Future Trends 2018

Catalyzing the Shift to Digital Insurance 2.0

February 2018
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Executive Summary

Steve Case’s quotes are a precise reflection of the insurance industry and portend the future. Remember when new startups announced their entry and plans for the insurance market…as digital insurers offering innovative, personalized products and services? We thought many of them were weird and unlikely successful ideas, but growing customer interest in them, especially among younger demographic groups, is proving that they are relevant and a threat to traditional insurers who did not take them seriously.

Case’s 2016 book, *The Third Wave: An Entrepreneur’s Vision of the Future*, suggests an impending “third wave” of innovation, underpinned by a confluence of technologies that will cohesively work together to infuse innovative initiatives into the operational foundation of every business and the economy. Wave one was all about the Internet and personal computing (1985 to 1999). Wave two was about the mobile revolution, social networks and the app economy (2000 to 2015) that created new customer experiences and expectations. Today, the third wave (2016 – Present) is about the expansion of other technologies like IoT, Blockchain, and more, that are creating sophisticated value chains and platform business models.

Interestingly, Majesco’s Disruption Model, introduced in February 2016, closely aligns with these waves, but in context of the insurance industry. The digital age focus is on innovation and moving to a borderless marketplace where partnerships with new InsurTech enablers, MGAs, reinsurers, distribution channels and even insurers will redefine the future of insurance.

Figure 1: Majesco Disruption Model

“Great ideas start as weird ideas. What now seems obvious, early on, is not obvious to anybody.

The pace of change and the threat of disruption creates tremendous opportunities.”

– Steve Case

Source: Majesco

1  http://www.azquotes.com/author/2593-Steve_Case
And yes…the race to the future of Insurance is well underway…Digital Insurance 2.0. It is a race where innovative participants or entrants are constantly challenging traditional incumbents; where survival and winning will require rapid adaptability and innovation.

Players across the entire range of insurance industry segments are being confronted with permanent changes in customer behavior, different employee expectations, rapidly evolving digital technology and a quickening renaissance of the business environment. Our research shows that customers seek “ease in doing business” across the research, purchase and service aspects of insurance, while also seeking a personalized customer journey and offerings that use new sources of data, making it a relevant and engaging experience to them.

Innovative participants and new entrants are rewriting the rules of business, and with it, redesigning organizational and business model structures, and how products and services are defined and delivered. They are using digital technology and data and analytics to better understand, underwrite and service their customers with tailored products and services.

As a result, many industry orthodoxies are increasingly irrelevant, yet most insurers have been reluctant to reinvent themselves, all while new entrants and a small (but growing) number of innovative incumbent insurers are rapidly introducing new products and services into the market, more personalized than ever, to meet the unmet or under-met needs of a rapidly changing market.

If an insurer hasn’t yet wrestled with the necessity for change, now is the time to wake up and understand the factors, and swiftly take action. Opportunities abound for incumbent insurers who move quickly and decisively to Digital Insurance 2.0. But those who do not act, or who take a “wait and see view” will likely find themselves challenged to remain competitive and relevant.

The pace of disruption and dramatic changes are truly evident when we look at the first Future Trends report from February 2016 to the second one in March 2017…and now in 2018.

In the 2016 report, we mentioned the beginnings of a seismic shift underway with 8 specific areas, most in their early stages of development, within our Future Trends Framework defined by the macro trends of people, technology and market boundaries. The most interesting business models discussed in the industry were Google, Friendsurance, Metromile and Oscar.
While customer demographics and expectations, emerging technologies and data, and InsurTech have had a majority of the focus, one area that has been a catalyst for these companies to shift to Digital Insurance 2.0 is platform solutions.

As we begin 2018, we now have expanded to 14 specific areas, all with active development, experimentation or implementation across most market segments and geographies. Interestingly, Google pulled down their comparison site (at least currently), Metromile has transitioned from an MGA to a full-stack insurer and Oscar continues to recalibrate its model following some missteps. Lemonade, Slice, Trov, Zhong An, Haven Life and others, have emerged as innovative and potentially powerful business models, reflecting the magnitude and pace of this seismic shift, represented by InsurTech.

Further highlighting this, our 2016 report noted 173 deals with $1.7B funding. Fast forward to the beginning of 2018, there are now 1,438 companies that have (in total) $19B in funding. InsurTech companies have leveraged all of these key areas within the trends to varying degrees to create an innovative business model and products that are leading the way to Digital Insurance 2.0.

While customer demographics and expectations, emerging technologies and data, and InsurTech have had a majority of the focus, one area that has been a catalyst for these companies to shift to Digital Insurance 2.0 is platform solutions.

Scientific American defines a catalyst as “a substance that speeds up a chemical reaction or lowers the energy required to get it started without getting used up itself.” Furthermore, a catalyst intervenes by changing the reaction mechanism, which then provides new paths that require less energy to activate and thereby lowers costs. This is an apt comparison to what we are seeing in the insurance industry today.

Each of the new InsurTech business models previously discussed is serving different markets, has different products and services and uses different strategies. Yet all of them are rapidly changing the business assumptions, business models and go-to-market approaches for insurance through the use of a platform solution as the catalyst. Platform solutions provide them speed to value, unique customer engagement, a test and learn platform for minimal viable products and value-aligned optimized costs. Their platform solutions also catalyze digital technologies and processes, AI/Cognitive, cloud computing and an ecosystem, into a powerful new force to expand capabilities and reach well beyond those of the traditional Insurance 1.0 model. They are creating new paths, energizing the market and lowering operational costs.

These companies represent the first wave of Digital Insurance 2.0 and are themselves the catalysts for a new generation of insurance.

Figure 3: Digital Insurance 2.0 Catalyst
Where is this leading us?

This year’s Future Trends report takes a deeper look at the current state of insurance disruptors across people, technology and market boundaries, and how they are pressuring insurers — pushing them out of their traditional orbits and toward new models and opportunities. We cover the need for a new insurance paradigm and discuss how organizations can move from the theoretical (“Yes, we could change.”) to the practical (“Here is how we will transform to meet the need.”) and toward the future (“Here is how we will build to enable future-transformation.”).

Interestingly, the trends we have tracked over the last three years are now becoming reality. They are reflected in “real” business models that are capturing the attention of the market, thanks to the “real” growth in the number of these models and in the “real” market opportunities they are capturing, at the expense of Insurance 1.0.

In each one of these spheres of disruption there is one common denominator: Digital strategy and solutions are the keys to insurance business success. Getting out ahead of the curve is more important than ever, before the gap is too large to overcome.

Digital Insurance 2.0: The Next Wave of Insurance

The shift from Insurance 1.0 to Digital Insurance 2.0 is rapidly intensifying as we move aggressively into the digital age. And where the business models of the past 20-30 years, represented by Insurance 1.0, were resilient for their time, they will not meet the needs or expectations of this unfolding future represented by Digital Insurance 2.0 (see Diagram 4).
In the immediate term, insurers need to optimize their existing business because it is supporting the existing customer base and will fund the future. But future growth will, however, depend upon a new generation of insurance customers who demand innovative insurance products and services and new business models that reflect a new marketplace, economy and an ecosystem of partners.

To succeed as a Digital Insurance 2.0 insurer, a company’s strategy must focus on the following drivers of value:

- Customer experience, engagement and ownership is priority #1
- Business innovation is mandatory
- Technological leadership is required
- Ecosystems extend value
- Speed to value is the differentiator

In the age of Digital Insurance 2.0, market leaders will excel in these areas by allocating or reallocating resources --- people and capital --- to move them rapidly forward in their digital transformation.

There is no longer a debate about the need to digitalize the insurance industry, but the best way to achieve this still remains an unpaved path for existing insurers. Many are still in the throes of legacy core system modernization to strengthen their back-office processing capabilities. Increasingly, however, they realize that these initiatives will fall substantially short of achieving digital transformation, and achieving meaningful benefits that will win and retain customers. The approach of building portals on top of back-office systems is a tactical quick-fix but it does not help digitalize insurance products, operations and services that move insurers toward Digital Insurance 2.0.

At the same time, we are seeing the shift toward a platform economy across all industries, including insurance. The use of big data, artificial intelligence, and cloud computing is changing the nature of work and the structure of the economy. This is where Digital Insurance 2.0 is rapidly emerging. This shift started with companies such as Apple, Amazon, Netflix, Facebook, Google, Salesforce, and Uber, which are creating online structures that enable a wide range of digital activities. They have opened the doors to radical changes in how we work, socialize, create value in the economy, and compete for profits. This is a major paradigm shift for insurers to consider in their definition of business models, as described in our 2017 thought leadership, Cloud Business Platform: The Path to Digital Insurance 2.0.

The first wave of platform-based insurance business models is reflected in new start-ups like Slice, Lemonade, Trov, Haven Life, Ping An and others. They have created innovative business models based on the platform economy framework that leverages broad ecosystems and technology innovations.

The implications for traditional insurers in an Insurance 1.0 model are enormous.

Over the last two years in our Future Trends reports, we have highlighted the pace of change and the expanding trends of people, technology and market boundaries that create new customer expectations, new innovations and new competition. Together, they are reshaping every aspect of the insurance industry, forever changing the competitive landscape, and planting the seeds of Digital Insurance 2.0.
Savvy, innovative companies are redefining insurance from an outside-in perspective to adapt to what customers want and expect, instead of following the generations-long practice of an inside-out perspective that requires customers to adapt to the way insurance works.

Discounts between People and Insurance 1.0

People are at the core of the change unfolding and, in the end, it is the market – made up of people – that will determine which of these changes and new competitors will win or will fade away. “People” encompasses many stakeholder groups that make these determinations: customers (both businesses and consumers), employees, partners, distribution channels, regulators, and more. But the customer is the primary constituent in the People category. Having the latest technology, the most efficient processes and the most engaged employees are all for naught if the business models they constitute don’t create superior value for customers.

Insurance customers are changing across multiple fronts, including demographics, use of technologies, digital behaviors and increased expectations. Savvy, innovative companies are redefining insurance from an outside-in perspective to adapt to what customers want and expect, instead of following the generations-long practice of an inside-out perspective that requires customers to adapt to the way insurance works. As a result, these innovative companies are transforming insurance from a mysterious, confusing and difficult ordeal most would rather avoid, to a more transparent, simple and engaging experience. These innovators are using new technology, new data, new processes, and changing market boundaries to swiftly move the industry from Insurance 1.0 to Digital Insurance 2.0.

By understanding how insurance customers make decisions that activate their insurance behaviors, we can understand why Digital Insurance 2.0 entrants are successfully transforming the Insurance 1.0 business model. With this knowledge, existing insurers can create their own unique strategies and capabilities using new technologies, processes and business models to facilitate behaviors that are beneficial to both their customers and their companies.
Insurance 1.0 is more needed than wanted

Insurance is one of the most important and beneficial inventions for society. It underpins economies, allowing them to grow by effectively managing risk. It allows businesses and individuals to thrive by reducing risk and the impact of potential losses, creating positive results that will keep a business growing and operating effectively or ensuring an individual’s peace of mind and quality of life. While most people understand the basic value of insurance, Insurance 1.0 has struggled to create meaningful engagement with its customers, causing many to view insurance as a necessary evil — something they need but don’t necessarily want.

Fortunately for the insurance industry, legal requirements for consumers and businesses to carry certain types of insurance, create automatic demand for their products. However, with a large number of options to choose from, insurers face challenges in persuading customers to select them over their competitors, and then in convincing them to stay loyal for the long haul. Furthermore, the low penetration rates of discretionary products like life, renters or cyber risk insurance highlight the difficulties insurers face in creating customer interest, value and engagement.

Insurance brand selection and loyalty
Majesco’s 2016 research with consumers and small-medium businesses (SMBs) documented low levels of attitudinal loyalty to insurers, in comparison to other types of businesses. Indeed, net promoter score (NPS) gaps between insurance and Amazon reached as high as 73 points for consumers and 68 points for SMBs. J.D. Power also reports that large commercial insurers get much lower NPS ratings than other business suppliers like utilities, or personal auto insurance.5

The Harris Poll’s 2017 EquiTrend Study on brand appeal showed that, despite higher insurance engagement among Millennials compared to older generations, consumers overall “struggle to identify property and casualty companies as a good fit for them or as companies they share values with”6 — even when some exceptional brands like USAA, AAA and State Farm distinguish the marketplace.

Surprisingly, low loyalty and engagement has resulted in very little attrition and switching within U.S. personal lines insurance companies in the recent era of Insurance 1.0. J.D. Power’s annual auto insurance shopping study shows that just 33% of auto policies were shopped in 2016, down from 39% in 2015.7 Among customers who shopped, only 30% ended up changing carriers, for a net switching rate of about 10%. Their 2017 study showed shopping and switching rates have remained flat.8

The low attitudinal loyalty combined with relatively high behavioral loyalty (i.e. low switching rates) suggest that inertia is a key factor of carrier’s retention rates. The JD Power study results consistently illustrate that the reasons for shopping and switching primarily come down to price, cost and/or poor service – elements that influence their customers and drive them out of their state of inertia with negative experiences.

Insurer switching among small-medium businesses in the U.S. is higher than what is seen in personal auto. A 2017 Deloitte survey of U.S. middle-market businesses found that 25% had switched one of more of their carriers in the past year, and an additional 43% had done so within the past 1 to 3 years. Nevertheless, the study also found that price is the prime motivator for shopping and switching.9

In the UK, which is roughly 10 years ahead of the U.S. in terms of online auto insurance comparison shopping, the story is different. Shopping rates for auto insurance ranged between approximately 82% and 87% since between late 2016 and mid-2017, and about 40% of these shoppers ended up switching carriers.10
With the importance of price in determining carrier selection and loyalty among U.S. personal lines and commercial lines customers, the price-based comparison sites in the UK should be a warning bell to U.S. insurers. If price is the driver of customer decisions, and digital comparison sites remove the friction of comparing prices and switching, insurers that can offer little differentiating value will find themselves in a “race to the bottom” to achieve the lowest price.

**Discretionary lines of business opportunity**

LIMRA’s 2017 Insurance Barometer study found that 70% of consumers agree they need life insurance, but only 59% actually have it. Furthermore, 30% of those who have it only have group insurance through their employer, resulting in 41% actually owning a life insurance policy they purchased individually. Motivation for this discretionary product is good, but not strong enough to encourage broader ownership due to perceived barriers in purchasing it. The LIMRA study has consistently shown there are three primary purchase barriers: consumers think it’s too expensive, they have other financial priorities, or they feel they already have enough coverage.

The Insurance Information Institute cites a 2016 study that estimated only 41% of renters had renters insurance, although this is a significant improvement over the 29% reported when the survey was first conducted in 2011. Given its very low average cost (about $16/month) it is presumed that lack of awareness is more of a purchase barrier than cost. For example, renters commonly underestimate the total value of one’s belongings or operate under the false assumption that they are covered by the landlord’s policy.

Estimates of cyber risk insurance penetration vary widely: a 2015 survey by Advisen estimated less than 3% of small businesses and about a quarter of the largest businesses had it; a 2016 survey by IDT911 reported that “75 percent do not have cyber insurance, or are unsure if their policy includes cyber protection.” However, most sources seem to agree that cyber coverage use is lower than it should be, given the rising threat cyber risk presents to all businesses. A 2017 survey sponsored by Hiscox identified a perceived lack of relevance and complexity of cyber insurance policies as two major barriers to purchasing cyber risk insurance.

Digital Insurance 2.0 players like Haven Life, Lemonade and CyberPolicy, which target life, renters and cyber, use digital technology and platform business models to make insurance easier and more engaging, increasing the interest and reason for customers to choose or switch to them, thereby threatening Insurance 1.0 players. For required coverage, Digital Insurance 2.0 players are challenging price and tolerable service levels as the primary reasons for choosing and staying with Insurance 1.0 companies. They are introducing simplicity, transparency and new engagement methods for required products, but are likewise applying the same strategies to tear down traditional purchase barriers for discretionary coverage, upending the competitive landscape. In short, Digital Insurance 2.0 players are aggressively harnessing new technology and data, and a deeper understanding and empathy for people’s needs and preferences, to exploit the disconnects between Insurance 1.0 carriers and their customers.

**Insurance 1.0 is difficult for customers**

Customers do not associate “easy to do business with” with insurance companies. Majesco’s 2016 consumer research, *The Rise of the New Insurance Customer*, revealed that, compared to other businesses with which consumers interact, insurance ranks at or near the bottom in terms of being “easy” to research, buy and service. In particular, the life and annuity (L&A) insurance industry ranked worse than property and casualty (P&C).

Even cable and mobile phone companies ranked higher in many categories, two industries with traditionally poor customer service. Interestingly, cable is being challenged by digitally-enabled streaming options, a category that showed significantly higher ratings in “ease,” particularly for the younger generations. The difficulties in researching and buying insurance are contributors to both inertia at renewal for required products and low ownership rates of life, cyber risk insurance and other discretionary products.
In analyzing consumer perceptions of insurance’s “ease of doing business” across five generation groups, an interesting pattern emerged. Older generations were more likely to perceive insurance as easy to do business with, likely due to the traditional Insurance 1.0 model, products and agent channel that they are accustomed to. However, the younger generations and in particular Gen Z, the digitally born generation, were least satisfied, which does not bode well for Insurance 1.0 insurers attempting to capture this next generation of customers.

Majesco’s companion research for SMBs, The Rise of the New Small-Medium Business Insurance Customer, showed similar results. We grouped SMBs into three segments based on number of employees (1-9, 10-99, and 199-499), and found that none of them rated insurance as easy to do business with, in terms of researching, buying and servicing products compared to other businesses and suppliers they deal with. In particular, the 1-9 employee segment, one of the largest growth segments, ranked P&C, life and employee benefits in the bottom half on all three of these aspects.
The report highlighted that the Insurance 1.0 business model does not adequately meet the unique needs and expectations of SMBs, nor does it effectively scale to the smallest size segment of the SMB market. Rather, Insurance 1.0 pursues a “one size fits all” approach, creating an expectation gap by size of business. This year’s report, *Insights for Growth Strategies: The New SMB Insurance Customer*, further highlights this gap but extends it based on the business owner generation. The consequences for Insurance 1.0 players are that the traditional approach fosters disengagement and disinterest in insurance, particularly for the smallest SMB group, reinforcing a view that insurance is a commodity or “necessary evil” required for their businesses. This creates significant opportunity in the market for Digital Insurance 2.0 players to dramatically change market perceptions.

**Insurance 1.0 hasn’t kept up with changing behaviors, expectations and new risks**

The insights from our 2017 consumer and SMB research underscore an accelerating interest in using new technologies, new products and engaging in new activities that are reshaping insurance. We saw increased and broad experience with 6 categories of these new trends, with strong participation by younger generations of consumers and younger generation owners of SMBs, and those with the most employees. As these digital trends and activities become even more commonplace, insurers must at a minimum be on par, but to be relevant and competitive must be ahead of the curve in creating experiences, products and services that align to this new paradigm of needs and expectations.

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<th>Gig/Sharing Economy</th>
<th>Consumers</th>
<th>SMBs</th>
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<td>Participation in Gig Economy activities across all generations is in alignment with other national estimates. A smaller percentage have “side hustles” via ridesharing or renting their rooms/houses or cars. But consumption of ridesharing services is a dominant behavior across all generations. Home/room sharing services are used about half as much, yet still have a strong and growing appeal.</td>
<td>All SMB segments are actively engaged in the Gig Economy, both as providers and consumers of independent contractor/freelancer services. The smallest companies are most likely to have been an independent business based on working as an independent contractor.</td>
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<th>Connected Devices</th>
<th>Consumers</th>
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<td>Connected device use is seeing tremendous gains. Fitness trackers are the most popular type of connected device across all generations. The nearly 33% of Gen Z and 25% of Millennials using connected home devices could also rapidly help intensify these new needs and expectations.</td>
<td>Strong, widespread use of apps and connected devices in buildings across most segments, with the highest use of 44% by Gen Z/Millenials and Gen X in companies with 10-99 employees, followed by a third of those in the largest companies. Use of connected devices in company vehicles is less prevalent, but nearly a third of Gen X/Millenials with 1-9 employees and Gen Z/Millennial and Gen X in companies with 10-99 employees are actively using this technology.</td>
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<th>Payment Methods</th>
<th>Consumers</th>
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<td>Use of ApplePay and SamsungPay saw strong year-on-year growth, with over a third of Gen Z and Millennials, and a quarter of Gen X using them regularly. Increased use of digital payment capabilities is raising the bar of expectations across all generations for all types of purchases, including insurance.</td>
<td>Use of ApplePay and SamsungPay is strong among all segments except Pre-Retirement Boomers with less than 10 employees. The increased use of digital payment capabilities is heightening growing expectations across these segments for all types of purchases, including insurance.</td>
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### Consumers

**Channels**

Across all generations, 22% to 38% purchased insurance from a website, with Gen Z/Millennials leading use of this channel. This suggests the increased ease and desire of the younger generation to buy online.

**Products**

On-demand insurance was strong with 25% to 30% purchasing it for a specific item or event. On-demand and subscription-based models are rapidly gaining acceptance in a shorter period of time, as compared to website purchases that have been around for nearly 20 years.

**Emerging Technologies**

Gen Z and Millennials lead the older generations in their use of drones and 3D printers (or items produced by one). These rapidly growing technologies present significant risk needs and opportunities for insurance products and services.

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### SMBs

**Channels**

Most SMB segments have experience purchasing insurance from a website, with Gen Z/Millennials leading the use at 19% to 39%.

**Products**

On-demand insurance was strong, with 13% to 41% purchasing it for a specific event, particularly among Gen X and Pre-Retirement Boomers. Between 30% to 50% of Gen Z/Millennial and Gen X segments are using cloud-based subscription products, highlighting their comfort with this business model.

**Emerging Technologies**

Gen Z/Millenial segments slightly lead the older generations in use of drones and 3D printers (or items produced by one) with usage at 10%-13%. 30% of the Gen X/Boomer 100-499 employee segment use 3D printers. These rapidly-growing technologies present new risk needs and opportunities for insurance products and services.

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In addition to increasing experience with these digital activities and technologies, our research showed similar patterns of interest in considering new insurance capabilities and offerings. We decomposed a range of new insurance business models into 30 attributes covering 6 categories of digitally-driven capabilities and offerings (Quote/Buy, Pricing, Manage, Context, Value-Added Services and Social) and asked consumers and SMB owners to rate the likelihood of buying or using them.

Among consumers, Gen Z or Millennials gave strong, high ratings across all 6 categories and all 30 attributes. Furthermore, there was little agreement on their appeal across all generations. Ratings on only 9 of the 30 attributes were within 10% of each other across the generations, underscoring the widening generational gap and shift from Insurance 1.0 to Digital Insurance 2.0.

There was a similar pattern among SMBs in their ratings across the 6 categories and 30 attributes, but there was also an interaction between the age of the business owner and the number of employees. Gen Z and Millennials stand out with the highest ratings across all company sizes. Furthermore, the largest companies had the highest ratings within each SMB owner generation segment.

The increasing use of digital activities and trends, coupled with strong interest in new digital insurance capabilities, particularly for Gen Z and Millennial consumers and SMB owners, accentuates the rapidly increasing interest in new products and services. Whether due to ever-growing expectations or the need for innovative products that align to their risk profiles, Insurance 1.0 business models simply do not adequately keep up, placing them at significant risk for survival, particularly as Gen Z and Millennials become the dominant group of insurance buyers.

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Whether due to ever-growing expectations or the need for innovative products that align to their risk profiles, Insurance 1.0 business models simply do not adequately keep up, placing them at significant risk for survival, particularly as Gen Z and Millennials become the dominant group of insurance buyers.
Insurance 1.0 doesn’t work well with how customers make decisions

In our 2017 Future Trends report we explained how customers’ decisions and behaviors are not always driven by rational thought or the desire to maximize utility, as we were taught in traditional economics classes. The field of behavioral economics helps explain some of the seemingly perplexing and, frankly, “bad” decisions people make about important matters like insurance. A number of new Digital Insurance 2.0 entrants, and some established insurers, are leveraging behavioral economics principles, in addition to digital, mobile, AI and cognitive technology, to facilitate better decisions for both the customer and the company (see sidebar for a few examples).

SIDEBAR: Examples of Behavioral Economics in Insurance

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<th>Principle</th>
<th>Examples</th>
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<tr>
<td>Commitment &amp; Consistency</td>
<td>• Lemonade customers sign an “honesty pledge” at the start of a claim submission, creating a commitment and desire to be consistent with it. They ask customers to pick a charity to receive premiums left over after claims, creating a further commitment to that charity.</td>
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<td>• Peer-to-Peer models like Friendsurance create commitment among group members to avoid claims so the group can share in rebates or lower premiums.</td>
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<td>• InsurePeer allows individuals to reduce their premiums by recruiting others (e.g. friends, family) to “vouch” for their risk-worthiness in exchange for “InsurePal Tokens” – but also a financial penalty if an at-fault claim is filed.</td>
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<td>Social Proof or Herding</td>
<td>• Peer-to-Peer models’ act of grouping people who know each other and/or share common characteristics or interests can create an attraction for others like them to join or buy.</td>
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<td>• Insurers (existing and new) present customers with several coverage options during the shopping process, and position certain choices as ones that “other people like you chose…” to encourage the shopper to make a decision.</td>
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Another very useful framework for understanding people’s behaviors is the Fogg Behavior Model, developed by BJ Fogg, the Director of the Stanford Behavior Design Lab at Stanford University. While the model incorporates elements of behavioral economics, it also translates behavior into a simple “formula” consisting of just three components: Motivation, Ability and Triggers, all of which have to occur in the same moment in order for a behavior to occur.
This model highlights an inverse relationship between motivation and ability. If someone has low ability for a behavior, a high level of motivation is needed (plus a trigger) to make it happen. Similarly, if someone has low motivation for a behavior, whoever wants them to do it must make it extremely easy (and provide the right trigger). By using this model as a lens for how people make insurance decisions, it reveals the many weaknesses of Insurance 1.0 models that Digital Insurance 2.0 models can exploit.

Further analysis of these Insurance 1.0 models based on the motivation, ability and trigger attributes provides added insight.

Motivation: Dr. Jeffery Nevid, Professor of Psychology at St. John's University in New York, states that “Motivation refers to the ‘whys’ of behavior – factors that activate, direct and sustain goal-directed behavior.”

Fogg uses 3 “core motivators” in his model, each with a positive and negative side:

1) Sensation: Pleasure, Pain
2) Anticipation: Hope, Fear
3) Belonging: Social Rejection, Social Acceptance

Ability: While the meaning of this term is rather obvious, it never hurts to establish a working definition. Dictionary.com defines it as:

1) Power or capacity to do or act physically, mentally, legally, morally, financially, etc.
2) Competence in an activity or occupation because of one's skill, training, or other qualification: the ability to sing well
3) Abilities, talents; special skills or aptitudes: Composing music is beyond his abilities.

Fogg emphasizes the importance of task simplicity to enhance people’s ability to perform a behavior. Training people is the second option, but is less preferred because it takes time and effort, and many people (especially your customers) really don’t want to learn how your company’s systems and processes work. Fogg’s training view aligns well with the concept of System 1 and System 2 thinking described in the book, Thinking, Fast and Slow, by Daniel Kahneman, Nobel Prize winner in economic science. Training people on something new and complex requires them to use System 2 thinking, which is deliberate, slower and requires significant cognitive effort – something most people prefer to minimize and reserve for other purposes more important or interesting to them.

Triggers: These can be deliberate external cues, prompts or requests for a behavior, like an advertisement, an email or a sales call. They can also be more serendipitous, like a life event or an accident, or even noticing a stack of dirty dishes in your kitchen sink (prompting you to put them in the dishwasher).

Fogg notes 3 kinds of deliberate triggers corresponding to different levels of motivation and ability that a company or person can use to facilitate a behavior:

- **High motivation + low ability**: A Facilitator trigger seeks to provide an easy first step toward the ultimate target behavior
- **High motivation + high ability**: A Signal trigger serves as a reminder to act
- **Low motivation + high ability**: A Spark trigger seeks to provide just enough motivation to do something that should be relatively simple

Unfortunately for Insurance 1.0, there aren’t any effective deliberate triggers for low motivation and low ability scenarios. As we noted previously, this is the dynamic that Insurance 1.0 operates in with many customers: they are not very interested in nor engaged with insurance (motivation), and they think it is not easy to do business with (ability). The implication is that for Insurance 1.0 players it is likely very difficult to encourage their customers to engage in desired behaviors, like purchasing additional policies, signing up for services (e.g. electronic billing), using the company’s app, not submitting fraudulent claims, or getting satisfied customers to switch from another carrier.
InsurTech startup ClearCover has staked its position on this concept and market realization. Their business model is set up to piggy-back on customer-originated triggers like life events and in-progress insurance shopping, to create *motivation* through low price (by avoiding high marketing spend) and to enhance *ability* through an easy research and purchase process.  

In reality, many of the triggers that cause customers to engage in Insurance 1.0 behaviors are likely of the serendipitous type, caused by an event on the customer’s end. The commonly cited reasons for shopping and switching mentioned earlier are examples of these triggers:

- **Trigger**: Price increase or poor service  
  - **Motivation**: High. Sensation: Pain (anger, confusion, perceived unfairness)  
  - **Ability**: Low. Our research shows that researching and buying insurance is not easy, but motivation may be strong enough to overcome the lack of ability, especially if competitors make the experience extremely simple. This is a key focus for Digital Insurance 2.0 players.

- **Trigger**: Life event (marriage, birth of a child, new home, starting a new business, etc.)  
  - **Motivation**: High. Anticipation: Fear (realization of what you could lose and desire to protect it)  
  - **Ability**: Low. Again, as our research shows, insurance researching and buying is not easy, especially for those new to insurance (i.e. Millennials, Gen Z).

In stark contrast, Digital Insurance 2.0 companies are using data, technology, platforms and processes to beat Insurance 1.0 models in all three components of the Fogg Behavior Model:

- **Triggers**: Using new data sources, including location, activity and condition data from connected devices, combined with improving analytics and AI/cognitive computing, insurers can predict and respond in real-time to occasions where people should be highly motivated to act. In platform-based ecosystems, the trigger for insurance can even be embedded or “invisible” as part of another transaction or activity like buying a house or an Uber driver picking up a passenger.

- **Motivation**: The data and analytics enabled triggers can “catch” customers before or during an event whose immediacy and context should result in higher motivation to act…or to not have to engage in an insurance-related behavior at all, in the case of a platform-based ecosystem.

- **Ability**: AI-driven apps radically simplify and speed up insurance transactions like researching and buying insurance and filing claims. Platform-based ecosystems organize all relevant components of a customer’s journey into one place, including insurance, greatly simplifying the process by removing silos and embedding and streamlining tasks.

Digital Insurance 2.0 players, many from InsurTech, are effectively using these three attributes.

- It was this combination of a life event *trigger*, high *motivation* and low *ability* that inspired Yaron Ben-Zvi to start Haven Life in an effort to simplify the process of choosing and buying life insurance.

- Lemonade’s behavioral economics-based model radically simplified, redesigned and sped up the insurance process, from buying to claims, positioning them for growth.

- PingAn’s model as an ecosystem platform has found opportunities to embed insurance within the purchase of other things, such as for shipping insurance of Alibaba purchases.

While these are just a representation, they highlight the fundamental differences in their business model assumptions and approach, leveraging people and technology, to trigger, motivate and make it easy for customers to take action in buying insurance.
Digital Insurance 2.0: A Platform-Based Business Model

The insurance industry is rapidly reshaping itself to Digital Insurance 2.0, using a platform model strategy and approach. Platform models, as noted earlier, emerged from the “digitally-born” big tech companies that are transforming their industries and the broader economy. While we noted the emergence of platforms in the 2017 Future Trends report, they have rapidly accelerated and gained prominence in the market as we enter 2018.

The authors of the recent book, *Platform Revolution*, assert that, “Platforms beat pipelines because platforms scale more efficiently by eliminating gatekeepers. Until recently, most businesses were built around products, which were designed and made at one end of the pipeline and delivered to consumers at the other end. Today, plenty of pipeline-based businesses still exist—but when platform-based businesses enter the same marketplace, the platforms virtually always win.”

Furthermore, Van Alstyne contrasted traditional, value chain-based businesses that build economies of scale as they grow, with platform-based businesses that leverage network effects to dominate their industries by building ecosystems of buyers and sellers. “Platforms,” he asserts, “are overtaking energy and banking on the Fortune 500. 13 of the top 30 brands have ecosystems.”

Relating this to insurance, our report, *Cloud Business Platform: The Path to Digital Insurance 2.0*, highlights that a platform-based business model leverages a cloud-based solution that fuses together core (apps), content (data), experience, and an open ecosystem (partners, distribution, etc.) to digitally connect and interact with customers (consumers and businesses) to create and share value, as reflected in Figure 8. The strategic decisions for Ping An to be embedded with Alibaba and for Lemonade to provide an open API to be embedded into other business models both reflect a new era of insurance platform-based businesses.

These new insurance platform-based business models leverage broad ecosystems and technology innovations such as cloud computing, artificial intelligence, machine learning, and new data sources to create a greatly enhanced customer experience and innovative new products, indicative of the shift to Digital Insurance 2.0.

Digital Insurance 2.0 companies leverage technologies such as mobile, social and cloud to make better decisions, automate processes, strengthen the connection with customers, partners, channels, and pursue innovation. They do this while maximizing resources—people and capital—and at an increasingly rapid pace, positioning them as “digitally fused and digital first” companies.
What are the attributes of Digital Insurance 2.0?

Digital Insurance 2.0 consists of silo-less (or silo-reduced) insurance operations, enabled by digital technologies. It is a new digitally-fused business platform that utilizes digital efforts to reconstruct a future-proof model with fewer barriers between systems and ecosystems. In general, digital insurance platforms share these traits:

- Optimized customer journeys with deeper, personalized engagement.
- Process digitization that improves operational efficiencies and customer experience.
- The ingestion and use of digital data-driven insights for better decision-making and to proactively identify customer needs.
- The ability to rapidly roll out new products and capabilities while expanding into new markets, provinces or other geographies.
- Rapid adaptation to business, market or customer changes.

Digital Insurance 2.0 and Digital Fusion

For decades, insurers have strived to be rock-solid, foundational, consistent providers of protection products and never-wavering keepers of the brand promise. Most insurers stick to their brand promises but they may not realize that in the digital era, they will need to truly become customer-centric and create a connection between what is expected by customers and how they deliver in order to not only improve upon the brand promise, but to exceed it. This is a fundamental requirement to compete with the “digitally born” Digital Insurance 2.0 startups.

For existing insurers, Digital Insurance 2.0 is so much bigger than legacy transformation or optimization of the business. It is about redesigning the business of insurance with a customer-centric philosophy across operations, people, technology and insurance. Insurers need to let outward trends and digital pressures reframe the scope of their internal operations. It must be an outside-in approach. It must be digitally-fused.

Borrowing another phenomenon from science, “digital fusion” is a fitting comparison for how Digital Insurance 2.0 is being created. Digital fusion is erasing the traditional concept of insurance and redrawing an entirely new vision and definition for the digital age. The word insurance will mean something completely different to a homeowner in 2020 than it did to the homeowner in 2000 and the overall concept and value of insurance will be vastly improved, across all lines of insurance and the entire insurance process.

But, it is not easy. Yes, it is possible. And it is happening.

Digital fusion can be framed in two dimensions. First, digital fusion is a practical answer to how digital technologies are best employed to provide transformative results. Second, digital fusion is a simple analogy that helps us to understand how independent, disparate efforts will not provide exponential results. Rather, fusion helps insurers understand the need to find the power in connections, and to prepare for a deeply-connected future.

Digital Fusion = Apps, Content, Experience and an Ecosystem running smoothly and seamlessly together on an easy-to-configure digital platform.

Here is how the digital fusion analogy works. Just as a fusion reactor safely combines atoms to create energy, insurers can fuse elements they control and release their combined energy. First, the insurer has their Core or Digital apps. Second, they consume content from an array of sources, both internal and external. Third, they create a unique, outside-in customer experience journey using engagement data and analytics. And fourth, they have real-time access to a vast ecosystem of InsurTech and other partner capabilities that are easily integrated. For more details, read our report, Cloud Business Platform: The Path to Digital Insurance 2.0.
Digital Insurance 2.0: The Cloud Platform

The crucial technology underpinning digital insurance platforms is cloud computing. The idea that a 10-year old technology like cloud computing could provide new opportunities for insurers seems unbelievable. Yet, as insurers (now considered incumbents) fight in a new, competitive marketplace against the latest competitive disruptors and InsurTech start-ups clipping at their heels, many are giving new credence to the business advantages cloud platforms present, both operationally and strategically, in becoming a digital insurer.

Today, we are seeing a new generation of cloud insurance platform solutions emerge. These platforms are increasingly the option of choice for incumbent insurers looking to modernize their core systems and existing business models, helping them avoid the long, difficult, and expensive implementation process usually accompanying systems replacement and subsequent upgrade processes.

Many greenfield and startup operations are offering digitally-enabled traditional insurance products, and they are looking for speed to value, to drive speed to market and speed to revenue, while ensuring that their capital is allocated to business growth, not IT infrastructure. And with cloud platforms increasingly providing the foundation, a new generation of core solutions leveraging a micro-services architecture is rapidly emerging to enable innovative new insurance products like on-demand and micro-insurance offerings.

A cloud platform that is digitally fused, allows insurers to employ new technologies, new data, new ecosystem partners, new channels and more into a framework that can create unique customer experiences. Digital fusion and a cloud platform provide an exciting, competitive desired end state. While an organization can have individual digital capabilities without digital fusion or cloud, the real power of digital is released when the silos are reduced and the cloud platform is unleashed to capture market opportunities.

Digital Insurance 2.0: Ecosystem Effect

In the Accenture Technology Vision 2016: Platform Economy report, it suggests that within five years, a core component of corporate valuations and capital markets will be based on their platform ecosystems and digital assets. The report further states that ecosystems are the new bedrock of digital.

Further highlighting the strategic value of ecosystems, the January 2018 McKinsey report, Insurance Beyond Digital: The rise of ecosystems and platforms, notes that ecosystems will account for 30% of global revenues by 2025. Emphasizing this, 7 of the 10 largest companies by market capitalization are ecosystem players including Alibaba, Alphabet, Amazon, Apple, Facebook, Microsoft, and Tencent. It is interesting to note that Alibaba and Tencent founded and use Ping An, Amazon just announced a partnership with JP Morgan and Berkshire Hathaway to start a digital health insurance company, and Alphabet (i.e. Google) has forayed into insurance ... emphasizing the tremendous threat to insurers.

The McKinsey report anticipates 12 distinct ecosystems will emerge around humans and organizations as reflected in Figure 9 below. These 12 ecosystems will account for $60 trillion in revenues by 2025 (30% of global revenues) and will vary by country or region due to regulations or cultural differences.
In this new world, insurance will play with or in these ecosystems, rather than as an ecosystem by itself. This differs from today, where others have to play in the insurance ecosystem (channels, insurers, MGAs, reinsurers, etc.). It represents the shift from inside-out to outside-in.

In many ways, this change unleashes the potential and opportunities for insurers to rethink their business models from the outside-in. For example, the personal-mobility ecosystem offers a range of opportunities to expand into areas such as vehicle purchase and maintenance management, ride-sharing, carpooling, traffic management, and vehicle connectivity. At the same time, it offers an opportunity to embed insurance within the assets, activities or products of other ecosystems, creating new market opportunities for growth.

This shift to an outside-in view with ecosystems, will fundamentally redefine the role of insurers in the marketplace and economy. Today, insurers aggregate risk via the policies and coverage they offer to their customers. Customer engagement is primarily limited to quoting, issuing, paying the bill and sometimes paying the claim — the traditional processes with an internal view, along with a product mindset, rather than a customer mindset. Today’s new business models leverage a business platform and ecosystem that redefines the business model with an outside-in view and a focus on continuous customer engagement.

Therefore, creating and participating in ecosystems will be crucially important for insurers as they move to Digital Insurance 2.0.
A number of new insurance companies are at the forefront of Digital Insurance 2.0. They have created a digital insurance platform-based model and ecosystem as their foundation to offer a unique customer experience and digitally-enabled insurance products and services.

Digital Insurance 2.0: The First Wave of Platform-Based Business Models

The best relationships are built on personal knowledge and understanding. Digital Insurance 2.0 insurers will know their customers better than insurers of the past. They will engage with them in personalized ways. They will provide products and services that meet their unique risk profile and needs.

A number of new insurance companies are at the forefront of Digital Insurance 2.0. They have created a digital insurance platform-based model and ecosystem as their foundation to offer a unique customer experience and digitally-enabled insurance products and services.

Lemonade

In October 2017, Lemonade announced the opening of their platform to the world, allowing companies and growth-stage startups to easily incorporate insurance into their apps and products for their customers. Developers can now easily incorporate insurance into their own customer experiences, alongside their main products to support quoting, policy creation and payment for homeowners, condo, and renters insurance policies in Lemonade's markets. This is the first time an insurer has done this, highlighting the value of a platform model.

On their website, Lemonade suggests the following ecosystems that may want to embed the Lemonade app into their apps or website:

- Commerce – Protect stuff purchased on a retail commerce site
- Real Estate Marketplaces – Offer renters or homeowners insurance
- Smart Home Security – Offer full protection with discounts
- Insurance as a Service – Brokers can embed the app to use with customers
- Everything Else – Open to ideas to integrate with other apps or websites
Slice
In January 2018, Slice announced Slice Insurance Cloud Services™, a first-of-its-kind, fully-digital, on-demand insurer with pay-as-you-go pricing. The offering provides a cloud-based, end-to-end, digital-first on-demand insurance platform designed and built to drive market experimentation and deployment. It, too, is embeddable via an open-API approach.

Highlighting this was their announcement of a partnership with Progressive in October 2017, called Progressive Homeshare by Slice Labs.24 Progressive will use the Slice platform to apply and issue policies for homesharing coverage. It highlights the potential strategic power, combining Progressive’s strong brand and marketing strength with the innovative Slice platform, for a product that fulfills a unique need for their customers.

Trov
Trov provides on-demand insurance for an array of assets – phones, laptops, photography equipment, gaming, sports equipment, and more, via a business platform in the cloud. Building on this, in December 2017, Trov announced a partnership with Waymo, Alphabet’s self-driving technology unit, that will allow Waymo to offer trip insurance customized for passengers of Waymo’s soon-to-be-launched commercial ride-hailing service.25 The insurance coverage will include several protections for passengers for the duration of each trip including lost property, trip interruption benefits, and medical expense reimbursement.
Ping An

Ping An, Tencent and Alibaba joined forces in 2013 to launch Zhong An, China’s first truly-digital insurer that sells all its products and handles all claims online. Zhong An underwrote over 630 million insurance policies and serviced 150 million clients in its first year of operation. In November 2017, Alibaba had their record breaking $25B Singles’ Day sale that included embedded insurance for shipping via Zhong An.

Highlighting the importance of their platform and integration with different ecosystems, Figure 13 from the aforementioned McKinsey report, Insurance beyond digital: The rise of ecosystems and platforms, reflects the revenue and growth power of platform business models. The chart highlights Ping An’s expanded reach into healthcare, automotive, real estate and banking. The McKinsey report notes they support more than 350 million online customers through a single customer portal called the One Account.

Figo Insurance

FIGO, a pet insurer startup that is focused on making the experience of pet insurance fun, created a business platform in the cloud. They use APIs, social and mobile capabilities that come together and create a cohesive experience for the pet owner. FIGO provides:

- An “Inbox and Docs” tool that organizes medical records, adoption records, vet bills and pictures in an account.
- Traditional pet tags or a GPS location tag from cloud partner Gibi Technologies to find a lost pet.
- Shots and reminder messages via different channels.
- “Near me” app that shows the following in close proximity to your GPS location – pet park, animal hospital, veterinarian, shelters, pet hotels, pet day care, pet stores and groomers.
- Paperless claims.
Today's business environment is characterized by constant disruption, heavy competition and growing market demands. InsurTech entrants are embarking upon business and technology initiatives that exploit untapped markets and address under- or unmet needs, creating the first wave of Digital Insurance 2.0 players. As a result, incumbents with outdated technologies are at a huge disadvantage because they are unable to respond with the flexibility, agility and speed that has become the hallmark of insurance's digital natives.

While many insurers are still in midst of legacy modernization of their core systems (often via on-premise) to optimize for Insurance 1.0, they are severely falling short of achieving Digital Insurance 2.0 and likely chaining themselves to Insurance 1.0.

Just as Amazon shifted strategies for retailers, booksellers and more, Digital Insurance 2.0 is shifting the strategies of incumbents and startups. Both startups and existing insurers are now initiating strategies to build Digital Insurance 2.0 business models by selecting business platforms and ecosystems. These new models, independent from the existing business, represent a new era for insurers. Instead of just focusing capital and resources on operational efficiencies and effectiveness, these companies are aligning their strategies to a rapidly changing reality and the new requirements of a digital business environment. By allocating capital and resources to these innovative, new business models, insurers have a powerful lever to both create value and grow the business.

As noted in the July 2017 BCG report, A CEO’s Guide to Building Value, the global insurance industry has had a strong run over the last five years, with a shareholder return over 18.5%28 The report highlights that capital allocation is a powerful lever for value creation. But it also notes that those who relied on a combination of rising payout, portfolio restructuring and cost cutting may not be able to use those same tools to continue creating value. Companies may need to create the next wave of value through growth, innovation and progress in the core business — a new game plan. The report notes that the key areas insurance leaders must address include:

- How to position the company to win in the 3-5 year horizon, in an environment of low growth, intense competition and rapidly changing technology. The report states that this means “growing uphill.”
- How to fund a transformation journey that reshapes business portfolios and improved productivity. Quick wins that demonstrate progress and build momentum will be critical.
- How to build the business they want to create (the future) that can drive growth. Digital capabilities, new skills and an agile approach focused on testing and learning, failing fast and cheap will be critical.
In many ways, these areas align to Majesco’s assertion that there are three paths insurers must take to be future insurance leaders: **Keep and grow the existing business** via modernization and transformation programs; **Optimize that business** with digital capabilities; and **Build the new business** model for a new generation of insurance buyers as reflected in Figure 15. The first two paths maximize today's Insurance 1.0 business (which pays the bills) while quickly experimenting and building Digital Insurance 2.0, the new game plan.

The report also highlights Zhong An as an example of a new era of value creation via a new game plan. Zhong An can launch a new product in as few as 5-10 days and it focuses on cutting-edge features such as using data from wearables to reduce premiums. As of December 2016, Zhong An had written over 7 billion policies for 490 million customers, a powerful example of value creation and growth.

The greatest barriers to becoming a Digital Insurance 2.0 insurer that provides true digital customer experiences are the existing culture, operations and technology within the organization.

**Summary**

Today’s business environment is characterized by constant disruption, heavy competition and growing market and customer demands. New startups are embarking on Digital Insurance 2.0 business models using digital platform capabilities and ecosystems that exploit untapped markets and address under- or unmet needs that strengthen customer relationships. Insurance incumbents with an outdated Insurance 1.0 business model and technology infrastructure are increasingly at a huge disadvantage.

We are entering uncharted waters. The rise of Digital Insurance 2.0 is simultaneously one of the greatest opportunities, challenges and threats to insurers operating in Insurance 1.0. Digital Insurance 2.0 requires an outside-in approach that begins with entrepreneurial thinking. As we highlighted in our *Strategic Priorities 2017* report, creating the new model of business will prepare the organization to reach new buyers, find and test new market opportunities, and find greater opportunities to create value and growth.
The future is still unfolding. New technologies and ecosystems will continue to emerge. And with those changes, over the next decade we will likely see the beginnings of Digital Insurance 3.0 emerge.

In an analysis of successful companies, MIT Sloan correctly noted, “…history warns us that mastering digital technology won’t determine which companies become corporate winners. Instead, making the necessary organizational and leadership changes will.” Unfortunately, as David Smith points out in Changing Insurance for the Digital Age, “There is little evidence – across all industries – that structures supporting future leadership are in place; while the future is digital, only 5 percent of organizations possess a strong digital leadership development program. 65 percent of all organizations have no such program, and 30 percent of organizations admit to having a weak or very weak leadership pipeline.”

While the shift from Insurance 1.0 to Digital Insurance 2.0 is significant, it represents only the first phase of digitalization of insurance that began about 10 years ago with the introduction of the Apple iPhone, and leverages today’s technologies and ecosystems.

The future is still unfolding. New technologies and ecosystems will continue to emerge. And with those changes, over the next decade we will likely see the beginnings of Digital Insurance 3.0 emerge as reflected in Figure 16. Organizations will need agility to respond, a keen focus on innovation that encourages experimentation, and a priority on speed to value to succeed, let alone survive.

Figure 16: The future of insurance is still unfolding

There is no single path or single plan. Each organization, whether a startup or existing insurer, must find the path best suited for them. Some may choose to evolve. Some may choose to leapfrog. Regardless, focusing on planning and executing with urgency is mandatory. And leadership is crucial.
Each and every day, insurers must recommit to Digital Insurance 2.0 business platform and ecosystem strategies and journey. The next wave of growth and value creation for insurers will be from their ability to rapidly move to Digital Insurance 2.0.

It is a new age of insurance — a digital age. Each and every day, insurers must recommit to Digital Insurance 2.0 business platform and ecosystem strategies and journey. The next wave of growth and value creation for insurers will be from their ability to rapidly move to Digital Insurance 2.0. Insurance executives and leaders should ask themselves the following:

- What is our business strategy and how are we incorporating a platform and ecosystem approach?
- Have we shifted to a customer-centric focus?
- Are we appealing to customers’ motivations, making our processes simple, and creating compelling triggers to act?
- In which markets and with what customers will we find our future growth? What will they expect?
- What is our partnership approach today and how will it need to change to extend to a broader ecosystem?
- Is our technology platform the foundation for our growth?
- How will we gain access to talent and embrace an entrepreneurial culture to drive innovation?

In today’s world, change is continuing to intensify and accelerate. Insurers taking a “wait and see” or fast follower” approach must realize that Digital Insurance 2.0 is just the beginning. The catalytic effect of platform solutions in the shift to Digital Insurance 2.0 is rapidly evolving, gaining momentum and laying the groundwork for future reactions. Will the next catalyst be blockchain or some other trend to propel us to Insurance 3.0? While it took 20-30 years to transition from Insurance 1.0 to Digital Insurance 2.0, with the pace of change, Insurance 3.0 will likely emerge within the next 5-10 years. What Insurance 3.0 entails is yet to be seen. But, for insurers still in Insurance 1.0, getting from there to Insurance 3.0 will likely be insurmountable.

As a result, insurers must define their vision and path to Digital Insurance 2.0 quickly, leveraging today’s catalytic lever, platform solutions. Each organization undertaking this path will evolve differently; but being open to operationalize around its promise as a new business model paradigm acknowledges the role innovation will continue to play as insurers encounter future insurance ecosystems. And the time for plans, preparation, and execution is now — recognizing that the gap is widening and the timeframe to respond is closing.

Will established insurers suffer at the hands of tech-savvy, culture-savvy competition? Some may, but only if they allow themselves to. In a rapidly changing insurance market, new competitors do not play by the traditional rules of the past. Insurers need to be a part of rewriting the rules for the future, because there is less risk when you write the new rules.
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