both sign it electronically and securely.

areas of financial services. Smaller businesses will also be able to use Cloud computing to compete with their larger, Tier-1 counterparts. And it will enable all insurers to 'stretch the walls' of their computing capacities and respond to peak demands more easily and at lower cost. Expanding computing capacity and achieving scale operations rapidly are going to be critical to capture the opportunities arising in emerging markets. Accenture research suggests that growth in additional premiums from emerging markets will increase 50 percent faster to 2015 than in developed economies.[5]

Planning the move into the Cloud needs to be very carefully thought out. With the right governance structure in place, insurers can start to develop a road map for what they will put in the Cloud and when. That should also cover the types of Cloud services - ie public or private – that are suitable for different types of data or applications and identify the appropriate service providers.

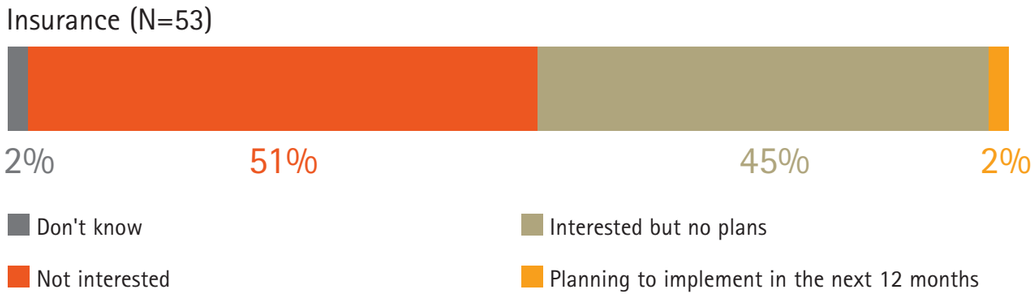
Architecture from server to service centric

Rigid and costly legacy systems form a major barrier that prevents insurers from moving to more agile and responsive systems and business processes. It's a view shared by industry analysts who in an Accenture survey overwhelmingly (91 percent) rated technology as either critical or important to the industry, with more than half suggesting that current technology performance was 'poor' and 'in need of major improvement'.[6] To achieve their business goals, insurers will need to move from architecture based on servers to architecture that is built around service. What that means in practice is effectively decoupling distribution from manufacturing in order to create more flexible and agile systems that can respond faster to business needs.

A more agile and flexible architecture means that product development and launch can be faster through the creation of product factories and customer management is more adaptable to fast-changing requirements. Life insurers will be able to provide their product management staff with the ability to configure products using a wide range of variable inputs, test them and decide to launch or abandon without the need to constantly refer to a technical team for support. Front office systems can be aggregated and integrated to deliver the seamless channel experiences that customers want.

This, of course, will not be an overnight transformation. The development of service centric

Cloud investment intentions among insurers



Base: North American hardware decision-makers

Source: Enterprise and SMB Hardware Survey, North America and Europe, Q3 2009

architecture is a journey that requires careful planning and preparation, mindful of the need to maintain business as usual capabilities and ensure a smooth transition to new and very different IT and business models.

A practical approach to IT security

The security of customer data is paramount – and made even more so by increased regulation and consumer awareness of security breaches. What's more as the volume of data increases, it becomes harder to control. But, despite consumer expectations and CIOs' aspirations, the goal of 100 percent security is unrealistic. Instead, insurance companies must adopt a more pragmatic approach that responds to the different demands of different parts of the value chain. That in turn means focusing on the major gaps and vulnerabilities, with technology embedding security into processes, data and infrastructure as much as possible in order to bypass the human interventions that are responsible for a significant number of security breaches.

IT security will also be paramount as insurers move into using new and emerging technologies such as Cloud computing and digital mobile channels. As well as having as much security automated and embedded in systems – rather than relying on more ad hoc responses – insurers will cultivate a culture of security through programs of training and user awareness.

Data privacy – protecting the most vulnerable

Data privacy, much like security, is never going to be 100 percent guaranteed. Yet regulation and customer expectations mean any breaches of privacy can have serious consequences as some UK motor insurers discovered when it emerged that they were routinely providing information from minor accidents to legal claims firms in the UK. In a connected world, reputations can suffer rapid and extensive damage, wiping millions from market values overnight. So in response, insurance companies need to understand where they are most vulnerable, and drive a risk-based approach to the way that they handle customers' data. As new channels – such as social media – come online it's going to be ever more important to ensure that rules and regulations around data privacy are put in place.

Making valuable friends through social media

In marked contrast to concerns about data privacy, consumers are increasingly willing to share their perceptions and experiences with one another in a wide variety of social media settings. Insurers are responding to this by investing or planning to invest in enhancing their digital marketing capabilities to attract customers through sites such as Facebook.[7] The development of social media creates, potentially, a valuable source for sales and boosting customer satisfaction. If addressed in the right way, social media can help to develop trust and a more direct relationship between insurance companies and their customers. Of course, bad news travels just as rapidly as the good, so insurers need to make sure that they develop a social media strategy that truly understands the differences between these and other channels.

Control of social media is not possible in the way that it is in other channels. It requires a dedicated team to manage responses and feedback, making sure that they are directed to achieve a fast and knowledgeable response. Policies and governance need to be tightly defined and effectively communicated. That's because the speed and extent to which bad news can travel far outstrips the pace and reach of traditional media. On the other hand, social media platforms offer an unprecedented opportunity to engage customers, build communities and create products for the right people at the right time.

Social media also provides an unprecedented window into customers' lives – and this can be used to compare the information about what customers say they do and what they are doing in practice. Of course, the use of social media to monitor customers is fraught with legal difficulties. By way of illustration, in Canada a policyholder of a large life insurer is disputing the company's decision to terminate her payments for disability after she took medical leave from her job owing to depression. A representative from the company told her that her profile on Facebook showed activity that was incompatible with a diagnosis of depression and hence stopped making the payments. It's an area that insurers will need to approach with caution.

Creating the best user experience

The principles of business process design have traditionally focused on considerations such as optimization and cost. In the future, the way that a user experiences a service will be a paramount consideration.

Mobility is one of the key drivers of this focus. Insurers are beginning to invest accordingly, with mobility being the main target for new technology investment in distribution channels[8]. And it's not hard to see why. One estimate suggests that, by 2020, there will be more than three billion mobile devices making 450 billion mobile transactions.[9] As devices proliferate, from smartphones to tablets, insurance companies will need to understand how both their customers and workforce can gain from their use. Insurance companies will be able to deliver tools to their customers that will allow them to self-manage many of the processes, cutting out intermediaries – both in-house and third parties.

Insurance companies can also use direct channels such as mobile to shorten the sales cycle – even linking mobility to presence and location-based software embedded in devices that can help to make timely and relevant offers when a customer is in a specific location or circumstances.

Even further down the line, video and gaming will enrich user experiences. Video can provide instant access to expertise, for example. Gaming can be used to teach customers about new products, engaging their attention more effectively than traditional forms

Scenario 2 - Creating products with the public

As a Product Manager at a major insurance company one of John Bridge's responsibilities is the launch and marketing of new products. The company is launching a new car insurance product and John chooses to advertise it on the main social media platforms. John uses social media tracking capabilities, to measure the interest of potential customers and monitor the buzz around this new product and campaign. By tracking responses and conversations John and his team can emphasize positive threads and react quickly to negative ones. He can also involve customers in product innovation by capturing their insights and feedback in real time. Thanks to analytics engines combined with enterprise data and customer insights gathered on social media, John and his team are able to personalize the product packages individually for each customer.

At the same time, the company also creates a Cloud-based virtual training platform for relationship managers to learn about this new product.

A new German insurance business, Friendsurance, is enabling users to create communities of up to 15 trusted friends who will collectively cover an accident befalling one member of the group. If the costs exceed the amount that members pay in, cover is provided by standard insurance negotiated by the company.

Health insurer Aetna has teamed up with game creator Mindbloom to offer its policyholders the chance to take part in a game experience in which they record their health and well being goals and share their achievements and aspirations with others. As another example, a number of motor insurers are using apps that record a driver's performance and provide feedback on their driving and even link driving safety to premiums.

of advertising or communication. Using the approach adopted by games developers offers insurers the chance to create simple and easy to use, cross-platform applications that can help customers understand and manage complex products – such as life insurance – more effectively.

CIOs pushing innovation to reap rewards

While for many insurers these developments may seem some way off, leaders are in fact already getting started. Accenture's most recent High Performance IT research shows that for the first time since the annual survey began, CIOs of financial services businesses are striving to be at the forefront of innovation as they recognize the business value that innovation can deliver.

While this point of view looks at the impact of individual technology trends on the business drivers reshaping the insurance value chain, it's important to bear in mind that some of the most valuable opportunities will arise from technologies being put to work together to address key business goals.

The scenarios described in this document show how such technology combinations will drive high performance through greater efficiency, more satisfied customers and faster and responsive business processes.

All insurers will similarly need to adopt a connected approach to develop whole-enterprise and integrated strategic approaches to harnessing the power of new technologies.

CIOs will therefore have a critical role to play in developing strategic responses to the pervasive and rapid change that technology is driving in their markets, to customer behavior and within their internal organizations.

Scenario 3 - New roles: A day in the life of a community manager

Stan Parker is a community manager for a large insurance company. That means his role is to manage the company's presence in social media – including its publications, campaigns and perhaps most importantly its image among key consumer groups. During the day, Stan checks on some particular social media channels where he might find posts, questions or other content relevant to the company. Finding a post related to a traffic accident, Stan creates a case file based on the details and saves into the common database held in the Cloud, from where it is automatically routed to the right customer care team. When the customer is contacted by the team and his problem resolved quickly, he posts his positive feedback to the same forum where he initially raised the problem. Stan can then use this episode to build a wider story with which to enhance the company's image.

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Notes

1. http://www.accenture.com/technologyvision
2. Customer Multi-Channel Distribution survey 2010
3. Customer Multi-Channel Distribution survey 2010
4. 2010 LIMRA Study
5. Sustained Growth of Emerging Markets

	2009	2015*	Additional Business %
Developed Markets	3.338	3.759	40%
Emerging Markets	728	1.384	60%
Premium in USD Billions			

* Estimated growth based on Accenture Research

6. Accenture Global Equity Analyst Survey June 2008
7. Global Multi-Channel Distribution Executives Survey 2010
8. Global Multi-Channel Distribution Executives Survey 2010
9. IDC Event Processing, ICT Outlook: Recovering into a New World