2013 Digital Insurance Survey: Europe, Latin America and Africa

Insurers commit to digital transformation as a lever of high performance

High performance. Delivered.
Digital transformation is squarely on the agenda in the insurance sector. As new research from Accenture shows, 78 percent of insurance executives in Europe, Latin America and Africa believe their firms will increase investment in the digital transformation of their sales and distribution over the forthcoming three years. Multi-line insurers, for example, expect to spend a substantial €51 million ($69 million) on digital transformation over the next three years.

This strong commitment can be easily explained. Property and casualty (P&C) as well as life and annuity insurers expect their new premium income from digital channels to soar between 2013 and 2016 by nearly €13 billion ($17.6 billion) to €25 billion ($33.8 billion), more than double the 2012 value of €12 billion ($16.2 billion).1

However, this pot of gold is not easy to attain: insurers have to overcome a set of common challenges related to the trends driving the growth in digital channels. Unsurprisingly, overcoming these challenges, and ultimately becoming high-performance businesses, is dependent on achieving customer-centric digital transformation.

Briefly stated, these challenges are:

- **A new generation of connected customers with a new set of demands.**
  This new digital generation, or Generation D, is tech-savvy, used to interacting on the Internet and, thanks to plummeting bandwidth costs and the growing take-up of smartphones, permanently connected. Generation D spans Baby Boomers, Generation Y and Millennials—a truly multi-generational group defined by behavior rather than age. This group wants to transact with service providers across multiple channels, and it wants a consistent, personalized experience across them all.

- **Increased competition.** A number of trends are heightening competition in insurance. One is the increase in regulatory initiatives to promote competition between companies, such as regulations to facilitate contract termination.

Another is the entry of new competitors from outside the industry. These new entrants come from diverse industries—e-commerce and the Internet in general, retail and automotive, to name just a few. They are unencumbered by the legacy of the past (technological as well as conceptual), and are frequently well geared to offer Generation D customers the kind of experience they value. For insurers, the danger is not that they will disappear but rather that they will dwindle into mere product manufacturers. Only a thoroughgoing transformation of insurers’ business models, with particular emphasis on distribution capabilities and customer experiences, will prevent this from happening.

Accenture has long argued that digital transformation is imperative for insurers intent on attaining or maintaining high performance. Now we have confirmation that insurers themselves have begun to quantify the size of the prize that can only be attained by becoming customer-centric digital insurers. We have further argued, however, that achieving this goal will require more than just transferring existing business processes onto digital channels: a complete transformation of the business model to achieve customer-centricity will be required. (For more information about our Digital Insurer series, please see the end of this document.)

But the burning question is: What are insurance companies doing today to prepare for this digital future? To help answer this question, Accenture Research undertook a survey of carriers in key countries in Europe, Latin America and Africa.

1 New business obtained via digital channels: figures derived from supplementary Accenture data and analysis, not part of the Digital Insurance Survey.
About the research

Accenture Research and members of Accenture’s Insurance practice conducted 60 face-to-face and 25 telephonic interviews with C-level executives involved in digital distribution strategy. The research was in the field during April to July 2013. Respondents typically head up the sales or marketing functions.

The survey covered 85 carriers in Austria, Belgium, Brazil, Colombia, France, Germany, Italy, Netherlands, the Nordic countries, South Africa, Spain, Switzerland and the United Kingdom. Fifty-six percent were active in the P&C sector, 44 percent in life. The full breakdown of respondent companies is depicted in Figure 1.

Figure 1: Breakdown of survey respondents by country, activity, size and most important sales channel.

Breakdown by activity, size and channel
Research findings: Digital initiatives are attracting investment

Taken as a whole, our research clearly demonstrates that insurance companies are taking digital transformation seriously—and putting money behind it.

After analysis, the research results have been grouped into six key findings.

Key finding: Digital transformation is high on insurers’ agendas.

The vast majority of respondents (78 percent) are planning to increase their investments to support the digital transformation of their sales and distribution functions over the next three years.

This intention translates into an average three-year budgetary commitment of €30 million ($40.6 million) for P&C insurers and €21 million ($28.4 million) for life insurers—and a very significant €51 million ($69 million) for multi-line insurers. In total, as already mentioned, all respondents expect the value of new premium income from digital channels to more than double between 2012 and 2016, rising to approximately €25 billion ($33.8 billion) from €12 billion ($16.2 billion)—an increase of €13 billion ($17.6 billion), or an astonishing 110.5 percent.²

In fact, as the research shows, Accenture expects the use of digital channels to grow rapidly across all dimensions of the value chain. Digital will account for 55 percent of all information searching by 2016, 37 percent of pre-sales activities (including looking for advice and requesting quotations), and 18 percent of total sales. In addition, when it comes to servicing customers, digital channels will be the only ones to grow significantly over the next three years, almost tripling to account for 20 percent of customer service by 2016.

However, these average figures need to be understood in the context of quite significant regional variations. The United Kingdom, Latin America and the Nordic countries all show much higher levels of customer interaction through digital channels, and expect strong growth in the next three years. By contrast, Germany, France, Spain and Italy—especially the latter two—start from a much lower base and expect slower growth (see Figure 2).

As might be expected, larger companies—those with net premiums written in excess of €10 billion ($13.5 billion)—will spend much more on digital transformation. This expenditure is in part a function of their greater size, but it certainly does indicate that the more successful, bigger players are indeed aggressively pursuing Generation D, the customer of the future.

² New business obtained via digital channels: figures derived from supplementary Accenture data and analysis, not part of the Digital Insurance Survey.
78 percent of insurers are planning to increase their spending on digital—this could amount to €51 million ($69 million) over three years for a multi-line insurer.

Figure 2: Proportion of customer interactions conducted via digital as opposed to physical channels—by country

Average % Scores

<table>
<thead>
<tr>
<th>Latin America (Brazil, Colombia)</th>
<th>*UK (Denmark, Norway, Sweden, Finland)</th>
<th>Germany</th>
<th>France</th>
<th>Spain</th>
<th>Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currently 70%</td>
<td>Currently 70%</td>
<td>Currently 70%</td>
<td>Currently 70%</td>
<td>Currently 70%</td>
<td>Currently 70%</td>
</tr>
<tr>
<td>In 3 years’ time 65%</td>
<td>In 3 years’ time 63%</td>
<td>In 3 years’ time 48%</td>
<td>In 3 years’ time 58%</td>
<td>In 3 years’ time 58%</td>
<td>In 3 years’ time 50%</td>
</tr>
</tbody>
</table>

Digital Insurance Survey, July 2013
Base: All respondents
n=85 (excludes no answer)
The main factors impacting insurance distribution (see Figure 3) clearly show the growing importance of digital channels as customers’ behavior changes and they become more adept at using digital channels thanks to their experience in other industries.

At a more granular level, the key factors underpinning investment in digital transformation are an expected growth in the interaction between physical and digital channels for sales and advice; increasing consumer use of digital channels; accelerating consumer expectations derived from experiences in other industries (for example, online retail or travel); and increasing consumer use of mobile technology.

Less significant but still important factors include the impact of regulation on sales and distribution, greater need for product innovation and personalization, increased customer price-sensitivity and the need for more sophisticated analytics (see Figure 3).

When it comes to new sales and distribution channels, mobile devices, social media and the online presence of physical channels (digital agencies) will receive the most attention in the forthcoming three years (see Figure 4).

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**Figure 3: Main factors impacting insurance distribution in the next three years**

- Increasing interactions between physical and digital channels for sales and advice: 58%, 36%, 5%
- Increasing consumer usage of online channel and access points: 47%, 45%, 8%
- Accelerating changes in consumer expectations (e.g. stemming from other industries like online retail, online travel): 38%, 54%, 7%
- Increasing consumer usage of mobile technology: 43%, 46%, 11%
- Tougher regulatory changes with impact on sales and distribution (e.g. IMD2): 52%, 33%, 11%
- Greater need for product innovation and personalization: 29%, 51%, 19%
- More sophisticated insurer usage of analytical capabilities/analytics: 37%, 42%, 19%
- Increased consumer price-sensitivity: 26%, 52%, 21%
- Intensifying competition (incl. from new low-cost entrants): 27%, 43%, 8%
- Increasing price transparency (e.g. aggregators): 27%, 42%, 7%
- Increasing consumer usage of social media: 14%, 47%, 7%
- Growing skills shortage in sales and distribution: 31%, 22%, 11%

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**Figure 4: New sales and distribution channels to be developed over the next three years**

- Mobile devices (e.g. smartphone, tablet): 67%, 58%, 35%
- Social media: 59% (not shown)
- Online direct: 75%, 46%, 27%
- Digital agencies (e.g. online representation of physical channels): 46%, 31%, 27%
- Retailers and other non-insurance partners: 37%, 31%, 7%
- Online through aggregators: 40%, 30%, 30%
- None of the above: 4%, 4%

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Digital Insurance Survey, July 2013
Base: All respondents
n=85 (excludes no answer)
Online channels are expected to generate €25 billion ($33.8 billion) in premiums by 2016—an additional €13 billion ($17.6 billion), or 110.5 percent up on 2012.
Key finding: In an increasingly competitive and regulated environment, digital transformation will play a key role in streamlining administration to reduce costs, and in optimizing the channel mix.

Insurers are expecting competition to intensify quite significantly over the next three years, especially in Spain, Austria, Switzerland and Germany. Overall, 40 percent expect competition to strongly intensify and 49 percent only slightly (see Figure 5).

A significant feature of the new competitive landscape is the extent to which new players are playing or will play a role. Fourteen percent of respondents say these new players have already entered their local markets, and a further 50 percent expect this to occur in the next three years. Google was most often cited as a new or potential entrant, followed by aggregators, brokers and e-commerce players like Amazon.

The threat from new players (current and anticipated) is much more pronounced in the P&C space than in life—76 percent as compared with 53 percent. However, it’s perhaps surprising that the life industry expects so much competition: given the highly regulated nature of the life industry and the extreme sophistication of investment strategies, the barriers to entry are significantly high (see Figure 6).

Change will not affect the fact that agents, brokers and bancassurance will retain the lion’s share of insurance business, albeit with declining shares. Direct online and aggregators will be the major beneficiaries of this gradual shift. Figure 7 contrasts the amounts of business generated by the various channels over the whole sample, and then by line of business.

Increased competition is also putting pressure on insurers to reduce costs, and there is a clear indication that digital channels are playing an increasing role in distribution and across the whole value chain. By enabling more self-service, becoming digital will help to reduce administrative costs; on the acquisition side, it will shift distribution from the tangible to the virtual world, with a consequent reduction in the relative weighting of sales commissions as a proportion of total costs. This re-weighting will be balanced by an increase in digital advertising, marketing, promotional or data-management costs, as well as improved cross-sell potential for distributors.

Figure 5: Extent to which competition in the distribution and sales environment is set to change in the next three years

![Figure 5: Extent to which competition in the distribution and sales environment is set to change in the next three years](image)

Digital Insurance Survey, July 2013
Base: All respondents
n=85 (excludes no answer)

Figure 6: Expectation of new external competitors by line of business

![Figure 6: Expectation of new external competitors by line of business](image)

Digital Insurance Survey, July 2013
Base: Life =17, P&C=25 (excludes no answer)
Figure 7: Business generated by each channel (total sample; property and casualty versus life)

<table>
<thead>
<tr>
<th>Channel</th>
<th>Total sample</th>
<th>Life insurers</th>
<th>P&amp;C insurers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agents (incl. tied agents)</td>
<td>32%</td>
<td>25%</td>
<td>38%</td>
</tr>
<tr>
<td></td>
<td>30%</td>
<td>25%</td>
<td>34%</td>
</tr>
<tr>
<td>Brokers</td>
<td>24%</td>
<td>26%</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td>23%</td>
<td>25%</td>
<td>23%</td>
</tr>
<tr>
<td>Bancassurance</td>
<td>23%</td>
<td>35%</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td>21%</td>
<td>32%</td>
<td>11%</td>
</tr>
<tr>
<td>Phone and call centers</td>
<td>7%</td>
<td>1%</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td>7%</td>
<td>1%</td>
<td>12%</td>
</tr>
<tr>
<td>Alternative channels (e.g., retailers, car shops, affinity groups)</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Direct online</td>
<td>3%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Aggregators</td>
<td>2%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>4%</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>Mobile</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>1%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>Social media</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Currently: Digital Insurance Survey, July 2013
Base: All respondents
n=85 (excludes no answer)

In 3 years’ time: Digital Insurance Survey, July 2013
Base: Life =33,
P&C=44 (excludes no answer)
Key finding: When it comes to digital transformation, insurers’ top priority is developing a customer-centric distribution model.

As Figure 8 shows, the three top strategic priorities in relation to digital transformation are multi- and cross-channel interaction (62 percent), growing digital relationships with end customers across all distribution channels (58 percent), and operational simplicity and efficiency (54 percent).

Taken overall, though, it is clear that the ranking of the priorities demonstrates an overwhelming focus on the customer. This represents a significant paradigm shift for insurance, and seems to confirm that digital transformation and customer-centricity are two sides of the same coin.

When P&C and life are separated out, some significant differences should be noted. The P&C sector places a higher priority on pricing and risk-based analysis, reducing operational cost, using analytics to expand customer insight, customer-centricity and personalization, and superior execution and agility.

Figure 8: Company strategic priorities with regard to the digital transformation of sales and distribution: Total sample

| Multi- and cross-channel interaction | Grow digital relationships with end customer across all distribution channels | Operational simplicity and efficiency | Better leverage data for risk-based and market-based pricing | Reduce operational cost | Support and enhance existing physical channels with digital tools and media | Expand and improve customer insights through analytics | Develop fast, standardized and automated customer processes | Enhanced, personalized customer experiences | Customer-centricity and personalization | Provide seamless cross-channel customer experiences | Push flexible, scalable and integrated IT solutions | Grow digital distribution channel (e.g. expand new business) | Offer digitally optimized products & services | Create a digitally empowered organization (e.g. by upgrading skills) | Superior execution and agility | Implement agile technologies and cloud | Develop collaboration tools and digital workplace |
|------------------------------------|-------------------------------------------------------------------------------|---------------------------------------|---------------------------------------------------------------|------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------------|---------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Total sample Very important 62% | 58% | 54% | 52% | 52% | 50% | 46% | 43% | 43% | 43% | 42% | 41% | 36% | 30% | 27% | 25% | 25% | 19% | 15% |
| Life Very important 59% | 53% | 55% | 42% | 41% | 44% | 34% | 30% | 34% | 44% | 41% | 44% | 31% | 25% | 25% | 26% | 11% | 16% | 9% |
| P&C Very important 67% | 64% | 53% | 62% | 60% | 60% | 55% | 56% | 49% | 45% | 45% | 45% | 40% | 40% | 34% | 29% | 35% | 22% | 19% |

Digital Insurance Survey, July 2013
Base: All respondents
n=85 (excludes no answer)
By 2016, digital channels are expected to account for 18 percent of total sales and 37 percent of presales activity (looking for advice and requesting quotes).
Specific top-priority initiatives generally reflect the strategic priorities identified above. These initiatives include expanding and integrating the customer view (59 percent), streamlining and simplifying processes (57 percent), developing digital processes and customer self-service (56 percent), increasing personalization of the customer experience (47 percent), and providing a seamless cross-channel customer experience (47 percent). It is worth pointing out that of these top five priorities, four relate directly to becoming more customer-centric (see Figure 9).

When life and P&C are compared, it is apparent that P&C is placing greater emphasis on several issues: leveraging data to improve pricing; reducing operational costs; improving customer insights through personalization, customer-centricity and personalization; and execution and agility. Three of these areas are directly reliant on analytics, an indication of its increasing importance and value-creation potential for insurers.

Key finding: Insurers lack a holistic digital transformation strategy covering the entire value chain.

Accenture’s experience strongly indicates that successful digital transformation can only be achieved when it is underpinned by a holistic strategy that covers the entire value chain. It is thus of great concern that only 40 percent of respondents have such a digital strategy in place.

When it comes to leading the process of digital transformation, the vast majority of respondents stress the need for increased collaboration across the organization. To facilitate this transformation, a large number of respondents expects to create the position of chief digital officer. This new role is growing rapidly in popularity, and the number of chief digital officers will almost double in the next three years (from 22 percent to 42 percent). Sixty-seven percent of companies with net premiums written above €10 billion expect to have a chief digital officer in three years’ time, testimony to the complexity of managing change in these large organizations.

This trend towards specialization is also evident in the growth in specific digital governance committees from 11 percent to 26 percent.

As the typical digital process leaders—the marketing function, the sales/distribution function and the board itself—decline only slightly over the same period, it seems as though they will increasingly work in tandem with the specialist digital leadership noted above (see Figure 11).

At a practical level, it is significant that the majority of insurers is consolidating rare digital skills in a single, cross-functional shared service center or digital center of excellence—a majority that will increase in three years’ time. By contrast, the incidence of dedicated digital functions within each business unit remains static (see Figure 12).

Figure 9: Company top-priority initiatives regarding digital distribution

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Mentioned in Top 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand and integrate customer view (e.g. 360° view)</td>
<td>59%</td>
</tr>
<tr>
<td>Streamline and simplify processes (e.g. seamless front-to-back integration, extended workflow)</td>
<td>57%</td>
</tr>
<tr>
<td>Develop digital processes and customer self-service</td>
<td>56%</td>
</tr>
<tr>
<td>Increase personalization of the customer experience (e.g. by personalized interactions, personalized product offerings)</td>
<td>47%</td>
</tr>
<tr>
<td>Provide a seamless cross-channel customer experience</td>
<td>47%</td>
</tr>
<tr>
<td>Refine customer segmentation (e.g. by applying analytics)</td>
<td>44%</td>
</tr>
<tr>
<td>Optimize channel mix (e.g. by applying analytics)</td>
<td>37%</td>
</tr>
<tr>
<td>Develop a full e-commerce capability (e.g. with simplified products, real-time pricing and quotation in sales/new business)</td>
<td>36%</td>
</tr>
<tr>
<td>Optimize product and service offerings across multiple channels (e.g. differentiation in product, services and pricing by channel)</td>
<td>36%</td>
</tr>
<tr>
<td>Digital lead generation</td>
<td>27%</td>
</tr>
<tr>
<td>Exploit social media to increase customer intimacy</td>
<td>25%</td>
</tr>
<tr>
<td>Create new channels and access points (e.g. video)</td>
<td>7%</td>
</tr>
<tr>
<td>Create a new digital brand</td>
<td>2%</td>
</tr>
</tbody>
</table>

Digital Insurance Survey, July 2013
Base: All respondents
n=85 (excludes no answer)
Figure 10: Holistic digital strategy in place (global sample and most important sales channel)

- Yes, covering the entire value chain: 40%
- Yes, but limited to sales and distribution: 17%
- Yes, but limited to customer interaction processes (Web, call center, etc.): 14%
- No, but it is being developed: 16%
- No, but it will be developed in the next 3 years: 12%
- No: 1%

Digital Insurance Survey, July 2013
Base: All respondents
n=85  (excludes no answer)

Figure 11: People/functions driving digital transformation of distribution (current and in three years’ time)

- Marketing: Currently 58%, In 3 years’ time 69%
- Board/company strategy: Currently 64%, In 3 years’ time 63%
- Sales/distribution: Currently 64%, In 3 years’ time 67%
- Chief digital officer: Currently 22%, In 3 years’ time 42%
- Business line leads: Currently 16%, In 3 years’ time 23%
- Specific digital governance committee: Currently 11%, In 3 years’ time 26%
- Customer service: Currently 11%, In 3 years’ time 16%
- Geographic business leads: Currently 4%, In 3 years’ time 7%
- No specific function identified as driving distribution digital transformation (exclusive item): Currently 11%, In 3 years’ time 2%

Digital Insurance Survey, July 2013
Base: All in-person interviews only
n=55  (excludes no answer)

Figure 12: Function(s) in charge of executing the digital transformation (current and in three years)

- Function across business/geo units (e.g. shared service center, digital center of excellence): Currently 46%, In 3 years’ time 62%
- Function within each business/geo unit: Currently 39%, In 3 years’ time 41%
- Digital transformation activities as a separate business (e.g. spin-off, outsourced): Currently 12%, In 3 years’ time 10%
- Other: Currently 10%, In 3 years’ time 8%

Digital Insurance Survey, July 2013
Base: All in-person interviews only
n=55  (excludes no answer)
Key finding: Transformation efforts will often be incremental, although extensive transformation will be more common amongst P&C insurers and larger insurers, in line with investment plans.

Across the total sample, it is clear that step-by-step incremental change is the majority strategy (64 percent), with percentages reducing along the scale to extensive transformation. Life, as one would expect, is the more conservative of the two insurance sectors, with 75 percent generally favoring an incremental approach, and only 23 percent tending towards the extensive transformation end of the scale. By contrast, 52 percent of P&C carriers favor the incremental approach with almost the same proportion (48 percent) leaning towards extensive transformation.

The same tendency toward favoring more decisive action is emphasized still further when considering the larger companies, 50 percent of which plan extensive transformation (see Figure 13).

Although the sample bases are small, it is also interesting to note the differences between countries (see Figure 14). For example, Latin America is polarized between those companies tending toward the incremental approach and those favoring something more ambitious, with France also showing a comparable level of polarization. The Nordics, by contrast, show a singular bias toward extensive transformation with the United Kingdom taking a very middle-of-the-road approach, having gone through substantial digital transformation already.

Challenges to digital transformation are shown in Figure 15, split out for each line of business. The major ones stem from the complexities of managing the change across physical channels, the constraints of legacy IT systems, insufficient organizational agility and insufficient budgetary resources for transformation. The latter two are perceived as more pressing in the P&C sector.

Integrating existing physical and digital sales channels is an important component of the overall digital transformation. The individual initiatives to achieve this integration are listed in Figure 16. (When one considers just those initiatives currently in development, it is apparent that companies with net premiums written in excess of €10 billion are heavily focused on developing cross-channel products and services. In terms of the other initiatives, this group remains very close to the total sample, again indicating the long journey that lies ahead of them.)
Figure 14: Approaches toward the digital transformation of distribution by country (next three years)

Digital Insurance Survey, July 2013
Base: All respondents
n=85 (excludes no answer)

Figure 15: Main challenges to successful digital transformation

Digital Insurance Survey, July 2013
Base: All respondents
n=85 (excludes no answer)
Key finding: Technology investment will be geared to helping insurers integrate their digital capabilities with their core systems and expanding data management capabilities.

To ensure a successful digital transformation, it is clear that insurers will need to master the underlying technology. In particular, as Figure 15 shows, the constraints of IT legacy systems remain a top challenge; by and large, it seems as though most insurers have yet to make significant progress with integrating digital technology into their companies. As Figure 17 shows, only 13 percent of the total states that digital technology is highly integrated, with 45 percent indicating that digital technology is somewhat integrated. This picture changes when one considers companies with net premiums written in excess of €10 billion, where 40 percent of respondents report a high level of digital integration. Within the subsets of life and P&C, the percentages are 9 and 21 respectively, reflecting the greater ambitions of P&C companies as regards digital transformation (see above) and the greater conservatism inherent in the life sector.

Bearing that in mind, where do insurers intend to focus their attention as they strive to improve digital integration?

When it comes to the transformation of the front office, the research shows that insurers will be focusing on technologies like big-data management, social media and the ability to manage unstructured data like voice, video and text (see Figure 18). It’s again apparent that the larger companies show a distinct variation in terms of their focus areas, with greater emphasis being placed on big-data management and the ability to manage unstructured data.

Back-office and core IT capabilities will also be receiving attention. As Figure 19 shows, insurers plan to leverage cloud and software as a service, as well as generalized collaboration and social networking tools. The larger companies show more emphasis on as-a-service scalable infrastructures and cloud-based solutions.

The abovementioned variations on the part of the larger companies seem to indicate that, having already achieved a reasonable level of digital integration and begun their transformation, they feel able to move more vigorously into the next generation of technologies, such as big data, unstructured data and cloud computing. However, much progress still needs to be made if they are to realize the expected increase in premium volumes noted at the beginning of this report.
Figure 16: Initiatives to integrate existing physical and digital sales channels

- Aligning product and service offering across channels
- Developing simplified products for cross-channel sales
- Providing device (e.g. tablet) enablement to physical sales channels
- Upgrading technology-related skills of sales forces
- Integrating pricing and promotion activities
- Differentiating product and service offering for cross-channel sales
- Defining specific remuneration schemes for cross-channel sales
- Integrating digital agencies with physical networks
- Downsizing physical sales channel capacities

Digital Insurance Survey, July 2013
Base: All respondents
n=85 (excludes no answer)

Figure 17: Level of digital integration in your company

- Highly integrated (i.e. generalized availability of Web services connectors to back-end systems and pervasive digitalized processing)
- Somewhat integrated (i.e. focused availability of Web services connectors to back-end systems and significant digitalized processing)
- Fragmented (i.e. limited availability of Web services connectors to back-end systems and digitalized processing)

Digital Insurance Survey, July 2013
Base: All in-person interviews only
n=55 (excludes no answer)
**Figure 18: Technologies to transform the sales and distribution front-office functions (current and in three years)**

**Front office and analytics**

<table>
<thead>
<tr>
<th>Technology</th>
<th>Currently Used</th>
<th>Plan to use over the next 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agent-broker portals</td>
<td>76%</td>
<td>11%</td>
</tr>
<tr>
<td>Consumer portals</td>
<td>73%</td>
<td>13%</td>
</tr>
<tr>
<td>Mobile technology</td>
<td>55%</td>
<td>36%</td>
</tr>
<tr>
<td>Social media (Twitter, Facebook, LinkedIn)</td>
<td>53%</td>
<td>35%</td>
</tr>
<tr>
<td>Digital marketing &amp; CRM tools</td>
<td>53%</td>
<td>33%</td>
</tr>
<tr>
<td>Predictive models through tools like SaaS, business objects</td>
<td>47%</td>
<td>35%</td>
</tr>
<tr>
<td>Big data management capabilities</td>
<td>16%</td>
<td>53%</td>
</tr>
<tr>
<td>Ability to manage unstructured data (voice, text, video)</td>
<td>16%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Digital Insurance Survey, July 2013
Base: All in-person interviews only
n=55 (excludes no answer)
Figure 19: Technologies to transform the sales and distribution back-office functions (current and in three years)

Back-office and core IT capabilities

<table>
<thead>
<tr>
<th>Technology</th>
<th>Currently used</th>
<th>Plan to use over the next 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workflow and digital document processing</td>
<td>60%</td>
<td>22%</td>
</tr>
<tr>
<td>Upgrade the core back-office system to support Web-enabled processing</td>
<td>55%</td>
<td>24%</td>
</tr>
<tr>
<td>Product and rule configuration engines</td>
<td>35%</td>
<td>31%</td>
</tr>
<tr>
<td>Generalized collaboration and social networking tools</td>
<td>24%</td>
<td>40%</td>
</tr>
<tr>
<td>Web-enabled reporting and data mining</td>
<td>27%</td>
<td>36%</td>
</tr>
<tr>
<td>Industrialized digital and mobile layers</td>
<td>22%</td>
<td>31%</td>
</tr>
<tr>
<td>As-a-service scalable infrastructure and solutions</td>
<td>11%</td>
<td>31%</td>
</tr>
<tr>
<td>Cloud-based solution</td>
<td>9%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Digital Insurance Survey, July 2013
Base: All in-person interviews only
n=55 (excludes no answer)
Recommendations

On the whole, the research shows that while insurers are committed to—and investing in—digital transformation, they are by no means beginning from the same place. P&C and life carriers show some clear differences both in terms of the status quo and desired end goal; in addition, regional differences remain marked in many instances. And while it is apparent that the large players have perhaps made an earlier start than their smaller counterparts, they acknowledge that they still have a lot of ground to cover to achieve digital transformation and a customer-centric focus.

Given these different starting points and multiple objectives to address with ever-evolving technologies, are there any lessons or general principles that individual insurers could use to help refine and/or validate their own strategies for digital transformation?

Accenture believes there are. Our prior, ongoing work on digital transformation has shown that insurers will have to digitize their entire business models in order to achieve the customer-centricity required to overcome the challenges they face and, in so doing, achieve substantial growth from the new breed of customer. By transforming in this way, we believe that insurers can in time build a secure place for themselves as enablers of an experience that customers value rather than as mere purveyors of products that are purchased only out of necessity.

At a practical level, our focus on the dynamics of digital transformation have led us to believe that insurers should focus on building four key capabilities (see Figure 20).

These capabilities, and the value they can generate, offer a lens through which insurers should assess their strategies for digital transformation:

**Cross-channel excellence.**
This will require a single 360-degree view of customer interactions, and the ability to operate seamlessly across the multiple channels used interchangeably by today’s consumers.

**Customer-centricity, with the ability to personalize interactions.**
Underlying this capability is the requirement to build an advanced analytics functionality. Only then will insurers be able to offer the right kind of customer experience tailored for specific segments or even individual customers.

**Operational simplicity.**
Digital transformation of both the back- and front-office functions can help insurers to gain the ability to meet the expectations of today’s customers, providing advice and quotations via the customer’s channel of choice, as well as self-service and straight-through processing.

**Superior execution combined with agility.**
Digital transformation, including the use of new technologies like cloud computing, can help insurers gain the agility needed to respond to constantly changing market conditions and consumer requirements without increasing back-office complexity. Digital transformation also requires intensive change management and the development of a new customer-centric culture.

(For more information on these four capabilities, please download *Four capabilities insurers need on the journey to digital mastery and high performance* on www.accenture.com.)
### Figure 20: Digital transformation spans the whole value chain

<table>
<thead>
<tr>
<th>Analytics</th>
<th>Marketing</th>
<th>Distribution &amp; channel management</th>
<th>Product manufacturing</th>
<th>Underwriting/new business</th>
<th>Policy &amp; contract management</th>
<th>Claims management</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Cross-channel excellence</td>
<td>Integrated cross-channel campaign management</td>
<td>Extended multi-device and mobility offering</td>
<td>Channel-sensitive pricing and product differentiation</td>
<td>Cross-channel advice, quote &amp; selling</td>
<td>Cross-channel service continuity &amp; consistency</td>
<td>Cross-channel service continuity &amp; consistency</td>
</tr>
<tr>
<td>2  Customer-centricity &amp; personalization</td>
<td>Full 360° customer view (scoring &amp; social)</td>
<td>Personalized multi-channel customer experience</td>
<td>Tailor-made products &amp; services</td>
<td>Enriched risk analysis of customer</td>
<td>Customer-sensitive multi-channel service offering</td>
<td>Digitally enabled claim-submission and status monitoring</td>
</tr>
<tr>
<td>3  Operational simplicity</td>
<td>Marketing pressure customization</td>
<td>Flawless cross-channel processing</td>
<td>Advanced customer diagnosis tools</td>
<td>Full e-commerce advice &amp; quote, selling and payment</td>
<td>Generalized self care &amp; straight-through processing offering</td>
<td>Continually assisted care &amp; proactive support on life insurance</td>
</tr>
<tr>
<td>4  Superior execution agility</td>
<td>Customer-event triggered campaign management</td>
<td>Continuous channel mix optimization</td>
<td>Optimized time to market</td>
<td>Automated workflow and decision support</td>
<td>One-stop paperless underwriting</td>
<td>Optimized service level agreements &amp; maximized digitally enabled contract management</td>
</tr>
</tbody>
</table>
Step by step

Achieving these capabilities will require profound changes across the entire insurance value chain. It will thus not be achieved overnight. Accenture believes that insurers should see customer-centric digital transformation as a four-step journey (see Figure 21). While recognizing that this progression will not be straightforward and that the current level of maturity may vary considerably, we believe that the journey toward digital transformation affects the entirety of the insurer's business, spanning people, processes and technology. Making progress in this journey will mean connecting processes, linking people and organizational structures (within and outside the company), and integrating and upgrading systems. Only then will the insurer be able to respond quickly to insights derived from customer data or interaction events to provide a tailored and differentiated customer experience.

Insurers will on the whole move toward stage 2, the connected insurer, a model characterized by a focus on doing the basics right. Here, the branch network and contact center are integrated into a single unit, and digital channels have been enhanced and integrated at a basic level. The connected insurer should be able to understand consumer needs and create matching offerings, while managing records electronically.

Having got the basics right, insurers are now in a position to become interactive. In this third stage, they develop an integrated multi-channel architecture. Analytics makes it possible to tailor operations and products to customer needs and milestones across all channels. The sales force is supported by a fully mobile solution, and consumers can transact with the company using any device from anywhere and at any time, with extended self-service offerings. Workflows are now paperless.

Figure 21: The road map to digital excellence is a four-step journey
The final stage of the journey is the holistic, multi-channel and fully customer-centric insurer that offers consumers insurance “where you are at the precise moment you want it.” The insurer supplements its own data with data from external sources (such as open data and social media) to understand and predict consumer interests and concerns better. It interacts meaningfully with them on their channels of choice. Such an insurer is also able to co-create products with consumers, and to identify (and build relationships with) those consumers who influence others. Analytics helps the insurer to identify and assess prospects in real time—and offer superior advice and client experience at scale as well as the right product at the right time via the right channel.

In conclusion, it’s worth emphasizing that customer-centricity is not a new concept—it’s as old as business itself. What has changed, and what lies behind the new impetus in boardrooms and executive suites across all sectors, is the new dynamic introduced by technology and rapidly changing customer needs. In insurance specifically, the dynamic between the insurer, its intermediaries and its customers is shifting radically. Only when insurers use new technologies to redefine their very business models will they be in a position to service the next generation of customers and to compete successfully in the race to achieve high performance.
About the series

The Digital Insurer is an Accenture series that provides insights on how insurers can achieve high performance in the Digital Age. Digital is not simply a new distribution channel—it offers an entirely new way of doing business. Leading insurers are learning how to provide significantly easier access to a wider range of more relevant products and services at a lower cost. With these goals in mind, this series presents pragmatic and visionary discussions on analytics, back-office digitization, marketing, mobility, social media and more. For more information about this series, please visit www.accenture.com/digitalinsurer.

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Accenture is a global management consulting, technology services and outsourcing company, with approximately 275,000 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$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.