The Digital Insurer

Double the profits: How high-performance insurers can create business value from digital transformation
Digital transformation offers insurers in mature markets the opportunity to increase their profits by up to 100 percent. Recent Accenture research identifies the levers and quantifies the opportunities for generating value that have emerged for high-performance digital insurers. We also plot a road map to help insurers navigate in the digital era and realize the maximum benefits from their transformation efforts.

Most insurers know that they have to embark on a journey to leverage the benefits of digital technologies. They must do so to become more customer-centric in response to changing consumer behaviors and to fight off new competitors from outside the industry. They also understand that these new digital technologies are opening up new ways of doing business for true “digital insurers.”

However, insurers are still unsure what the real potential impact on their bottom lines will be. Without that knowledge, creating a strong business case and establishing a road map to digital value creation remains elusive. In fact, the opportunities to be realized by using digital technologies can remain theoretical because insurers lack this clear link between the investment required for digital transformation and the bottom-line benefits. This is often worse when digital projects lack strategic coherence, and remain partial or technology-intensive. In order to be truly effective, digital transformation needs to go deeper, creating new business and operating models that take advantage of the new possibilities that digital technology opens up to generate tangible value.

In short, insurers need to move from using digital technologies to enhance existing ways of doing things to transforming their very business models to create long-term value and sustainability.

Accenture’s insurance practice in Europe set out to establish this link between digital transformation and the bottom line by providing answers to these key questions:

- What are the value levers that digital transformation will allow insurers to access?
- What is the potential upside from investment in each lever? How will insurers develop their digital strategy and road map to capture this value without losing ground on their traditional business and overall strategy?

In fact: **What is the potential value to be obtained from becoming a high-performance digital insurer?**

Working closely with Accenture Research and our insurance digital teams, we identified the precise value levers that digital transformation can activate on the revenue side as well as the cost side, linking the operational key performance indicators that digital technologies affect. Because the insurance business has local specificities and different starting points in terms of digitalization, we conducted our analysis in the five largest European insurance markets: France, the United Kingdom, Spain, Italy and Germany. (See the sidebar for more information on our methodology.)

**Our methodology**

Our approach is based on a digital value tree model that links operational key performance indicators (KPIs) to financial indicators. For example, this entailed translating “cross-selling improvement” into “new gross written premiums,” and ultimately bottom-line impact, taking into account cost ratios.

In order to evaluate the impact of digital technologies on operational KPIs with confidence, we used the actual value delivered on real projects at our clients, cross-checking these figures country by country. We also incorporated the results of our latest surveys to assess the extent and potential impact of digital distribution development in the coming three years (direct underwriting as well as quotes initiated digitally but converted at the point of sale). We built a model based on our digital value tree that computed the value to be captured by digital technologies (new premiums or cost reduction). For the sake of simplicity the figures presented here are for property and casualty insurance, but we have done a similar analysis for life insurance. The model uses KPIs derived from the current situation (quantified with public studies of local markets, like insurers’ association key figures) and potential achievable targets from typical digital-transformation projects, based on experience. Each of these KPIs is country-specific to account for differences in market practices and level of digitalization.

In the interests of keeping the model as simple as possible, we did not take into account the investment needed to implement each of the value levers. Of course, the model can be adapted to individual client situations.
Putting a value on digital transformation

The value levers may be grouped into two broad categories: those that increase sales and revenue, and those that improve profit. Let’s look at each in turn.

Digital transformation can help increase sales and revenue by as much as 10 to 15 percent, derived from the combination of all drivers (Table 1). Fully digital online sales can increase premiums by 2 percent to 3 percent, but the most important levers are cross-channel conversion rates and cross- or up-selling from traditional channels (branch and call centers) that represent most of the sales volume.

Of course, in the United Kingdom, where online digital distribution is much more advanced, digital sales alone can make an impact of more than 10 percent, far in excess of the average 2 to 3 percent noted above.

How is this achievable?

When it comes to digital sales, a beneficial compound effect is created by the following initiatives to increase customer focus:

- Leveraging technology to allow the insurer to be present at the “moment of truth” when a customer experiences a need.
- Optimizing the dynamic sales process, particularly by using the call center to convert digital sales leads.

Traditional channels will benefit from the better capture of online quotes, as well as analytics tools that will increase conversion and cross-sell rates by means of leading-edge scoring techniques. New mobile tools will also increase the productivity and effectiveness of sales forces by allowing them to access this new intelligence in real time, during the sales process.

Table 1: Digital levers to increase sales

For more detailed information and key performance indicators (KPIs) for other countries, please contact one of the executives listed at the end of this document.

<table>
<thead>
<tr>
<th>Lever</th>
<th>Examples of initiatives</th>
<th>Examples of target KPIs for France</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital sales</td>
<td>• Optimizing sales process: search-engine visibility</td>
<td>+10 percentage points of additional online sales</td>
</tr>
<tr>
<td></td>
<td>• Social media: monitoring company image and proactive responses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Online sales optimization: multi-variant testing, analysis of online journey</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Multi-channel customer experience: Internet, mobile and call center. Design a 360° view of the customer in real time</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Sales and aftersales services online, enrich online relationship with the customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Digital product and service offering</td>
<td></td>
</tr>
<tr>
<td>Traditional sales Lead increase</td>
<td>• Online-channels design to generate leads</td>
<td>+15 percentage points of additional online quotes/requests</td>
</tr>
<tr>
<td></td>
<td>• Targeting customers and prospects: static and predictive scoring</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Industrialized approach reducing response time for digital quotes</td>
<td></td>
</tr>
<tr>
<td>Traditional sales Cross sell</td>
<td>• “Next product to buy”</td>
<td>+10 percentage points increase in number of quotes per sales interview</td>
</tr>
<tr>
<td></td>
<td>• Needs-based diagnostic tool</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Sales-efficiency tool delivering improved sales methodology</td>
<td></td>
</tr>
<tr>
<td>Traditional sales Conversion</td>
<td>• “One-stop shop”: digital signature at the point of sale</td>
<td>+5 percentage points of conversion rate</td>
</tr>
<tr>
<td></td>
<td>• Better sales preparation using artificial intelligence</td>
<td></td>
</tr>
<tr>
<td>New company and offerings</td>
<td>• Launch of digitally enabled direct sales models with their own dedicated brands or a variation of the current branding</td>
<td>150,000 policies in three years (examples in Western Europe)</td>
</tr>
<tr>
<td></td>
<td>• Development of connected offerings leveraging telematics, domotics (home automation and services), wearable devices and, ultimately, the full potential of Internet of Things</td>
<td>Major opportunity to differentiate products and services*</td>
</tr>
</tbody>
</table>

*Although we believe that the growing market for connected insurance (vehicle telematics, the connected home and so on) will be a key differentiator and sales driver, we did not factor it into our revenue-generation hypothesis as it is in its infancy in Europe. Consequently, we felt we had neither the data nor experience to make credible estimates.*
When it comes to direct profit improvement, the range of improvement is in the region of 4 to 7 percentage points in the combined ratio, again driven by several value levers (Table 2). This represents an incredible potential source of profitability given the current margin in the industry (currently somewhere in the high single-digit/low double-digit range), demonstrating that one of the main benefits of digital transformation is cost leadership.

Among the most significant levers are cost effectiveness based on the ability to select the right customers and risks, the reduction of fraud and the improvement of retention ratios and pricing. These can be achieved, for example, by leveraging new techniques for predictive data analysis, leveraging open digital data, as well as process digitization from paperless underwriting and straight-through processing to after-sales automation and digital customer service.

When these percentages are applied to our calculations of the combined ratios and then to the absolute figures in euros, it becomes apparent that insurers could potentially double their actual profits. In the United Kingdom, this figure could even be bigger, given the larger volume of current online sales.

The potential to enhance bottom-line performance to this extent in mature markets is highly significant. Although these markets are highly competitive, we can foresee that the mastery of digital strategy and technology is going to be vital in becoming a high-performance insurer in the coming years. The potential for new sales and services is real, but there is more than this. Increased profitability in these established markets can still be achieved.

**Table 2: Digital levers to increase profits**

For more detailed information and key performance indicators (KPIs) for other countries, please contact one of the executives listed at the end of this document.

<table>
<thead>
<tr>
<th>Lever</th>
<th>Examples of initiatives</th>
<th>Examples of target KPIs for France</th>
</tr>
</thead>
</table>
| Select risks/detect fraud  | • Precise segmentation of prospects: making best use of external data plus data on consumer behavior on every channel (including telematics)  
                             • Real-time analysis of contracts at risk and predictive analysis of when claims occur during underwriting process | 1 percentage point of loss ratio                         |
| Improve commercial pricing and promotion | • Manage promotions based on success rate and customer value  
                                              • Integrate a large volume of external data in pricing criteria  
                                              • Adapt online pricing in real time based on competitors' best offer | 0.5 to 1 percentage point of loss ratio                   |
| Improve retention and loyalty | • Multi-channel capability to fight churn  
                                       • Use of predictive churn scores based on customer events | 15 percent reduction in churn rate                         |
| Enhance customer channels and commissions | • Salesforce commissioning revamp based on channel of origin  
                                                 • Customer routing to the appropriate channel based on preferences and value | 0 percent commission for full online business  
                                                                                                        | Up to 50 percent reduction in commission for Internet quotes routed to agents |
| Implement self-service     | • Move most time-consuming operations out of agencies/branches  
                             • Monitor claims status online | 2 percent reduction in acquisition expenses  
                                                                                                        | 5 percent reduction in administrative expenses             |
| Digitize processes         | • Review processes to automate administrative tasks burdening salesforce  
                             • Implement digital straight-through processing  
                             • Automate processes and make them paperless; implement collaborative tools with support functions | 10 percent reduction in administrative expenses         |
| Make costs variable        | • Identify IT functions to be obtained as a service via the cloud, thus linking cost to usage (variable costs) | 10 percent reduction in IT expenses                      |
It is apparent that insurers could potentially double their actual profits. In the United Kingdom, this figure could even be bigger, given the larger volume of current online sales.
How to get there: A road map to becoming a high-performance digital insurer

Having identified the value levers and quantified each one’s potential for improving financial performance (Figure 1), Accenture’s European insurance practice set out to create the road map toward digital maturity and the capture of the maximum spread of this value consistent with individual strategies.

Of course, insurers are already putting money into transformation programs. The 2013 Accenture Digital Insurance Survey: Europe, Latin America and Africa showed that 78 percent of respondents are planning to increase their investments in digitizing their sales and distribution functions over the next three years—a budgetary commitment of €30 million ($40.6 million) for P&C insurers, €21 million ($28.4 million) for life insurers, and a very significant €51 million ($69 million) for multi-line insurers.

However, the research also shows that most do not have a holistic digital transformation strategy covering the entire value chain. We believe that this paper will provide much of the vital missing information they need to develop such a strategy.

Figure 1. New value levers in sales and profitability enabled by digital transformation

- **Increase sales**
  - Generate new digital sales
    - Win new customers
    - Optimize sales funnel
    - Develop additional offers and services
  - Increase sales from traditional channels
    - New leads from digital channels
    - Cross-selling/upselling
    - Increase cross-channel conversion rate
  - Create new structure or offering
    - New brand
    - Variant of the current brand

- **Improve profit**
  - Increase gross margin
    - Select customers/risks and reduce fraud
    - Improve pricing/promotion/product yields
    - Develop loyalty/retain customers
  - Lower costs
    - Optimize channel to serve customers and reduce distributors’ commissions
    - Promote self-service
    - Digitize end-to-end processes
    - Change to a more variable cost structure (cloud and software as a service)
Becoming a high-performance digital insurer: Some guiding principles

Facing digital disruption, companies need to rethink their strategies to become truly digital insurers. Digital transformation is more than investing in digital technologies, building a sound business case and defining a road map.

It also needs to be powered by a strategy that truly leverages digital opportunities, one that will position digital initiatives and investments as part of a broad understanding of a competitive landscape in constant flux. Digital transformation also demands new organizational capabilities.

In short, becoming a digital insurer goes deeper than simply digitizing current practices to redefining the fundamentals of customer experience, products, services, operations or the economic model.

Accenture does not believe that the journey toward becoming a digital insurer has to follow a pre-determined course. However, based on our experience, we strongly believe that insurance companies should apply the following four guiding principles in order to develop their unique transformation strategy to become high-performance digital insurers.

Guiding principle #1: Get the basics right.

Key capabilities are required in the insurance industry today, and every insurer will need to master them in order to meet growing customer expectations. These capabilities are shown in Figure 2, and will mean that all distribution channels will have to be aligned with these new capabilities. They constitute the bare minimum for any company to operate in today’s markets; however, they are also very often key elements of long-term and far-reaching digital-transformation strategies.

Figure 2. Phase One of the digital journey: Getting the basics right

<table>
<thead>
<tr>
<th>Digital objectives</th>
<th>Basic level to reach</th>
<th>Typical capabilities to build</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-channel excellence</td>
<td>Optimize your existing channels&lt;br&gt;Enable some level of interactivity</td>
<td>• Online quotes with call-back from contact centers&lt;br&gt;• Clarify scope of contact centers and branches&lt;br&gt;• Enforce monitoring and standards</td>
</tr>
<tr>
<td>Customer orientation and personalization</td>
<td>Be customer-centric</td>
<td>• 360° view of the customer&lt;br&gt;• Single login per customer for all product lines&lt;br&gt;• Standard segmentation information taking all products into account</td>
</tr>
<tr>
<td>Operational simplicity</td>
<td>Simplify some key processes and reduce number of paper documents</td>
<td>• Self-service for most time-consuming operations with low sales potential&lt;br&gt;• Provide electronic record management</td>
</tr>
<tr>
<td>Agility and superior execution</td>
<td>Implement limited quick-reaction digital capability to support your agenda</td>
<td>• Project team to drive the agenda&lt;br&gt;• Foundations of a common digital framework covering all markets and product lines</td>
</tr>
</tbody>
</table>
Guiding principle #2: Define a clear strategy and business model.

While getting the basics right, the insurer must firmly establish where it wants to go. This implies taking the measure of the disruption introduced to the market by game-changing technologies in social media, mobility, analytics and cloud computing. We believe the disruptions to the value chain caused by customers’ expectation for an omni-channel user experience and by the rapidly spreading Internet of Things (including connected insurance, telematics and wearable devices) also have to be factored in.

Our experience and observations lead us to believe that there are four typical digital models or digital archetypes (see Figure 3). The model chosen will depend on where the company chooses to position itself on the two axes of strategic orientation (is the company focused on growth or on maximizing the profitability of existing customers?) and the type of customer relationship to which it aspires.

As part of the process of analyzing which digital model or archetype suits the company’s overall business strategy, it is important to review the value levers relating to each initiative and evaluate the value to be obtained from each. Because there may be resistance to digital transformation within the company, Accenture recommends focusing on demonstrating value that can be attained realistically. In addition, partial value can be achieved as a specific project unfolds—the full tally of value levers plus the value associated with each may be found in Table 3 for each country that we analyzed.

Equally important is a frank and full operational assessment of the company’s digital maturity and capabilities. No company is able to do everything, so it’s critical to build up a detailed picture of the value chain and determine which state of digitalization the company needs to achieve in each component to identify capabilities to build.

It’s perhaps also worth noting that these models are not watertight. For example, in the hybrid model, the existing customer base could in fact be moved onto the tailor-made model while the new business fits more into the online model.

Figure 3. Phase Two of the digital journey: Define the strategy and choose the business model

<table>
<thead>
<tr>
<th>Growth- and sales-oriented strategy</th>
<th>Profitability- and retention-improvement strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hybrid</strong></td>
<td><strong>Channel enabler</strong></td>
</tr>
<tr>
<td>Create a separate, parallel digital business with its own customer offers, while leaving the existing business largely untouched</td>
<td>Enhance the performance of branch sales force through digital tools</td>
</tr>
<tr>
<td><strong>Online</strong></td>
<td><strong>Tailor-made</strong></td>
</tr>
<tr>
<td>Shift progressively to a less labor-intensive model, repositioning branches to service certain segments like SME or high-end segments</td>
<td>Build competitive differentiation by offering digital products and services personalized for each client</td>
</tr>
</tbody>
</table>

Note: These models apply to a traditional player, and exclude pure-play Internet firms

<table>
<thead>
<tr>
<th>Area</th>
<th>Lever</th>
<th>Impact item</th>
<th>France</th>
<th>Italy</th>
<th>Spain</th>
<th>Germany</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase sales:</strong> Generate new digital sales</td>
<td>Win new customers</td>
<td>Volume</td>
<td>1.4%</td>
<td>0.8%</td>
<td>1.1%</td>
<td>0.8%</td>
<td>4.1%</td>
</tr>
<tr>
<td></td>
<td>Optimize sales funnel</td>
<td>Volume</td>
<td>1.1%</td>
<td>0.6%</td>
<td>1.1%</td>
<td>0.6%</td>
<td>1.6%</td>
</tr>
<tr>
<td></td>
<td>Develop additional offers and services</td>
<td>Volume</td>
<td>0.3%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.6%</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>Increase sales:</strong> Increase sales from digital space</td>
<td>New leads from digital space</td>
<td>Volume</td>
<td>0.5%</td>
<td>0.4%</td>
<td>0.1%</td>
<td>1.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td></td>
<td>Cross selling/upselling</td>
<td>Volume</td>
<td>2.3%</td>
<td>2.3%</td>
<td>3.3%</td>
<td>5.4%</td>
<td>2.1%</td>
</tr>
<tr>
<td></td>
<td>Increase cross-channel conversion rate</td>
<td>Volume</td>
<td>4.7%</td>
<td>4.7%</td>
<td>3.7%</td>
<td>3.4%</td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>Improve profit:</strong> Increase gross margin</td>
<td>Select clients/risks and reduce fraud</td>
<td>Profit (claims costs)</td>
<td>1.0%</td>
<td>1.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td></td>
<td>Improve pricing – promotion – product yields</td>
<td>Profit (pricing)</td>
<td>0.5%</td>
<td>0.5%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>0.5%</td>
</tr>
<tr>
<td></td>
<td>Develop loyalty/retain customers</td>
<td>Profit (avoidance of acquisition costs)</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>1.1%</td>
</tr>
<tr>
<td><strong>Improve profit:</strong> Lower costs</td>
<td>Optimize channel to serve customers and reduce distributors’ commissions</td>
<td>Profit (reduction of acquisition costs)</td>
<td>0.6%</td>
<td>0.8%</td>
<td>0.5%</td>
<td>0.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td></td>
<td>Promote self-care</td>
<td>Profit (acquisition costs)</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td></td>
<td>Promote self-care</td>
<td>Profit (administration costs)</td>
<td>0.4%</td>
<td>0.1%</td>
<td>0.4%</td>
<td>0.8%</td>
<td>0.4%</td>
</tr>
<tr>
<td></td>
<td>Digitize end-to-end processes</td>
<td>Profit (administration costs)</td>
<td>0.7%</td>
<td>0.7%</td>
<td>0.4%</td>
<td>1.5%</td>
<td>0.7%</td>
</tr>
<tr>
<td></td>
<td>Change to a more variable cost structure (cloud and SaaS)</td>
<td>Profit (administration costs)</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>
Four models for digital transformation

The channel-enabler model is chosen by companies with growth- and sales-oriented strategies and that wish to enhance their customer relationships with personalized products and services. This model focuses on enabling existing channels and business models by the use of digital technologies: as a result, insurers adopting this model will not realize as much value as those who focus on new digital channels and business models. Agents remain one of the key channels for insurers in Europe particularly, currently accounting for 32 percent of business, a percentage that is expected to drop only marginally to 30 percent by 2016.

Example of channel enabler: AXA equips its salesforce with state-of-the-art tablets in France
As part its digital strategy, in 2012 AXA France initiated the i-Nov project aimed at providing its employed salesforce with tablets and Salesforce.com’s cloud solution. This sales tool covers all business lines, and enables the immediate underwriting of contracts via the mobile device using digital signatures. AXA’s initiative demonstrates how mobile technologies and cloud computing can be integrated with product underwriting in a single, easy-to-use tool, thus enhancing the productivity of the salesforce.

The tailor-made model suits companies that place an emphasis on the customer relationship, and whose business strategy tends to focus on improving profitability and customer retention. Companies following this model aim at becoming true “connected insurers.” Such companies seek competitive differentiation using digital technologies to offer personalized products and services using digital technology, such as telematics.

Example of tailor-made insurer: North American financial services company takes customer-centricity to new levels
This financial services company has long been seen as a leader in using an intimate understanding of its customers to drive extraordinary business success. For example, in 2010, it placed all of its customer-facing employees into one organization to support its vision of going to market based on the customer experience, not internal organizational silos. This approach allows the company to offer products and services in a way that aligns with customer needs, not its own business processes.

One instance is a service that helps customers find the right vehicle, and then buy and insure it. The result: a year-on-year increase in auto loans of 15 percent and in vehicles sold of 23 percent.

This laser focus on the customer carries through into the way the company approaches digital transformation and uses digital channels.

The company is also using social media to empower employees by sharing information and promoting collaboration. Over the long term, pooling information gleaned from social media is helping the company to become more agile, and better able to deliver better customer experiences, expand opportunities to offer financial advice, improve productivity and drive product innovation. For example, the company is using social media to listen to, and engage with, customers, to strengthen relationships and to drive innovation. Thousands of customers review products and services, and the company is using these reviews to drive product improvements, improve website conversion, and increase interactive marketing effectiveness.

The online model is adopted by companies who are reducing the importance of existing branch networks by offering a greater range of direct, online services. Branches tend to be focused on providing niche services to certain market segments. Like the tailor-made model, this model is for companies whose business strategies are focused on customer retention and profit optimization, but who prefer a simple, uncomplicated customer relationship.

Example of online insurer: Intrasurance redefines standards in streamlining insurance operations
Intrasurance, a Dutch full-service broker and third-party administrator, as well as an example of a highly technology-intensive insurance service provider. It is achieving levels of efficiency that are much higher than the 10 percent used in our model because its business is wholly digitalized and makes maximum use of digital technology in both the front and back offices. Its services and product model are very customer-oriented. Intrasurance uses digital technology highly effectively to empower, advise and support its customers; and also to develop and distribute products based on continuing analysis of customer and competitor behavior. A necessary corollary of this fully digital model is that half of its staff are technology professionals, meaning that IT is truly a mission-critical capability.

The hybrid model attracts companies that see digital technologies as offering them the opportunity for complementing their existing business with a new digital business, effectively creating two businesses. This model suits companies with a high focus on growth and sales, but a desire for a less complex customer relationship. In the main, companies adopting this model will attempt to use digital technologies both to enable existing channels and create new ones, thus maximizing value.

Example of online insurer: Cosmos Direkt is an online life insurance success story
Germany’s largest direct insurer, Cosmos Direkt’s success is testimony to the effectiveness of a single-minded focus on the online channel—achieving growth considerably above the average for the life-insurance sector. The foundation of Cosmos Direkt’s success is razor-sharp focus on the term-life insurance market. The product is a low-value one, but it is popular in Germany, and is largely ignored by traditional insurers. Cosmos Direkt’s offering is simple—only two types of cover are available—and each is carefully explained on the site. Subscription is easy and fully online, and the company has made sure that service is excellent, with highly trained service, support and claims professionals in the call center.
Guiding principle #3: Develop and nurture a customer-first digital culture and organization.

Insurers need to pay attention to developing a new digital culture and supporting organization. Obvious drivers will be the engagement by top management in pushing the digital agenda, and the launch of a comprehensive program of change management.

One major component of the change program will be adapting the organizational structures to ensure that the company has access to the right skills in the right way. Many digital skills may be available only outside the company, but those it does possess may be spread across departments, among them marketing, recruitment and distribution. It’s thus important that the company assesses its current skills level and decides what organization and operating model will be best suited to using its scarce digital skills most effectively.

As regards organization, companies are adopting a range of models, among them:

- Digital leadership taken by a particular department with a large number of the skills. Examples would be development, marketing or sales.
- Digital leadership by the IT department.
- Digital leadership by the board or executive team.
- Digital leadership by a chief digital officer, a specialized role that is growing in prominence.

The 2013 Accenture Digital Insurance Survey: Europe, Latin America and Africa makes it clear that insurers currently lack a holistic digital transformation strategy but that the chief digital officer role is growing in importance: between 2013 and 2016, the proportion of companies with such a role will grow from 22 percent to 42 percent.

In Accenture’s experience, no clear best practice in this regard has yet emerged; probably of more importance is the definition of the proper digital operating model.

Guiding principle #4: Test and learn continuously to fine-tune all elements of the road map.

While defining the right digital value-generation model and organization is vital, digital transformation is all about agility and speed of execution. Accenture believes that the best approach includes quick wins, and the use of prototypes to support a test-and-learn approach that can then be scaled up.

Figure 4 illustrates one sequence that might be followed, but this is intended to be illustrative rather than rigidly prescriptive.

In our experience, one key component of the ability to test and learn is the creation of a digital and/or analytics center of competence, or a digital/innovation lab. The aim of such a center or lab would be to generate critical mass and synergies between the new digital competences, including social media, mobility, analytics and digital marketing.

Test-and-learn approaches apply not only to process- or customer experience-oriented innovation but also, more importantly, to new business models. Such models can be implemented via pilot/limited-scope projects, which can then be fine-tuned and expanded in line with customer feedback. Some examples of new models with which insurance companies are currently experimenting in this way include completely mobile small-ticket insurance, peer-to-peer insurance and usage-based connected insurance.

In all cases, once the quick-win projects have been undertaken and the lessons absorbed, it is critical that insurers are able to scale up the successful ones rapidly. To do this, insurers will need to establish a robust digital ecosystem that can balance the need to achieve value quickly, to develop critical capabilities and manage cultural change.

Such a digital ecosystem, it goes without saying, will itself have to be in a process of continuous change.

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**Figure 4. Phase Three of the digital journey: Create and follow a road map to high performance enabled by digital technologies**

**The Digital Business Journey**

- **Set the direction**
  - Define the strategy
  - Prepare the road map and set the pace
  - Create the value plan
  - Define business plan and associated key performance indicators

- **Quick wins**
  - Prototype strategy
  - Launch initiatives with strong market impact
  - Start digital transformation: carry out “basics” and implement selected model(s)

- **Scale**
  - Monitor value agenda
  - Transform company culture
  - Roll out digital organization
  - Deploy digital strategy

- **Ecosystem**
  - Set up global digital organization
  - Launch progressive releases
  - Engage continuous improvement
Monitoring progress on the digital journey

Digital transformation is, by its very nature, a moving target. This is therefore one journey that will endure as long as the company remains in business. In turn, adapting to constant change will require a change in thinking by insurers.

For insurers, the key will be to achieve a level of digital maturity in four important areas that underpin a resilient and agile digital business model. Accenture has developed its key offerings around these areas:

Analytics
With customers increasingly calling the shots, understanding what they want and obtaining market intelligence are critical. Analytics is also invaluable in helping insurers to understand which initiatives should be retained, amended or terminated—a vital capability given the constantly shifting customer and competitor landscape. Accenture’s patented Customer Analytic Record (CAR) approach can help insurance companies rapidly acquire customer-segmentation capabilities as it is a combination of technology and people with analytical skills.

Customer experience
Customers now demand a consistent and personalized experience across all channels; as a result, insurers must develop multi-channel capabilities informed by an operating model that is fully customer-centric. Enhanced customer analytics must be the basis for shaping responses to customer expectations in the right way.

Digital strategy and transformation
Ongoing capability in various elements of digital strategy is mandatory. Focus areas include the digitization of business processes, and creating a digital organization and culture.

Marketing and sales effectiveness
All channels need to be transformed to achieve greater effectiveness by taking advantage of digital technologies. These channels must continuously be adapted to customer expectations and behavior through in-depth analysis.

While Accenture and other companies have offerings to help them develop the capabilities they need, over the long term insurers will have to give careful thought to where they fit into the value chain. In a connected world, insurers will need to create a wider ecosystem of business partners to service customer needs, and build a data supply chain to ensure that information reaches the right people within the company at the right time. This approach will enable insurers to concentrate scarce investment funds in core areas of the value chain, where they will generate the most benefit.

Using managed services offered by third parties has many benefits for insurers. Perhaps the primary ones are the transfer of costs from the capital to the operating expenditure accounts and faster time to value. In addition, using a portfolio of managed services relieves the pressure to find skilled resources and build in-house capabilities, and effectively co-opts a specialist provider onto the insurer’s team. The ability to scale up and down, and to add or subtract new services, confers the necessary agility without distracting scarce management resources or depleting capital resources.

If, as we expect, insurance remains subject to large-scale disruption over the coming years, insurers will have their hands full in adapting their business models constantly. The ability to buy the digital capabilities they require as needed could well turn out to be a key success factor in the drive to achieve high performance.

As digitalization will continue to be a key lever of high performance for insurers, Accenture will soon launch a Digitalization Index that will help insurers measure their digital maturity in relation to other industry players.
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.

Other titles in this series may be downloaded from www.accenture.com:

- What does it take to be a Digital Insurer? Four capabilities insurers need on the journey to digital mastery and high performance
- 2013 Digital Insurance Survey: Europe, Latin America and Africa. Insurers commit to digital transformation as a lever of high performance
- Achieving payback in insurance analytics
- Accenture 2013 Consumer-Driven Innovation Survey: Playing to win
- Insurance telematics: A game-changing opportunity for the industry
- Accenture Technology Vision 2014 for Insurance: From digital wallflower to digital disruptor

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Accenture is a global management consulting, technology services and outsourcing company, with more than 293,000 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.