

The Digital Insurer In 2015

Insurance Business Performance
Depends On Digital

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Executive Summary

Consumers have become more demanding of their digital experiences with insurance organizations, meaning that the performance of insurers' digital channels now has to meet or beat that of industries like online retailers and even banking. In addition to dealing with heightened customer expectations, insurers are under more pressure than ever, fighting new and more agile competition all while needing to keep costs in check. It's clear that digital has not just empowered insurance customers; it's emboldened them. This greater focus on customer experience and understanding customer engagement is driving insurers to seek new models and opportunities to embrace digital as a part of their business.

In January 2015, Infosys commissioned Forrester Consulting to evaluate how insurance organizations in Germany, the UK, and the US are embracing digital initiatives. Respondents were asked about their digital insurance priorities, benefits, challenges, and enablers required to capture mindshare in the insurance marketplace. In conducting in-depth surveys with 200 insurance IT and business decision-makers in Germany, the UK, and the US, Forrester found that in order to deliver on their digital promises, IT and business leaders must collaborate and align on key digital business priorities, technology enablers, and processes.

KEY FINDINGS

Based on this study of 200 insurance business and technology decision-makers in Germany, the UK, and the US, Forrester's analysis revealed the following three key findings:

- › **Digital insurance laggards risk being left behind.** In the age of the customer, insurers have to ensure that digital customer interactions meet customer expectations. Surprisingly then, over half of those surveyed indicated that creating unified experiences for their customers is not a critical priority for their firms in 2015. Digital insurance laggards are missing out on leveraging digital innovations to more closely engage with customers and ultimately drive business outcomes.
- › **Insurance IT organizations will be in the digital hot seat.** It's not enough to have a vision for digital; insurance firms have to execute their digital visions if they have any hope of achieving their business goals. Nearly three-

quarters of the business and IT decision-makers surveyed indicated that their IT teams would be leading digital initiatives for their firms.

- › **Fundamental structural problems threaten insurer digital success.** Even though many insurers have big digital ambitions, there are structural issues fundamental to the insurance industry that could impede digital transformation. One in five respondents mentioned competing business priorities, while another 55% mentioned past stumbles when it came to executing digital marketing projects.

Effective Digital Strategies Drive Insurer Business Growth In 2015

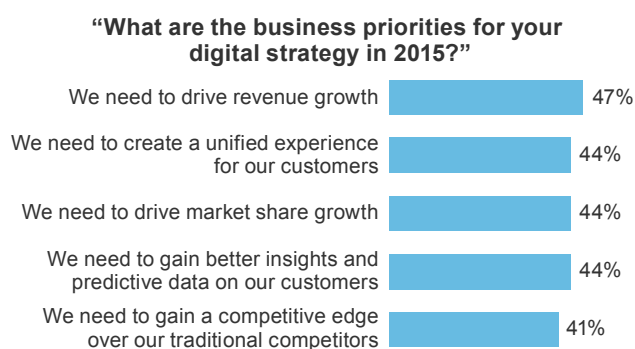
In today's business ecosystem, customers are in the driver's seat. They are increasingly empowered as they become more connected. The focal challenge for insurance organizations today, which is key to commercial success, is to ensure that all interactions across all digital touchpoints with their customers meet the user experience that they expect to have.

Not surprisingly then, IT and business decision-makers are recognizing this imperative. Forty-four percent of insurance organizations surveyed highlighted that creating a unified experience for their customers is a key business priority for their digital strategy (see Figure 1). A similar percentage also highlighted that they are leveraging their digital strategy to drive growth (47%) and market share (44%) in 2015.

It is clear that insurers need to gain a competitive edge over their competitors from investments. In fact, 41% of insurers surveyed highlighted that digital initiatives will lead to gaining a competitive edge. Further, respondents were asked about how digital has an impact on the cost of operations today and in one year from now. Fifty percent of respondents highlighted that digital decreases their cost of operations by 1% to 5% today.

FIGURE 1

Growth And Consistent Experience Top Priorities For Digital In 2015



Base: 200 IT and business decision-makers at insurance organizations with more than 500 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, January 2015

For UK and German insurers, leveraging digital to drive revenue growth was a higher priority (56% and 52%, respectively) compared with their US counterparts (only 41%).

LEVERAGING DIGITAL TO DELIVER CUSTOMER EXPERIENCE IS KEY TO SUCCESS

Survey respondents also shared a number of different insights on how digital can influence customer experience (see Figure 2). Digital allows organizations to:

- › **Deliver omnichannel experience.** Insurance customers are no longer satisfied with fragmented, pieced-together, hit-or-miss digital experiences. They expect an omnichannel experience where they can view information, analyze activities, see account history, and make claims across all channels. Over 30% of respondents to our survey highlighted that digital can help them engage with customers across omnichannel touchpoints.

For UK insurers, delivering omnichannel experience is important, with 38% of respondents identifying this as a key digital enabler.

- › **Improve personalization.** To further delight customers and further distinguish themselves in the marketplace, insurance organizations recognize that tailoring different packages/options to each individual becomes critical to their long-term success. Thirty-four percent of respondents are leveraging digital to improve personalization for their customers.
- › **Streamline business processes.** Insurance organizations recognize that digital can help optimize the speed in which different transactions are processed, with 35% currently using digital to enhance their straight-through processing (STP) capabilities.

FIGURE 2

Efficient Processing And Personalization Influences The Customer Experience



Base: 200 IT and business decision-makers at insurance organizations with more than 500 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, January 2015

NON-LIFE AND LIFE INSURANCE FIRMS HIGHLIGHT DIFFERING DIGITAL PRIORITIES

Non-life and life insurance firms exhibit very different characteristics in how they interact with customers digitally. Given the savings and wealth management aspects of their product, life insurers typically establish longer-term engagements with customers and interact with them periodically throughout the year and through the lifetime of their policy. For non-life insurers, their interactions with customers are very different, sometimes lasting only a single year with only a single interaction at the time of purchase. Non-life insurers' other touchpoints are limited to paying a premium and, even less frequently, handling a claim, either via digital or traditional channels. These distinctions mean that each focus demands different digital initiatives (see Figure 3). Highlighting the biggest gaps in digital priorities between both groups reveals:

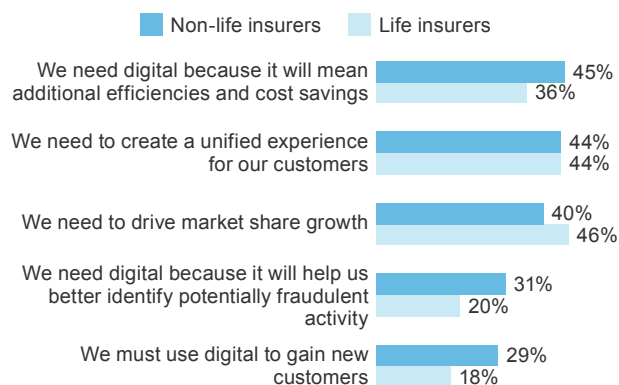
- **Non-life insurers are focused on new customer acquisition and fraud prevention.** Compared with life insurers, non-life insurance organizations are more likely to focus their digital priorities on better identifying potentially fraudulent activities (31% versus 20% for life insurers). In addition, non-life insurers understand that digital can play a significant role in helping to gain new customers and drive down costs to compete in an already crowded market.

- **Both life and non-life insurers are focused on unifying experiences and driving revenue growth.** Life and non-life insurance organizations' priorities remain the same as they focus more on helping create a unified customer experience as the customer monitors how savings and investments are growing, driving market share and reducing costs.

FIGURE 3

Non-Life And Life Insurers Exhibit Different Digital Priorities

“Please select the following business priorities for your digital strategy in 2015.”



Base: 200 IT and business decision-makers at insurance organizations with more than 500 employees

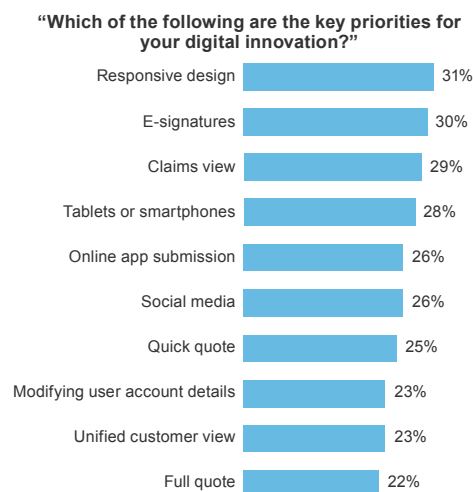
Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, January 2015

Disruptive Technologies Improve Insurer Financial Performance

Digital innovations will have a significant impact on driving positive business and financial outcomes. Most insurers are focusing their digital innovations on using responsive design, leveraging e-signatures, improving the claims view, and building tablet and smartphone capabilities (see Figure 4). To explore the role of digital technology in insurance digital business transformation and innovation, respondents were asked which disruption will have the most significant positive financial impact on different insurance processes. The results revealed that business and technology decision-makers at large insurance organizations see the Internet of Things (IoT), digital marketing, and big data having a significant financial impact on their organization (see Figure 5):

- Big data.** Insurance organizations identified big data as having an impact on nearly all insurance processes, from new business to policy management. In particular, 29% of IT and business decision-makers identified big data as having a positive financial impact through improved underwriting at their organization. Leveraging big data and analytics techniques across all insurance processes allows information to be updated and assessed in real time to address rate evasion (or “premium leakage”).
- Internet of Things.** IoT solutions leverage a combination of capabilities, including communication capabilities, RFID sensors, GPS chips, and smart cards to collect and transfer data on the condition of physical assets or people to enhance business processes or partner, supplier, or customer interactions. Over 20% of insurance organizations see IoT as having a significant positive financial impact on bill payment, policy management, and distribution/agent management.
- Digital marketing.** Over a quarter of respondents also highlighted that digital marketing will have a significant positive impact on capturing new business at their organization. Insurance firms are leveraging digital marketing to drive personalization, improve claims support, and deliver services add-ons.

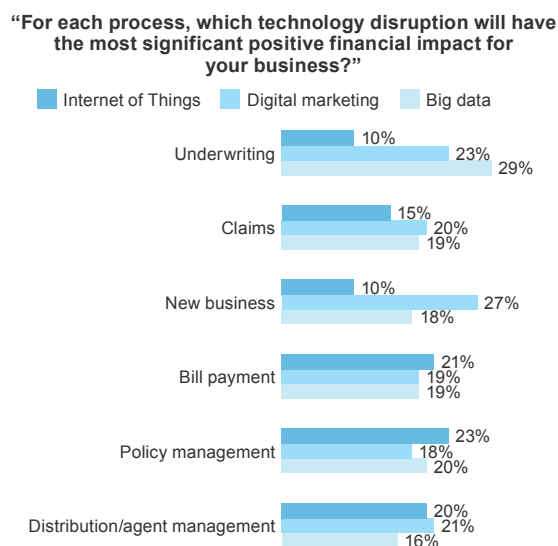
FIGURE 4
Digital Innovation Priorities Span Many Areas



Base: 200 IT and business decision-makers at insurance organizations with more than 500 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, January 2015

FIGURE 5
IoT, Big Data, And Digital Marketing Tech Have A Significant Positive Financial Impact



Base: 200 IT and business decision-makers at insurance organizations with more than 500 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, January 2015

Insurance IT Organizations Will Lead Insurance Digital Transformation Initiatives

Navigating the organization through a digital transformation will be challenging. Because of the technology intensity and core system integration implications, insurance firms are leaning on their IT departments to play a central role in helping the organization execute the digital program (see Figure 6). Over 70% of both business and IT decision-makers surveyed identified the IT department as the primary department that is leading digital initiatives at their organizations, with the marketing function playing a secondary role. Respondents were also asked to share their level of agreement with a number of statements related to their digital strategy. Their responses revealed that insurance organizations are (see Figure 7):

› Aligning digital strategy to staffing/resource needs.

Eighty percent of respondents agreed or strongly agreed that their digital strategy is supported by a well-defined staffing and/or services partner strategy. Understanding and inventorying the expanse of skills needed is critical and helps identify gaps that insurance IT organizations need to fill. They can fill these gaps either through direct hires or by engaging digital partners to meet immediate needs and conduct the knowledge transfer needed for ongoing operation and enhancement.

› Tying digital strategy to overall IT strategy.

Similarly, 76% of respondents agreed or strongly agreed that their digital strategy is tightly aligned with their IT capabilities, resources, and strategy. What's behind this confidence? The heavy technology component of most digital initiatives demands the systems and domain expertise that IT organizations are presumed to possess.

› Seeing digital initiatives as being well supported by executives.

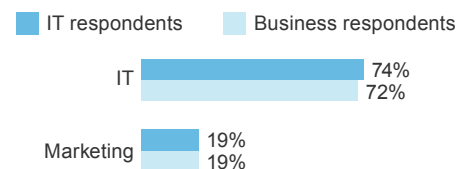
Most organizations also agreed that their digital strategy has significant executive buy-in/sponsorship, which is an essential success factor in any digital strategy. Nearly three-quarters of respondents said that their digital strategy is understood and supported by their CEO. A further 69% also agreed that their digital strategy is aligned with their eCommerce strategy. But digitally savvy senior managers are not the norm. Those open to learning will need advice and guidance on how to embed digital touchpoints throughout the customer life cycle.

› **Understanding the digital partner ecosystem.** Seventy percent of respondents also indicated that they have a good grasp of emerging digital technology firms and providers. Understanding their potential partner ecosystem is critical for insurers, as few insurers have all the internal resources needed to fully deliver their digital strategy requirement.

FIGURE 6

IT Departments Unequivocally Lead The Digital Initiatives At Firms

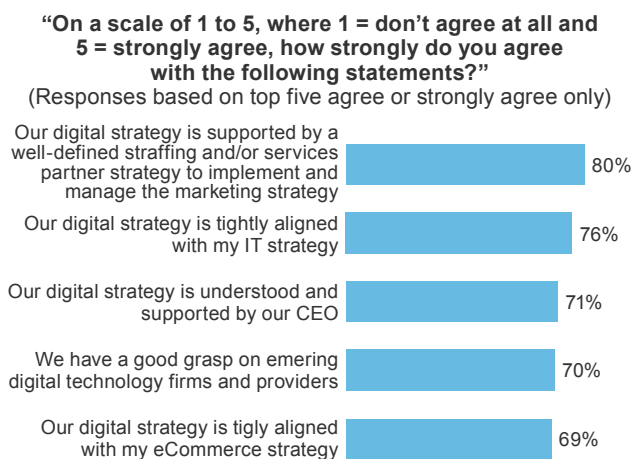
“Of the following list, which one department in your organization is leading the digital initiatives in your organization?”



Base: 200 IT and business decision-makers at insurance organizations with more than 500 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, January 2015

FIGURE 7
Digital Strategies Are Well Supported and Defined



Base: 200 IT and business decision-makers at insurance organizations with more than 500 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, January 2015

Fundamental And Systemic Insurance Industry Issues Threaten The Success Of Digital Initiatives

The industry’s ambition to gain competitive advantage by differentiating digital services and its confidence in having the required building blocks are clear. But the determination and self-assurance can lead to failure as insurance firms begin to execute a portfolio of very different technology initiatives under the digital strategy. These include:

- › **Organizational challenges.** Over half of the respondents agreed that their organization lacks the structure, skills, and partnerships needed to maximize the value of existing digital technology. Nineteen percent of insurers said that they are unable to effectively leverage their digital technology because business priorities lie elsewhere (see Figure 8). A further 24% of respondents stated that their organization does not have the right skills required to make effective use of their digital technology.
- › **Technology misalignment.** Also, 63% of respondents agreed that their digital technology portfolio is the result of an as-needed/ad hoc procurement approach. When asked specifically about the challenges, 16% of

respondents also highlighted the diverse technology ecosystem as being the single most important factor preventing them from being more effective with their digital technology.

- › **Poor digital execution in the past.** Respondents were asked about the challenges/obstacles they face when delivering high-quality digital marketing initiatives (see Figure 9). Fifty-two percent of surveyed insurers highlighted that poor execution of past digital projects has affected their team’s credibility.
- › **Failure to implement a digital innovation framework.** Exactly 50% of respondents indicated that a missing digital innovation strategy hinders their ability to deliver the types of high-quality digital marketing initiatives that drive new business growth. Digital strategies fail when firms can’t understand evolving customer expectations or outline clear business objectives.
- › **Weak analytics and business intelligence infrastructure.** The success of ongoing digital initiatives depends on having a systematic way to make decisions and prove to others that those decisions are right. When exploring the challenges and obstacles that organizations face around leveraging digital for customer portals, 60% of insurers highlighted that they are hampered by poor-quality customer insights, meaning that some insurers could be making wrong choices about their digital investments.

Nineteen percent of German insurers identified a lack of skills as hindering the effectiveness of their digital technology versus only 16% of US and UK insurers.

FIGURE 8
Primary Challenges And Obstacles In Making Digital Effective

“What is the primary factor preventing you from being more effective with your digital technology?”



Base: 200 IT and business decision-makers at insurance organizations with more than 500 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, January 2015

FIGURE 9
Digital Marketing Is Hindered By Poor Execution In Past Digital Projects

“For digital marketing, what are the challenges or obstacle in delivering high-quality digital initiatives?”



Base: 200 IT and business decision-makers at insurance organizations with more than 500 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, January 2015

Customer Expectations Will Only Increase, Demanding Ambitious Digital Planning

In the next two years, how insurers interact digitally with customers will greatly vary. To explore this further, we asked insurers about their digital priorities over the next 12 to 24 months. Insurance IT and business decision-makers will be focusing their digital initiatives on (see Figure 10):

- Customer self-service portals.** Forty-four percent of respondents identified customer self-service portals as a key area of the business that digital initiatives are focusing on in the next two years. Insurance organizations will be looking to enable greater customer experience through better digital self-service. Insurance organizations must provide instant access to much of the information that customers want to know to protect them and their loved ones.
- Partner collaboration ecosystems.** In the next two years, insurance organizations plan to forge closer collaboration with partners. Forty-one percent of organizations are looking to enhance customer value through digital ecosystem collaboration. That means delivering a great digital experience happens only in the context of a company's ecosystem of partners — agents/brokers, medical providers, and collision repair shops — all of which need to share data and services.
- Analytics.** Almost a third of respondents recognize that analytics is a key area of focus for their digital initiatives over the next two years. Insurance organizations are looking to data analytics to drive smarter decision-making by understanding how customers are interacting with them to ensure their expectations are met.

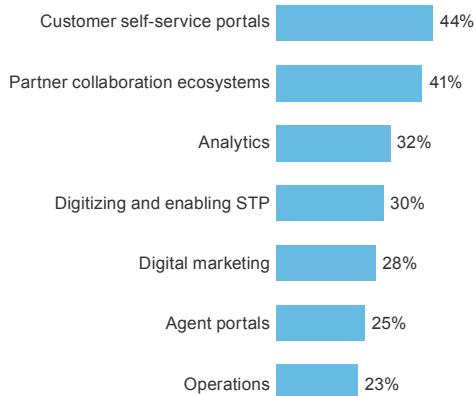
Insurers also have ambitious digital technology priorities over the next 12 to 24 months. Thirty-six percent of US insurers plan to focus their digital initiatives on big data. Over half (54%) of German insurers are focusing their digital technology investments on mobile. For UK insurers, the focus for digital technology in the next 12 to 24 months is on gamification (52%) and marketing automation (46%).

Survey participants were also asked about the insurance processes that digital initiatives are focusing on today and in the next few years (see Figure 11). Today, digital initiatives span across many different insurance processes, including life claims (68%), auto claims (63%), and commercial claims processes (62%). In the next two years, the key areas of focus will shift as insurance organizations expect digital to support underwriting processes as well as help with agency management.

Obsessing about customers and using digital technologies to deliver more compelling customer experiences at a lower cost will ensure that established insurance firms avoid being overtaken by newer insurance organizations or the “old guard.” Seventy-three percent of insurers expect that digital will reduce the cost of operations by 6 to 15% in the next 12 months and help them gain a competitive edge over their competitors’ investments. Insurance firms are embracing digital innovation as the natural antidote to digital disruption.

FIGURE 10
Customer Self-Service Portals, Collaboration Ecosystems, And Analytics Will Be Key Focus Areas For Insurers In Two Years

“Which areas of insurance processes are your digital initiatives focusing on?”

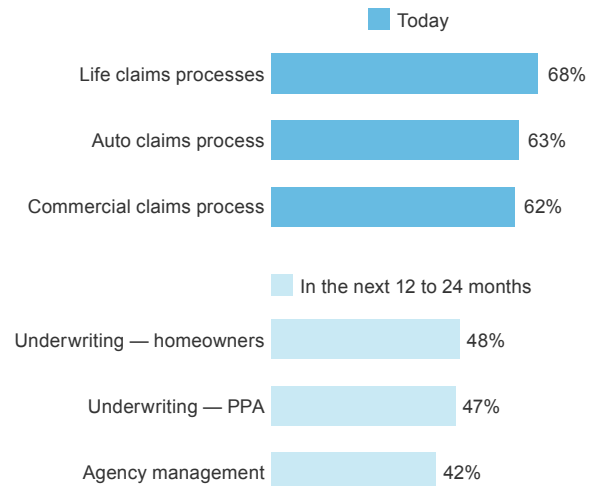


Base: 200 IT and business decision-makers at insurance organizations with more than 500 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, January 2015

FIGURE 11
Digital Initiatives Span All Insurance Processes

“Which areas of insurance processes are your digital initiatives focusing on?”



Base: 200 IT and business decision-makers at insurance organizations with more than 500 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, January 2015

Key Recommendations

Insurance organizations would be well served to grow their digital capability investments that drive better customer and agent experience by adopting customer-centric technology, organizational, and process changes. The cost of not doing so will be painful for those insurers that refuse to adapt, especially as the competitive landscape expands to include new distributors and disruptors. To succeed, insurance companies must:

- › **Forge cross-company relationships to develop and support the digital agenda.** Insurers should establish cross-functional teams to identify, develop, evaluate, and prioritize the most relevant digital touchpoints across different business processes at their organizations. The group should consider how digital can further enhance the firms' unique value proposition and competitive advantage and satisfy a customer's need across all touchpoints with the organization.
- › **Leverage big data to create high-value contextual experiences.** To meet rising customer expectations, insurance business and technology decision-makers must deliver smarter, more customer-centric interactions. Going well beyond what pre-fill and third-party data sources can deliver, these digital experiences will be contextualized: tailored for each customer, adapted to their particular situation, and predictive of their behavior. But accomplishing this won't be easy for insurers that lack the data resources and analytical expertise. To be competitive, insurers need to invest in building their own data science organizations, or at least engage consulting firms with frameworks to help organizations understand how data management capabilities map out to organizational resources.
- › **Selectively outsource to accelerate the speed of digital time-to-value.** Digital touches all parts of the business and technology landscape. But as important as digital is, programming new code or developing a new user interface aren't the only things that the insurance IT organization has to do. Many insurance organizations are balancing the demands placed on their IT shops to keep the lights on while transforming the business by seeking assistance from smart digital technology consultants and integrators to help them with this transformation. Insurers should pick the partner that has the right domain, digital expertise, geographical coverage, partner ecosystems, and thought leadership to help them digitally future-proof the organization.

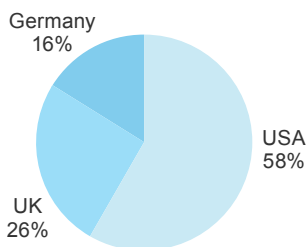
Appendix A: Methodology

In this study, Forrester conducted an online survey of 200 senior IT and business decision-makers in the insurance sector at organizations with more than \$500 million in revenue. Questions provided to the participants asked about how insurers are adopting digital, what the pain points are, their digital priorities, and what types of digital innovations insurance firms are spending their budget on. The study was completed in March 2015.

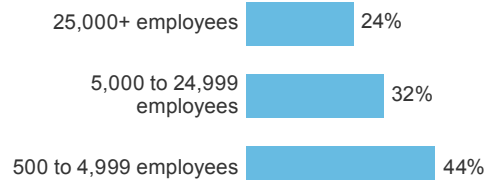
Appendix B: Demographics

FIGURE 12
SURVEY Demographics: Location And Department

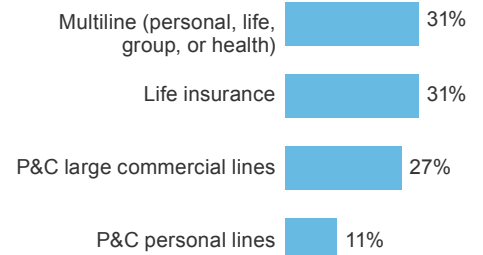
“In which country do you work?”



“Using your best estimate, how many employees work for your firm/organization worldwide?”



“Which of the following insurance lines is the primary contributor to your organization’s revenue?”



Base: 200 IT and business decision-makers at insurance organizations with more than 500 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, January 2015