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Creating the Future of Insurance Customer Experiences

Customers are disrupting the insurance business model and insurers, startups, and insurtechs are reimagining what that new business model will look like

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Embrace a Rapidly Changing Industry

The insurance industry is facing disruption and insurance CEOs are saying, “Bring it on.” There’s optimism in the air, with 93% of global insurance CEOs saying that they are confident about growth prospects for their company and for the industry overall (84%).¹

Insurance executives also understand that agility will become a core competency as they adapt to a changing insurance landscape and ecosystem. For instance, consumers now demand direct digital access, 24/7 convenience, and personalized products and services. They want more choices and they want speed.

It’s not just personal lines that are changing. The commercial insurance business is evolving as well. Both direct and brokered distribution approaches are impacted by businesses’ desire to reduce cycle time, offer value-added products and services, and improve the overall experience.

Digital-first insurers and insurtechs provide innovative products to fill those coverage and technology gaps, often leapfrogging traditional carriers. Insurance products are becoming increasingly embedded into non-insurance products such as travel and automobile purchases. Insurers are partnering with other insurers to expand their products and services. They’re acquiring insurtechs and startups to quickly bring products and services to market and extending their reach. They are always trying to reduce operational costs.

However, insurers are not abandoning old business models; they are adapting to meet new expectations.

“At the end of the day, it’s not an abandonment. It’s an addition. The old models that have served agents and policyholders well for hundreds of years are changing due to new situations, new cultural cues, and new generations.”²

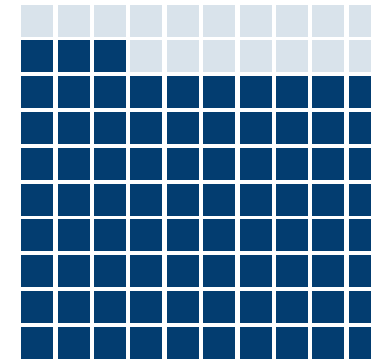
Bob Pick
EVP and CIO,
Tokio Marine North America Services

Here are just a few examples of how business and distribution models are changing:

- Chubb has partnered with Rappi, a Latin American SuperApp, to provide digital access to Chubb's insurance offerings. Rappi's 10 million users can purchase mobile phone theft or damage protection, coverage for fraudulent internet purchases and identity theft, and home insurance and contents protection with just a click.³
- Traditional car manufacturer General Motors launched their OnStar insurance coverage for auto, home, renters, and general liability even if customers do not have an OnStar subscription. In OnStar-equipped cars, they plan to offer advanced technology and data-backed analysis of driving behavior, including proactive recommendations to improve driving habits so customers can potentially save money and drive more safely. Overall, their customers will soon have the option to simplify their experience from quote, maintenance, claim, and replacement, no matter what is being insured.⁴
- John Hancock is collaborating with Amazon Halo, a health and wellness tracker that measures activity, heart rate, sleep, and other metrics. John Hancock customers can sync Halo with their John Hancock Vitality account to earn Vitality points and redeem them for Amazon gift cards or an Amazon Prime membership.⁵
- State Farm has partnered with Jackson to allow State Farm agents to offer a select group of Jackson's variable annuity and fixed index annuity products, adding significant distribution access for Jackson and allowing State Farm to introduce new annuity products to its customers.⁶
- More than a quarter (26%) of consumers would buy insurance from their bank if their bank offered it.⁷ To meet this need, Truist Insurance Holdings is working with a variety of financial institutions to embed insurance as an ancillary product offering.

Expect the volume of partnerships and alliances like these to grow as insurers increasingly recognize that shortening the time to market—combined with the need for personalized products and services and improving the customer experience—is a do-or-die imperative. However, insurers must let go of some 'sacred cows' to adapt and perhaps even lead the way to new business models.

Changing of the Guard



83% of insurers predict that the list of financial services and insurance company leaders will look very different in five years.⁸

What's This Going to Cost?

Insurers that leverage innovative technology and agile methodologies such as a "sandbox" approach, which allows insurers to experiment with innovative solutions on a limited scale, can significantly reduce product development and testing costs while bringing these products to market faster. In addition to cutting expenses, these new products give customers improved coverage options.



Exceeding Customer Expectations Matters More Than Ever Before

It's no secret that customer expectations are evolving as customers become more accustomed to a more digital lifestyle, from depositing checks on their mobile devices to ordering groceries online. Customers already appreciate the personalization that Amazon, Netflix, and the like deliver.

Insurers are getting the message: From 2019 to 2021, the percentage of insurers who believe that customer experience and retention is a key driver of their transformation efforts increased significantly.⁹

Importance of:	2019	2021
Customer experience	48%	70%
Customer retention	43%	60%

Closely tied to customer experience and retention is cross-selling current customers and acquiring new customers. Revenue growth hinges on delivering innovative products and services to existing and new customers in new ways.

For example, pay-as-you-go auto insurance calculates premiums based on how frequently and how far a customer drives. One-day event insurance provides liability insurance for weddings, birthdays, or other significant events. Going scuba diving? Take out a rider for your week in the Caribbean.

“Having a clear understanding of the experience an insured, an agent, and an employee expects is the root from where many innovation opportunities still lay.”

Tom Ford
Managing Director, Insurance Consulting Lead,
NTT DATA Services



Insurers must become more agile and flexible to expand products and services, enter new markets, and take advantage of opportunities quickly and aggressively. Underwriting and onboarding must happen in almost real-time. To offer products at the point of sale—when booking that scuba diving trip—insurers will need to strengthen their partnerships and distribution channels.

Customer service can also be improved through consumer education. For example, self-service features help website visitors and app-users answer questions quickly and resolve queries instead of immediately escalating to an agent. However, self-service user experiences are not always the answer. Intuitive technologies, like personalized data analytics, intelligent automation, and AI can work behind the scenes to simplify a customer's experience on the front-end.

However, insurers still need to keep the human element in their dealings with customers. Tom Ford, Managing Director, Insurance Consulting Lead for NTT DATA Services, says, "Many aspects of insurance will continue to rely on people and their relationships. It's a balancing act."

“Insurers need to put their customers - and ultimately the experience of their customers - first through their investments in technology, partners, and professional services to ensure they are prepared for a future in which two-way, interactive conversations are the cornerstone of exceptional customer experiences. They must deliver conversations without limits while being faster, smarter, and more innovative.”

James Brown
CEO,
Smart Communications

The Future of Products and Distribution Channels

Could the future of insurance products and distribution belong to today's renowned tech giants? According to research from the Insurtech Breeze, over half of the consumers surveyed would be interested in purchasing insurance products from Amazon, and 46% said they would be interested in insurance products from Google.¹⁰

Insurers must adapt quickly to compete, and those committed to revenue growth will continue to move forward with new distribution channels, partners, and products and services. Partnerships will become increasingly strategic, and insurers will be more open to allowing other firms to embed their insurance products into their own offerings.

87% of insurance carriers believe that the financial services market of the future will be dominated by companies that distribute multiple banking or insurance products. Additionally, more than 40% of insurtechs are focusing on solving customer pain points in insurance by disrupting the marketing and distribution segments of the insurance value chain.¹¹

Insurers also strongly believe that products and services will continue to evolve: 89% expect customers to demand new digital products and services.¹² One example is the cyber insurance market. Still in its infancy, the industry is growing at an annual growth rate of more than 25%, and will surpass \$22.4 billion by 2026.¹³

Another issue that is rising in importance is using data more intelligently and strategically. Insurers have a plethora of data available about their policyholders and will look to explore ways to use that data to drive segmentation strategies and risk management.

And of course, any partnerships must be viewed through a risk lens. "Partnerships can bring unexpected regulatory and reputational risk challenges," says Edmund Tribue, Vice President, Risk & Compliance Practice Leader, NTT DATA Services. "You need the ability to monitor for these risks. The evolution of a new insurance business model is already underway."

“The future of insurance is already shaping the customized products and the digital customer experience expectations of today. To connect with the modern insurance customer, carriers must prioritize speed, agility, transparency, personalization, and omnichannel engagement. Cloud-enabled SaaS solutions empower carriers to embrace the digital evolution in insurance, capture market opportunities faster, and meet customers where they are — and when they need it most.”

Nag Vaidyanathan
Chief Technology Officer,
Duck Creek Technologies



The Right Foundation to Support Rapid Time-to-Market

There are a few barriers to overcome before insurers can fully take advantage of new partnerships and distribution channels and quickly bring products and services to market. Fortunately, these barriers are surmountable.

One of the most pressing challenges is an existing technology architecture that makes integration with partners and distribution channels difficult, if not impossible. Half of insurers say that their current architecture is holding them back.¹⁴ And more than eight in ten (84%) agree that new digital business platforms are a significant opportunity to reposition themselves in the industry.¹⁵

Third-parties such as MuleSoft provide API-led integration that allows insurers to access data and to expose business functions in siloed systems that they can then use to expand partnerships. For instance, insurers are becoming more interested in working with other financial institutions, including banks and credit unions, to distribute insurance products to bank customers.

Further, insurers are breaking through these barriers imposed by their legacy environments by leveraging the cloud and emerging technologies.

- Managed Cloud Services: Multi-cloud computing and hybrid cloud will soon be the de facto approach to insurer transformation. Unlike an on-premises solution, the cloud is infinitely scalable, less expensive, and offers rapid configuration. This elasticity enables insurers to quickly test, validate, and operationalize products.

“Simplicity is not just digital specific. It includes support, data, and communications. It allows you to download information without a lot of hubbub.”¹⁶

Bob Pick
EVP and CIO,
Tokio Marine North America Services

- Emerging Technologies: Insurers are looking at AI, data analytics, and the internet of things (IoT) to bring products and services to market faster. For instance, insurers can use AI, machine learning, and data analytics to simplify and accelerate underwriting. Instead of lengthy questionnaires and a physical exam, life insurance underwriting becomes touchless, using facial recognition to screen for health problems and susceptibility.

Insurers that can leverage these technologies to access and harness historical and live data to assess risk and build consistent and predictable pricing models can augment automated underwriting processes for complex commercial and specialty lines.

The number of IoT connections will reach 83 billion by 2024.¹⁷ These connections can serve as data sources for risk assessment and mitigation. For example, a sensor in roofing materials can detect structural damage early before it becomes a more costly claim.

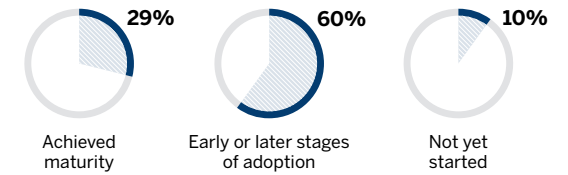
Simplifying architecture and business models will do much to allow insurers to evolve, but simplicity involves removing redundant data entry through integration and digital tools.

Carriers are leveraging emerging technologies to do business differently:

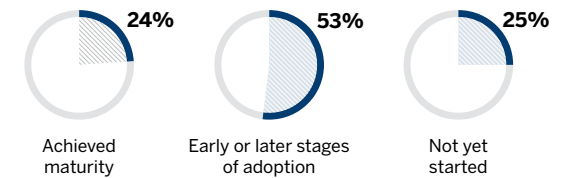
% of Carriers	Say they are investing in: ¹⁸
61%	Artificial intelligence
46%	Internet of Things
46%	Conversational interfaces and virtual assistants
40%	Predictive data analytics
37%	Machine learning

**Building the Technology Foundation:
Where Insurers Stand:¹⁹**

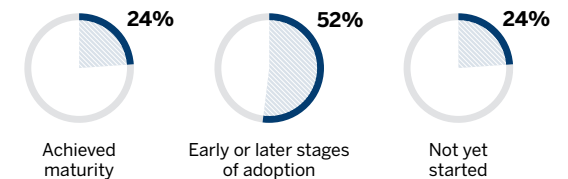
Cloud Migration



AI/ML



IoT



Taking Action

Here are three recommendations to prepare for the evolution of embedding insurance products into distribution channels and launching innovative products and services to new markets and customer demographics quickly:

1. Identify your value proposition. Recognize where you fit in a shifting insurance ecosystem and what you need to deliver on that value. Unless you're a true insurtech without legacy constraints, you must identify how your existing technologies and methodologies must evolve to address new demands. Will you launch a new brand or work alongside a legacy brand? Will you compete on scale? How will you diversify risk? Will you embrace a brick-and-mortar distribution model, a digital model, or a hybrid? Will you adapt to a 'pay-as-you-go' model? Will you embrace non-traditional selling relationships?
2. Don't let great be the enemy of good. Rather than technology constraints, insurers' greatest barrier to innovation is often focusing on reaching perfection and confronting the fear of failure. The organizational mindset must shift to "Don't let great be the enemy of good." Digital excellence requires trial and error, experimentation, and controlled risk. Imagine what innovation that supports your business objective would look like to meet the needs of customers, agents, and employees.
3. Create a center of excellence (COE). Consider creating an innovation group that looks at new capabilities and technologies to disrupt the value chain. Working with consultants and partners can bring in an external perspective. For example, some insurers are creating venture capital groups to invest either in their own startups or partner with other startups.

Innovation is high on insurers 'to do' lists. More than two-thirds (68%) say they will increase investment in disruption detection and innovation processes, 52% want to collaborate with innovative startups, and 50% are interested in joining industry consortiums focused on development of innovative technologies.²⁰

“As customers’ expectations change, Insurers must adapt to provide a simple experience providing the right product at the right time at the right price via the customer’s preferred channel.”

Rob Baughman

SVP - Financial Services & Insurance,
NTT DATA Services

Conclusion

Customers are demanding convenience and personalization in all areas of their lives—including insurance. Customers are disrupting the insurance business model and insurers, startups, and insurtechs are reimaging what that new business model will look like. But everyone understands that they can't go it alone—they need to partner and rethink their distribution channels as they jockey for position in the larger insurance ecosystem.

Luckily, the technologies that insurers need to reinvent the traditional insurance business model, such as the cloud, AI, data analytics, and IoT, are accessible today. Using these technologies, insurers can become more flexible, bring products to market faster, and explore partnerships with entities they never considered partnering with before.

The future of insurance is driven by customers. We believe the insurer with a tailored strategy designed to meet the individual needs of their customers will get there first.

Additional Insurance Insights:

Webinar: [Insurers Abandon Old Business Models to Exceed Customer Expectations](#)

Report: [Oxford Economics - Insurance Innovation Index](#)

Blog: [How Insurers are Adapting to Face Today's Top Risks](#)

Blog: [5 Digital Transformation Strategies for The Future of Insurance](#)

Blog: [Why Insurance Providers Need Explainable AI to Mitigate Risk](#)

¹ <https://assets.kpmg/content/dam/kpmg/xx/pdf/2021/11/global-insurance-ceo-outlook-2021.pdf>

² <https://us.nttdata.com/en/events/2022/february/insurers-abandon-old-business-models-to-exceed-customer-demands>

³ <https://news.chubb.com/2021-5-4-Rappi-and-Chubb-Launch-Digital-Insurance-Offering-in-Mexico>

⁴ <https://www.insurancebusinessmag.com/us/news/breaking-news/onstar-insurance-president-the-intent-is-to-satisfy-a-consumers-entire-insurance-needs-241786.aspx>

⁵ <https://www.johnhancock.com/about-us/news/john-hancock-insurance/2020/12/amazon-halo-now-available-for-john-hancock-vitality-members.html>

⁶ <https://newsroom.statefarm.com/jackson-marketing-alliance-announcement/>

⁷ <https://www.pymnts.com/study/purchasing-life-insurance-millennials-gen-z-financial-institutions-engagement/#wpcf7-f1052862-o1>

⁸ <https://us.nttdata.com/en/-/media/assets/white-paper/LA-Insurers-Shift-Their-Digital-Transformation-Into-High-Gear-Research-Paper.pdf>

⁹ <https://us.nttdata.com/en/-/media/assets/white-paper/LA-Insurers-Shift-Their-Digital-Transformation-Into-High-Gear-Research-Paper.pdf>

¹⁰ <https://www.dig-in.com/news/amazon-google-facebook-insurance-product-consumer-interest>

¹¹ <https://www.mckinsey.com/industries/financial-services/our-insights/creating-value-finding-focus-global-insurance-report-2022>

¹² <https://emtemp.gcom.cloud/ngw/globalassets/en/information-technology/documents/2022-cio-agenda-cuts/2022-cio-agenda-ebook-insurance.pdf>

¹³ <https://www.mckinsey.com/industries/financial-services/our-insights/five-steps-to-improve-innovation-in-the-insurance-industry>

¹⁴ <https://us.nttdata.com/en/-/media/assets/white-paper/LA-Insurers-Shift-Their-Digital-Transformation-Into-High-Gear-Research-Paper.pdf>

¹⁵ <https://us.nttdata.com/en/-/media/assets/white-paper/LA-Insurers-Shift-Their-Digital-Transformation-Into-High-Gear-Research-Paper.pdf>

¹⁶ <https://us.nttdata.com/en/events/2022/february/insurers-abandon-old-business-models-to-exceed-customer-demands>

¹⁷ <https://www.juniperresearch.com/press/iot-connections-to-reach-83-bn-by-2024>

¹⁸ <https://us.nttdata.com/en/engage/how-insurers-can-prepare-for-constant-disruption>

¹⁹ <https://us.nttdata.com/en/-/media/assets/white-paper/digital-reinvention-e-book-2021.pdf>

²⁰ <https://assets.kpmg/content/dam/kpmg/xx/pdf/2021/11/global-insurance-ceo-outlook-2021.pdf>

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