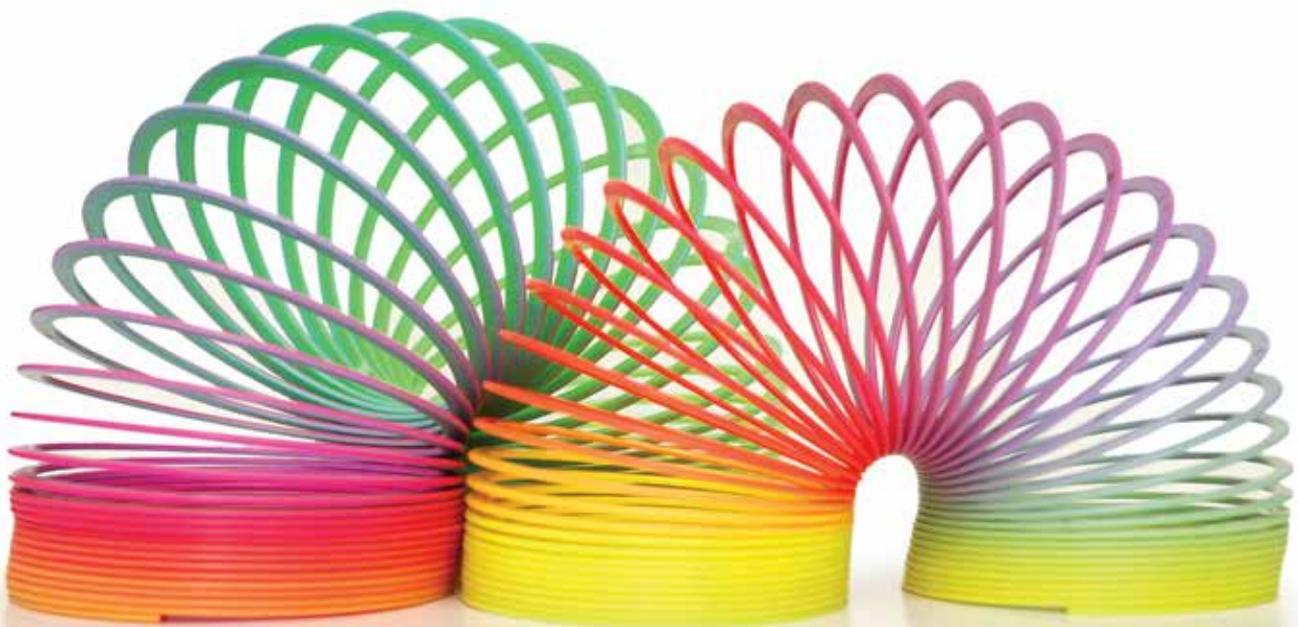


The Digital Insurer:
What does it take to be a Digital Insurer?

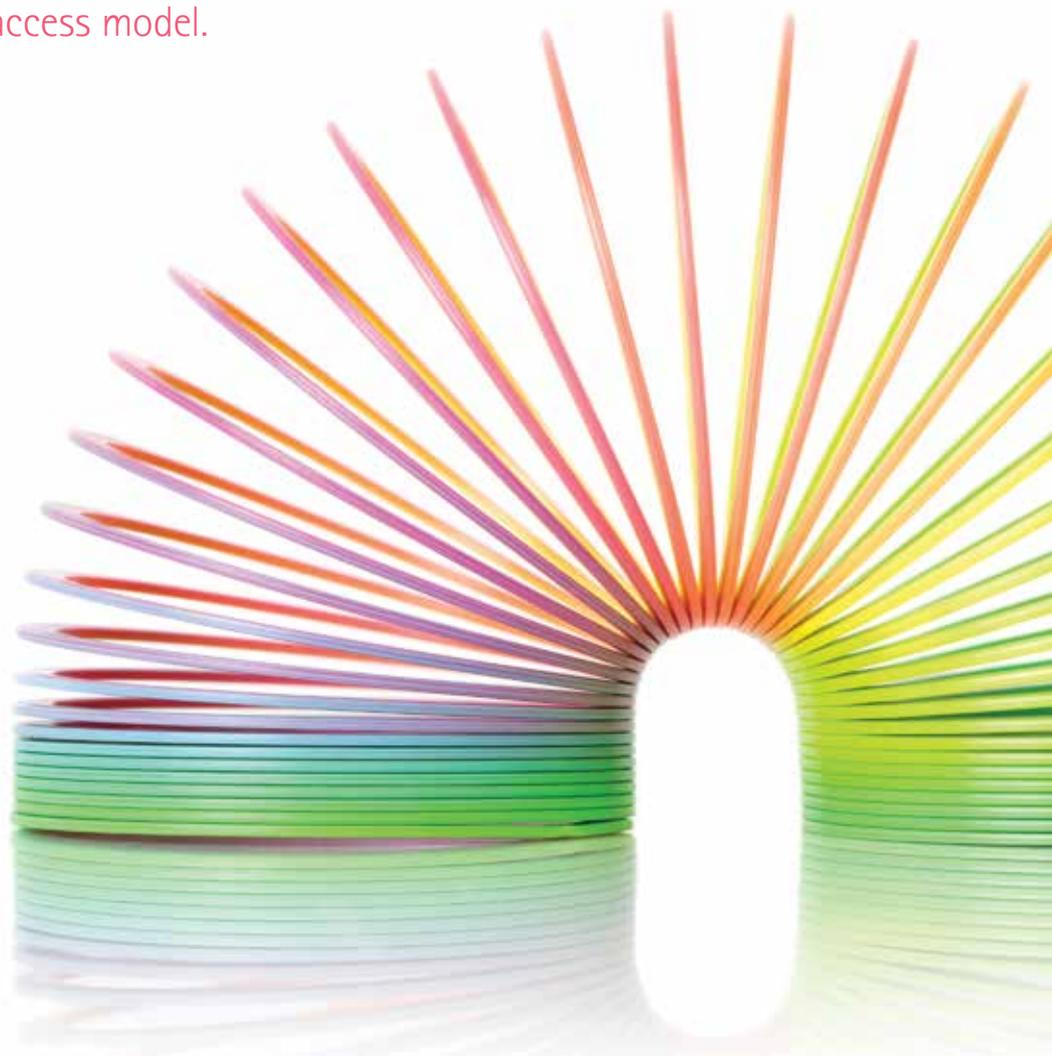
Four capabilities insurers
need on the journey
to digital mastery and
high performance

High performance. Delivered.



The way in which consumers all over the world buy or renew insurance is changing with increasing rapidity. As digital channels grow in importance, both in selling and providing service, insurers in pursuit of high performance need to develop a consumer-centric and digital mindset, changing the way they operate to become true Digital Insurers.

Accenture outlines four capabilities insurers will need in order to master the new way of doing business. Achieving these capabilities is a journey that will ultimately culminate in the evolution of a fully digital operating model that offers "anywhere, anytime" insurance closely tailored to consumers' specific needs. Critically, the new digital operating model will have to be integrated with existing physical distribution networks into a seamless new multi-access model.



The changing face of insurance

Accenture research shows that more and more consumers are planning to switch to a new provider. This trend is mainly being driven by the ongoing economic recession which is placing enormous pressure on household budgets, prompting consumers to seek out savings opportunities on discretionary expenses like insurance.

Consumers themselves have better access to knowledge and are more skilled at using it. The Internet has made price comparison easy across many industries, including insurance. In fact, online price comparison has given rise to a new category of aggregators, websites that provide an easy way to compare multiple offers.

Having compared prices online, consumers are also keen to use the Internet to purchase insurance, either on the websites of the chosen service provider or on the website of an aggregator.

In addition, regulatory developments to enhance competition in Europe are making it easier for property and casualty policyholders to switch providers at any time, regardless of anniversary date. The Netherlands and Norway have such regulations in force, while in France the matter is currently under review. It seems likely that other countries could follow suit.

The inexorable growth in importance of online channels in insurance is evident in the fact that, across the United Kingdom, France, Italy, Germany, Spain and Brazil, these channels are growing faster than other channels. In fact, digital is already the major channel in the United Kingdom, with 70 percent already using the Internet. Even in France, where the agent remains the preferred channel for renewal, consumers increasingly prefer to use digital channels for managing their contracts. In France, too, the Internet has become consumers' major source of information about insurance, and thus a key influencer of consumer behavior.

These consumer trends are broadly replicated across many other geographical areas, although rates of digital adoption vary widely.



The changing consumer

The 2012 Accenture Global Consumer Pulse research surveyed 12,662 end-consumers in 32 countries via the Internet during July 2012. Respondents were asked to evaluate up to four industries out of a total of 10. One of these industry sectors was life insurance. Some of its key conclusions for insurers were:

- **Multi-channel mix remains vital.** The shift towards digital channels continues but a multi-channel mix remains vital. Fifty-seven percent of respondents find it frustrating not to be able to use the channel of choice when gathering information.
 - **Loyalty holds steady—for now.** Today's consumers are less loyal: 74 percent are prepared to evaluate alternative providers, up from the previous survey in 2010. Insurance consumers are the most loyal, but more than two-thirds (67 percent) already find themselves ready to re-evaluate providers. Just under a third are satisfied with their provider, while still fewer (24 percent) are loyal or would recommend the provider (22 percent). In fact, thirty-six percent have used or are using two or three providers—a proportion that rises in emerging markets. Consumer satisfaction, intention to buy and advocacy for current providers score lowest among all 10 industry sectors. Complete switching is at 17 percent, a rise compared to previous research, with partial switching fractionally higher at 20 percent.
 - **No growth.** A majority (56 percent) of life insurance consumers intend to hold the level of business they do with their service providers steady, while 30 percent are likely to reduce the amount of business.
 - **Reasons for switching relate to price and service.** "Competitive pricing" and "value for money" are far and away the key drivers for a complete switch.
- Taken as a whole, it is clear that while insurance consumers are behind the curve when it comes to adopting the digital channel (and so have yet to experience fully its associated behaviors of reduced loyalty and enhanced service expectations), they are headed in that direction. In other words, agile insurers who are quick off the mark have a narrow window of opportunity to establish themselves as companies to which this growing consumer segment switches its business from less perceptive insurers.



Challenges to digital transformation

It is clear that across virtually all industries, consumers' behavior has changed dramatically. Consumers have moved online, and as they have done so, they have become more demanding.

Online forums enable them to swap experiences with fellow consumers, and comparing providers is easy on the Web. These consumers are now habituated to using multiple channels to shop and transact.

In this new world, insurers face several distinct challenges in meeting the expectations of their consumers:

- **Multiple channels.** Consumers now use a growing range of digital channels interchangeably to deal with service providers in all industries. In line with these expectations, insurers have to develop the capability to provide an integrated, consistent experience across existing and future channels.

- **Personalized interaction.** Consumers do not just expect their digital experience to be integrated across channels, they want all interaction and offers customized/personalized in line with their specific circumstances. One size no longer fits all.
- **Increased competition and comparison.** Proliferating digital channels have made large amounts of comparative data available to consumers. Consequently, insurers' offers do not just have to be personalized and consistent across channels, but also competitive in price. At the same time, consumers continue to demand increased efficiency and speed.
- **Proliferating digital technology.** The range of digital technologies is wide and constantly growing. Servicing consumers across of all them means constantly mastering these new and fast-developing technologies—in itself a challenge for insurers.



Four capabilities for digital mastery

To become genuine Digital Insurers offering a truly differentiated consumer experience, companies have to transform both their infrastructures and operations. Accenture's experience with some of the world's leading insurers over many years suggests that acquiring and developing four capabilities holds the key.

These capabilities each have implications for components of the insurance value chain, indicating that digital transformation is not a question simply of selling products or servicing customers online, but of reconceptualizing the entire business (see Figure 1).

- **Insurers must achieve cross-channel excellence.** To do this, it will be necessary to create a single 360-degree view of consumer interactions, and operate seamlessly across multiple channels. For example, marketing will have to integrate campaigns across channels, leveraging consumer information to identify the best channel to reach each consumer.
- **Insurers must become customer-centric, with the ability to personalize interactions.** Using analytics to draw insights out of the huge stores of data at their disposal, insurers will be able to personalize offers and products. This data is sourced from internal systems and external sources, such as social media. For example, products and services can be tailored to specific channels and even segments, leveraging data gathered on social media to increase consumer intimacy. Individual consumers will need to be offered the same price based on their characteristics, irrespective of channel.
- **Insurers must strive for operational simplicity.** By digitizing customer-facing processes as well as certain support functions, insurers can reduce complexity, lowering costs and increasing their ability to respond to change—including introducing variable pricing. For example, mastering this capability will enable insurers to provide advice and quotations to consumers via their channel of choice, as well as to offer self-service and straight-through processing. Operational simplicity can also transform many support functions, among them collaboration across the value chain, legal compliance and interaction with actuaries.
- **Insurers must ensure superior execution combined with agility.** Digitization will help insurers to improve execution while new technologies like cloud computing confer the agility to respond to constantly changing market conditions and consumer requirements without increasing back-office complexity.

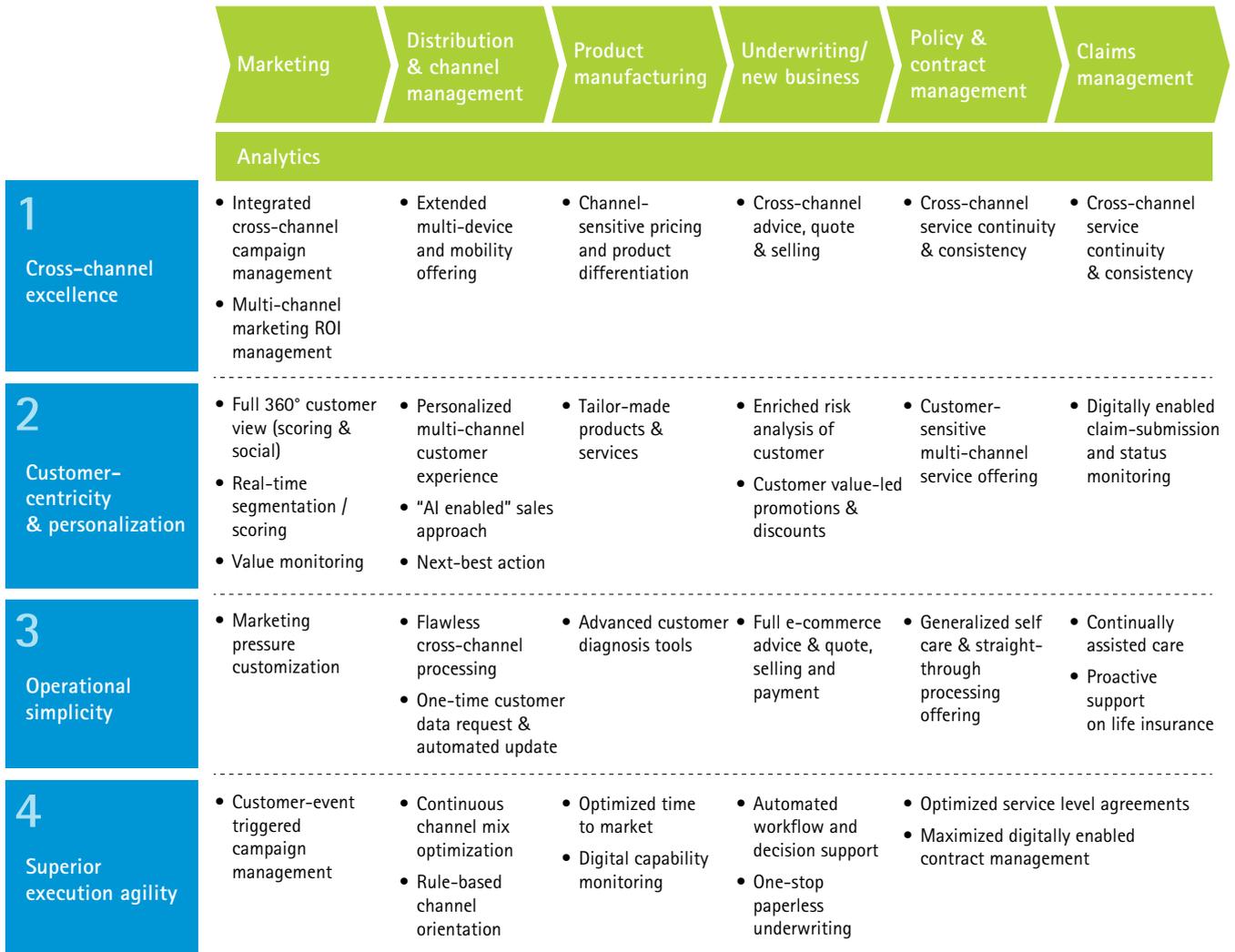


Figure 1. Digital transformation spans the whole value chain

Digital transformation also includes enterprise support functions like distribution, legal and compliance, finance, accounting and reporting and others. By taking the same transformation approach indicated above, these back-office processes can be streamlined to enhance operational simplicity and thus execution agility.

Companies will focus on different capabilities in line with their strategies. For example, a traditional insurer with tied agents and a branch network could prioritize developing cross-channel excellence, while a premium-segment insurer or an online/direct insurer could focus first on becoming more customer-centric, and strengthening its ability to personalize communications and offers. A bank-insurer/ producer could, on the other hand, prioritize operational simplicity and cost efficiency.

Achieving digital excellence: A four-step journey to maturity

Becoming a true Digital Insurer requires profound change and will thus not be achieved overnight. Accenture sees this transformation as a four-stage journey from the conventional standalone insurer to the holistic, multi-channel insurer.

This is by no means a straightforward progression: insurers will obviously focus on different elements of the digital agenda to achieve their specific strategies. They may also use selective outsourcing and cloud computing to leapfrog from one state to another. Again, the primary determining factor will be the insurer's overall strategy.

For example, a large UK insurance company stored consumer data on several disparate IT systems. Consequently, it was finding it hard to obtain a 360-degree view of its customers, so reducing its ability to create accurate market segmentation and effective marketing campaigns. It got round the problem by outsourcing the data analysis to Accenture; within a few months, it had a workable segmentation strategy and, more importantly, a campaign ready to launch. This "leapfrog" approach enabled the company to improve campaign performance by up to 250 percent—and avoided the pain and cost of transforming its IT systems.

All insurers should already be moving towards 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 phase, they develop an integrated multi-channel architecture. Analytics make 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.

The final stage of the journey is the holistic, multi-channel 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 social media) to understand consumer interests and concerns better. It interacts meaningfully with them on the specific channels on which they spend the most time. Such an insurer is now able to co-create products with consumers, and to identify (and build relationships with) those consumers who influence others. Analytics help the insurer to identify and assess prospects in real time—and offer the right product at the right time via the right channel.

And, as would be expected, holistic insurers are highly collaborative, and operate in an entirely virtual workspace.

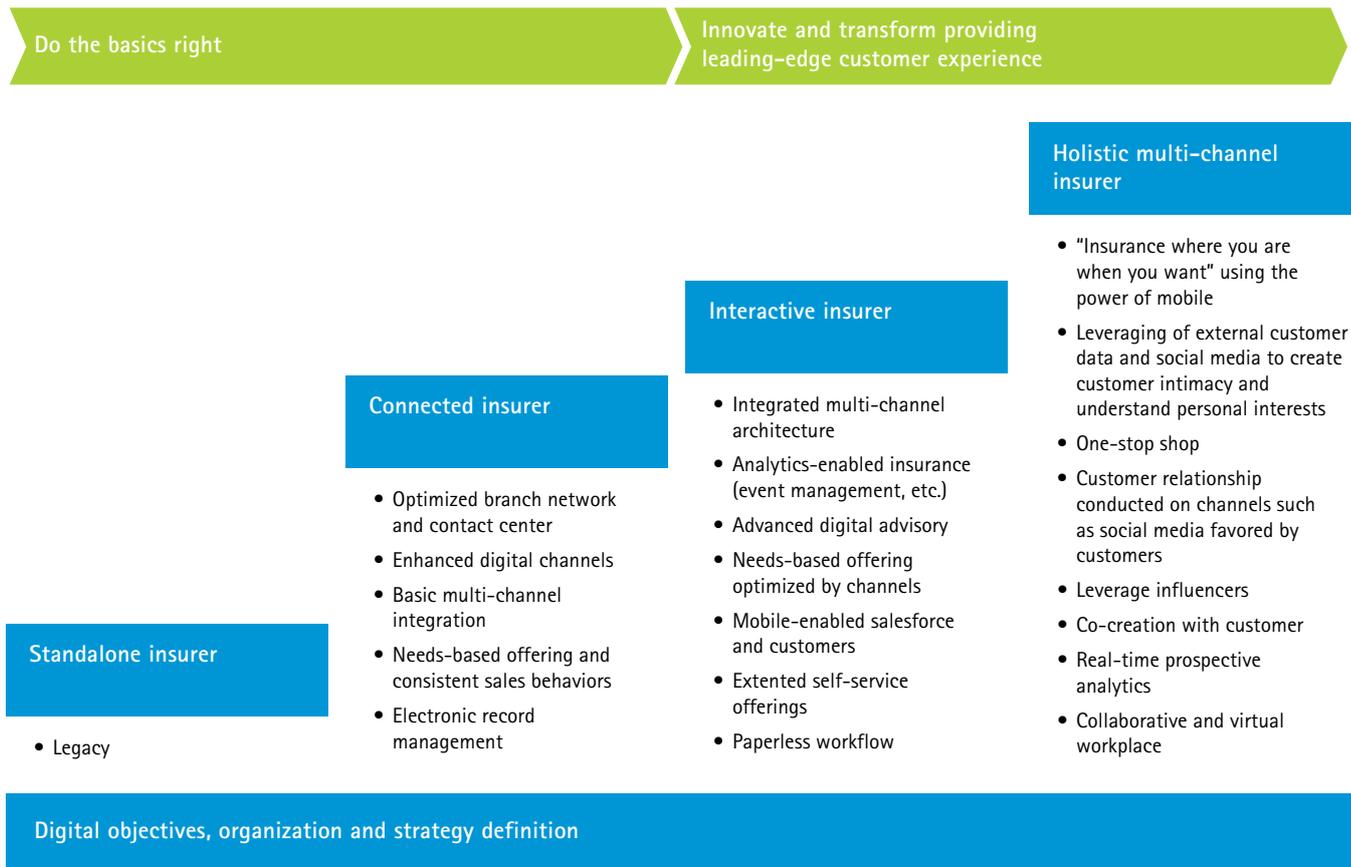


Figure 2. The road map to digital excellence is a four-step journey

This progression up the ladder of digital maturity, Accenture believes, will be most effectively powered by creating a digital center of excellence. Such a center would concentrate everything digital in one distinct organization that services all business units/lines of business. This approach would cope with the scarcity of digital skills most effectively. It would essentially act as a "shared services center" for digitization, thus delivering scalability, and promoting innovation and cross-fertilization.

By its very nature, a digital center of excellence would be a cross-business line entity in charge of coordinating and streamlining digital transformation efforts. As with other elements of digital mastery as described in this paper, insurers will typically take time to achieve a full digital center of excellence. Over time, and depending on the insurer's individual footprint, strategy and organizational profile, a single digital division could emerge to provide shared services with a separate digital lab to spur innovation. The most mature configuration would be for the digital division to set the digital strategy and provide corporate services, while reporting to corporate head office.

Such a digital center of excellence would also be able to provide effective management of the talent required for a successful journey to digital maturity.

Conclusion: The time to act is now

Consumers are moving online and recalibrating their expectations of insurers. In response, Accenture believes that becoming a Digital Insurer is an imperative for survival, and increasingly will be the foundation for achieving high performance in insurance.

While there are challenges in such a transformation, as we have pointed out, this is also a time of immense opportunity for insurers to differentiate themselves and establish leadership with a new generation of consumers.

Insurers need to understand where they fall on the continuum between traditional insurance and true digital maturity—and then to plan their journey in line with their overarching strategy. We have suggested a simple four-phased approach that focuses on getting the basics right and then advancing step by step. However, it must be stressed that this progression must be adjusted to take into account the insurer's strategy, footprint and organizational structure. By taking this phased approach, insurers can minimize disruption to their businesses, maximize their digital abilities to obtain the massive benefits of such a transformation—and ultimately 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.

About the authors

Romain Caillet is a senior manager based in Paris, France, specializing in strategy for a range of clients in the financial services industry. He has helped many leading companies develop business cases, improve operating models, and transform distribution and pricing strategies. He has also worked in several post-merger integrations.

Jean-François Gasc is the managing director of Accenture Management Consulting for Insurance across Europe and Latin America. He joined Accenture in 1985 and has focused on insurance since 1995. He is leading work at major insurance groups in France, Belgium, the Netherlands and Luxembourg, in the areas of life consolidation and transformation, health insurance consolidation and replatforming, merger and post-merger integration, industrialization for property and casualty insurers, Solvency II, and customer relationship management and multi-channel management. Gasc holds a degree from the Paris Institute of Political Studies and a Master's degree in Business Administration from HEC in Paris.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 257,000 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\$27.9 billion for the fiscal year ended August 31, 2012. Its home page is www.accenture.com.



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