TRANSFORMING INSURANCE THROUGH INNOVATION

Global Best Practices Reveal New Models and Approaches

EFMA–ACCENTURE INNOVATION IN INSURANCE AWARDS 2017
INTRODUCTION

Large traditional insurers and dynamic start-ups alike are turning to artificial intelligence (AI), the Internet of Things (IoT), digital platforms, blockchain and other emerging technologies to create powerful new client value propositions and business models that increase efficiency and transform the customer experience.

This is borne out by the submissions to the 2017 Efma–Accenture Innovation in Insurance Awards. The wide variety of entries show that, to an increasing degree, new technology is being used to offer customers personalized on-demand services that are woven into the fabric of their everyday lives.

Established carriers are exploring the potential to reinvent themselves for a new breed of customer who wants more convenient and relevant products and services, and responds favorably to products that are bundled with other related offerings.

At the same time, new insurtech firms are drawing from the success of digital platforms like Uber and Amazon to offer experiences and products that reimagine the purpose and provision of insurance.

The response to these new offerings seems to confirm that whether customers prefer to deal with reputable incumbents or brash new start-ups, they want something different. If their insurance is commoditized they want it to be simple, cheap and easy to buy. Alternatively, they expect a personalized ‘living service’ that adapts to their changing circumstances and preferences. They are happy to interact with technology rather than people where this is appropriate and beneficial. And they appreciate the inclusion of risk compensation and protection services within portfolios of related lifestyle offerings rather than as stand-alone products.

For example, a young couple relocating to a new city might welcome a service that helps them find a home, secure a mortgage, insure the property and its contents, make the move, and subscribe to and activate the full range of home services.

New products and customer experiences reimagine both the purpose and the provision of insurance.

Similarly, a professional in her mid-thirties may recognize the birth of her second child as an opportunity to consolidate her life insurance with a single provider that offers her one-stop cover and incentives for leading a healthy lifestyle. An on-the-go customer who has just bought a new appliance or car may simply want to arrange the most affordable cover as quickly and effortlessly as possible – and may prefer working with a digital brand with which he interacts regularly.

Consumers around the world are proving receptive to more personalized, context-relevant risk-management services. They realize this requires continually updated insight into their circumstances, and are willing to share personal information to enable it. With this data at their fingertips insurers can counter commoditization, persuade customers that both their coverages and their premiums are tailored to their individual risk profile, and improve retention through more frequent and valuable interaction.

As the awards submissions show, insurers are taking advantage of emerging technologies to reinvent their customer relationships, embed themselves deeper into customers’ lives, and work more closely with ecosystem partners such as insurtechs, automakers, home automation specialists and other service providers. In the process they are uncovering and piloting new revenue streams. Many have embarked on the first tentative steps toward a new potential business model.
These new opportunities will take different forms. We believe there are five emerging business models that, in one form or another, will enable insurers to meet the evolving requirements of their customers while adapting to the other trends that are disrupting the market. Depending on the capabilities required to succeed with these new models, some carriers may choose to adopt multiple models simultaneously or to develop hybrid models comprising elements of two or more of the models.

THE NEW MODELS ARE:

01

**KEYS TO SUCCESS IN A DISRUPTED INDUSTRY**

In the light of the trends discussed above, we believe there are two changes that insurers must make in order to remain relevant and competitive:

01

Put customers at the center of the business model. Focus on the needs of the customer rather than promoting specific products or leveraging key business processes. Provide ‘beyond insurance’ services to help transform and grow the core business.

02

Invest in and scale new businesses and offerings. While optimizing and transforming the core business for efficiency and growth, develop disruptive new opportunities and business models. Then use the funds generated by enhancing the core to expand ‘the new’, prudently shifting the focus from the traditional business to the emerging opportunities.

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THE NEW MODELS ARE:

01

**VIRTUAL INSURANCE ADVISOR**

02

**ECOSYSTEM ORCHESTRATOR**

03

**EVERYDAY RISK COACH**

04

**PEER-TO-PEER NETWORK OPERATOR**

05

**PLUG-AND-PLAY INSURER**
Artificial intelligence (AI) is maturing rapidly in all industries and across a wide range of applications. One of the most significant of these, from the perspectives of both the insurance company and its customers, is the provision of advice.

AI is emerging as the new face of an insurer’s digital brand and a key differentiator. No longer just a back-end tool, it is taking on more sophisticated roles within the insurer’s interfaces with its customers and other key groups. Its ability to rapidly process vast stores of information – relating to individual customers on one hand, and to recommendation options on the other – and to learn from every interaction it manages, ensure that the advice it offers will improve steadily as it becomes more ubiquitous.

Virtual advisors already offer great convenience and efficiency. Many customers have more faith in the objectivity of AI than that of human advisors. Consumers have become familiar with Apple’s Siri and the voice on their automobile navigation system, and this makes the leap to consulting an insurance robo-advisor easier. And as the ability of AI to personalize interactions and recommendations continues to improve, their confidence in the technology will grow.

Carriers view AI as a potential solution not only to the high cost and variable quality of advice, but also to enabling human advisors and contact agents to improve their service.

The following Efma–Accenture Innovation in Insurance Awards 2017 entrants are great examples of how insurers are transforming the customer and salesforce experiences with data-driven virtual advisors.

**Liberty Mutual (US)**
Liberty Mutual/Safeco has introduced a ‘skill’ (or app) for Amazon’s Alexa personal assistant to enable consumers and agents to navigate common insurance questions by simply asking Alexa using natural language and their own voices. Customers can get the answers they need without firing up an Internet browser or calling the contact center.

Safeco was the first insurance carrier to move into natural language processing by leveraging Alexa as its platform. The service has already increased agent satisfaction and consumer engagement; the carrier believes it will boost customer satisfaction and reduce service costs in the future.

**Clark (Germany)**
This insurtech start-up offers mobile apps that let customers manage and purchase various insurance products. It uses algorithms to analyze their current insurance coverage and proposes opportunities to optimize premiums and coverage. Its robo-advisors assess each user’s insurance situation, scan policies from various providers and send chat-messages to alert customers to insurance opportunities. Some 500,000 Android users have already downloaded the Clark app, which consistently ranks in the top three finance / banking apps in Germany.
Munich Re (Germany)
The global reinsurer has created the Digital Doctor for insurers to help their customers quickly and reliably understand the significance of their health-related symptoms. Customers provide the app with details of their symptoms and answer several questions from a dynamic, self-learning questionnaire that utilizes AI. They receive a list of possible causes and guidance on what to do next – for example, to schedule a real-time chat or video call with a doctor for pre-diagnosis, or to go to a hospital.

Insurers that offer the Digital Doctor can add value to their customers’ lives, engage with customers more often, improve customer satisfaction and collect data about the people they cover. The app also helps reduce medical costs by recommending symptom relief rather than a visit to a doctor or the accident and emergency ward.

USAA (US)
USAA’s virtual assistant, featuring a conversational interface, provides customers with answers about insurance and the ability to complete transactions. The carrier created the virtual agent to offer a rich and engaging means for its members to interact anytime, on any modality (text / voice) and on their digital device of their choice.

The digital virtual agent has over 1 million conversations with 800,000 USAA members each month. Only 30 percent of these members feel the need, after engaging with the virtual assistant, to escalate their query to a live representative.

75% of insurance executives believe AI will transform or bring significant change to the industry over the next three years.

74% of consumers are willing to receive computer-generated advice about which insurance to purchase.
By collecting large volumes of both historic and real-time data, and perfecting the ability to convert this information into recommendations, alerts and interventions, insurers are adopting a pre-emptive role that has benefits for customers and the business alike. Whether behind the wheel, in the home, at work, or through the adoption of healthier habits and lifestyles, they are helping customers manage and reduce their risk. This not only results in fewer, less expensive claims; it also improves retention by providing valuable services and a valid reason for dramatically increasing the frequency of personalized, highly relevant interaction.

In an industry characterized by infrequent customer contact, usually relating to renewal or claims, this shift in interaction can achieve sustainable differentiation and an improvement in customers’ trust and loyalty. These everyday risk coaches from the Efma–Accenture Innovation in Insurance Awards 2017 entrants show this trend in action:

**General Motors (Italy)**
General Motors Italia’s Sei in Auto con Stile car insurance product, launched in 2016, uses a telematics device to offer customers real-time coaching to improve their driving behavior. The device employs satellite system tracking, accelerometers, and other technology to detect a driver’s style, and alerts him to potentially risky driving behaviors.

The real-time personal trainer serves to correct the behavior of nervous, negligent and distracted drivers.

Those that drive well can earn discounts when it’s time to renew their annual insurance. In 2016, Sei in Auto con Stile represented more than 30 percent of Generali’s new motor policies. More than 50 percent of customers whose driving style was initially regarded as risky improved their performance behind the wheel over the course of the first six months.

**AXA (Hong Kong)**
Xtra is a mobile app that rewards customers for leading a healthy lifestyle, in line with AXA Hong Kong’s goal of evolving from health payer to health partner. The app features a coaching chatbot that provides personalized health advice to customers 24 hours a day.

During a six-month pilot, AXA found that 53 percent of registered users shared their health data, 52 percent interacted with Alex the chatbot, and 72 percent of active users completed their own health challenges. AXA is confident, based on the pilot, that Xtra will drive brand loyalty, customer acquisition and user engagement when integrated into its health offer.

**Aditya Birla (India)**
Aditya Birla Health Insurance has launched a wellness incentive program, Activ Health, that aims to nudge its customers towards healthy living so that they may not need to claim on their health insurance. It offers customers up to 30 percent of their premiums back as HealthReturns rewards if they look after themselves through a proper diet, physical exercise and a healthy lifestyle.
The Guarantee Company of North America (Canada)
The insurer’s GOLD Watermark product installs the AquaTrip device into customers’ homes with the goal of reducing the impact of water losses in homes. AquaTrip automatically shuts off the water if a pipe leaks or bursts or some other internal plumbing failure occurs. This shifts the company’s role away from helping customers recover from a loss caused by water damage towards preventing the loss from occurring in the first place.

46% of insurance executives believe the IoT will offer them more detailed, real-time customer data collection.

56% of consumers say it is important that insurers provide personalized advice on reducing the risk of loss or injury.
By embedding insurance point-of-sale options into other shopping experiences and platforms, and partnering strategically with device manufacturers, auto dealers and makers, social platforms, travel sites, banks, and household and small-business retailers, insurance organizations can gain access to significant customer pools quickly and cost-effectively.

**Kasko (UK)**
This insurtech start-up enables insurers to get exclusive digital access to customers where they shop, work, and bank by:

- Offering an as-a-service insurance application programming interface (API) to quickly digitalize and integrate insurance products within websites and apps; and

- Supporting the flexible design of products for channel-specific customization.

Distribution partners can start cross-selling or offering insurance as an additional service with minimal investment once they integrate with the Kasko platform. Kasko leverages their existing customer touchpoints, their trust, and their customer data to make the insurance offer both relevant and convenient for the customer.

The Kasko platform accommodates multiple products from different insurers in different countries across a variety of marketplaces, booking platforms and service companies.
The success of many such ecosystems confirms the appeal of these bundled offerings, which address consumers’ needs in more holistic ways. They also help each participating partner to overcome their respective weaknesses. While an insurance company may struggle to reach young, digitally active consumers, and an online retailing platform with a strong brand may lack insurance pricing and processing capabilities, together they could become a significant force in promoting the importance of insurance in new market segments.

A number of the 2017 Efma–Accenture Innovation in Insurance Awards entrants are exploring the potential of ecosystems, in different ways.

**Munich Re and Tictrac (Germany)**
London-based healthtech business Tictrac and Munich Re have formed a partnership that will use customer analytics to help insurers improve their products and underwriting. The Wellgage initiative will take data from customers’ apps and wearables to develop insights about customer behaviors and provide lifestyle advice to alleviate and combat health problems such as stress or diabetes.

Munich Re offers Wellgage to insurers globally as part of a broader digital health ecosystem. Insurers will benefit by staying connected with their members, accessing real-time consumer lifestyle data and combining with legacy data sets, personalizing data, providing employers with a solution that is customized for their populations, and improving policyholder health.

**Bradesco Seguros (Brazil)**
Bradesco Seguros has developed an API Playbook to support the business’s digital initiatives by facilitating the development of an ecosystem of integrated partners and customers. The playbook provides a set of API definitions that embed best practices for: design, security, access policies, traffic management, app management, documentation, self-support, and analytics. The API Playbook will support the carrier’s initiatives around transformative technologies such as social, mobile, cloud, analytics and the Internet of Things.

A variety of digital trends have made it possible for vendors to market not only their own products and services, but broader offerings that comprise components from multiple vendors.

76% of insurers agree competitive advantage will not be determined by their organization alone, but by the strength of the partners and ecosystems they choose.
The earliest origins of insurance were peer-to-peer arrangements in which groups of businesses or individuals facing similar risks worked together to protect their interests.

The wheel has turned full-circle, and the abundance of social and digital data is once again enabling the identification and pooling of such groups of customers. Insurers can mine these and other data sources to create, facilitate and fund these pools. They can also innovate around personal or professional affiliations to give customers greater control and transparency into claims and premiums.

**Prince Insure (Australia)**
Prince Insure, an early-stage insurtech start-up, is pioneering a professional-to-professional insurance platform based on the peer-to-peer insurance concept. It plans to partner with professional-member associations to provide liability insurance, changing the way professionals approach insurance and building social communities where they can engage with their peers.

Customers will be given incentives to change the behaviors that give rise to claims. The professional insurance communities will be able to see in real time how their insurance portfolio is performing with regard to claims, expenses and profits. All profits will be paid back to the professional communities.

**HDFC ERGO (India)**
This insurer has launched a community portal where people can get advice from each other, discuss their experiences and share information about property & casualty insurance. The portal brings together insurance experts, customers and potential customers to provide authentic, user-generated advice to community members.

**Suramericana (Colombia)**
Supported by Suramericana, Wesura is a peer-to-peer insurance concept that brings people together in a private community to share risks with friends, colleagues and family. Its community-based model uses cash to reward positive member behavior around risk, underwriting and claims. Wesura also allows its private communities to approve claims without the approval of the insurance company.

From sales to underwriting to claims settlement, Wesura runs an automated process and allows users to serve themselves. According to Suramericana, this new insurance model has led to an increase in digital sales across lines of business where the company was not successful before, including mobile devices, computers, cameras, tablets, bicycles and other electronic devices.
Achmea (Netherlands)
Homies, a joint initiative by Achmea and Accenture in partnership with major social housing companies in the Netherlands, is a peer-to-peer alarm platform that allows neighbors, friends and family to help each other in the event of a fire or a burglary. The aim is to reduce damages incurred by the insurer as well as by residents. The platform connects home security solutions such as Minut’s Point, Roost and others to messaging apps such as Whatsapp, Facebook Messenger and Viber.

Homies also aims to address the relative lack of security in low-income neighborhoods by connecting people and developing a culture of trust. The proposition targets an underserved community through social housing corporations and seeks to transform neighborhoods into safer and more comfortable living environments.

55% of insurance customers say they would consider peer-to-peer coverage if it were available for life insurance.
38% would do the same for auto insurance.
32% for home insurance.
A CRITICAL ELEMENT OF ALL NEW MODELS: ENABLING THE WORKFORCE

Winning insurers know that digital transformation is about more than just their technology capabilities.

It is also about evolving their skill sets and corporate cultures to drive change, and to take advantage of emerging technologies and the new business strategies they enable.

The industry leaders are creating new agile cultures that prioritize constant adaptation, learning and innovation. This applies throughout the organization, from senior leadership to the entire workforce. These leaders are preparing their people and distribution partners for a digital world by retraining and recruiting. They are using technology to help them be more creative, collaborative and customer-centric. And they are reinventing their workplaces to provide experiences that are more personalized and better suited to ‘born digital’ employees, customers and partners.

These three Efma–Accenture Innovation in Insurance Awards 2017 entrants are among the insurance leaders that are empowering their workforces through cultural change and new technology.

RSA (Canada)
This insurer launched an online learning management system called Wise Up to support its intermediaries with training and education. Brokers can access educational content at any time or place, provided they have an Internet connection. They can receive accredited training on the move or without leaving their desks. By the end of 2016, some 1,200 brokers had completed more than 3,500 courses on Wise Up.

Standard Bank (South Africa)
The banking group launched its Genesis Project to develop a repeatable innovation process that uses customer insights to transform the business’s operating model, policies and culture. It set up a cross-functional team, half of which was drawn from the business to provide a solid understanding of the status quo, while the other half comprised outsiders to offer fresh thinking. The team, which operated outside of the existing bureaucracy, was mandated to challenge the current way of doing things.

Genesis Project developed an initial proof of concept within the bank’s homeowners’ insurance business. The result was a four-step process that has transformed how Standard Bank operates. The impact has been significant: end-to-end processing time has dropped from 120 to 20 days, first-time fix rates have increased from 6 to 72 percent, and 92 percent of customers say they are thoroughly satisfied.
KBC Verzekeringen (Belgium)
KBC developed the Digital Driving License as an internal certification showcasing employees’ digital skills and knowledge and, in the case of managers, their digital leadership. Employees obtain the license by completing an enhanced learning module covering five digital topics. With the Digital Driving License, KBC wants to establish a standard digital competence level for all employees; by the end of 2017 everyone in Belgium needs to be licensed.

Many employees and managers are not sure what it means to be digital. The Digital Driving License provides the answer and helps them master the digital solutions and collaboration tools everyone in the organization must use. It is not only about theoretical knowledge, but also about how employees apply digital skills to solve problems and serve customers in the real world.

82% of insurance executives agree the digital revolution is driving a new era of corporate economic structure.
The Efma-Accenture Innovation in Insurance Awards were launched in 2016 to identify and award innovation in the insurance sector. They also aim to highlight and share worldwide best practices that will help accelerate the transformation of insurance for the benefit of insurers and customers alike.

A showcase of the best examples of insurance technology innovation, the awards in 2017 attracted well over 200 entries from nearly 150 institutions in 38 countries. Assicurazioni Generali S.p.A. (“Generali”) / Generali Italy received the 2017 Global Innovator award.

This prestigious award recognizes Generali’s visionary and successful approach to continuous innovation and transformation, its development and leadership of an ecosystem of partners extending beyond insurance, and its exploitation of emerging technologies that improve the experience of its customers and the performance of its business.

The company was recognized by a panel of independent judges for its strong focus on innovation in all submissions, including its work on crowdsourcing, incubation initiatives, collaboration with start-ups and partnerships with global organizations.

Second place in the Global Innovator category went to Tokio Marine & Nichido Fire (Japan), while AXA Group (France) completed the top three.

Connected Insurance & Ecosystems: Tokio Marine & Nichido Fire (Japan) for its Sharing Medical Information on Blockchain offering, which uses blockchain to streamline sharing of patients’ medical information among medical institutions and related parties. Europ Assistance Group in Italy and Belgium-based Qover were runners-up.

Customer Experience & Engagement: AXA Sure from AXA Group (France) for an app that allows information on household contents to be digitized and stored. Second place went to MyAngel from Italy-based Groupama Assicurazioni, and third place went to Consultation through Telemedicine from Bradesco Seguros in Brazil.


Best Disruptive Product or Service: Médis (Portugal) for its Enhancing Omni Channel by Adding Interactive TV Commerce initiative. Slice (U.S.) and InsureApp (Netherlands) completed the top three.

In addition to those listed above there will be three new categories: Claims Management, Data-Enabled Underwriting, and Insurtech – the last of which will be reserved for entries from insurance start-ups and technology firms. To enter, or for more information, visit www.efma.com/innovationininsurance.
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