

TRANSFORMATION IN ACTION

Success Stories and Use Cases

2018 SMA Summit Report



Transformation in Action
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INTRODUCTION: EMBRACING TRANSFORMATION



Deb Smallwood, SMA's CEO and Founder, welcomed everyone to the 2018 SMA Summit: Transformation in Action and talked about how exciting it is to be in insurance today. She acknowledged the powerful hurricane bearing down on the Carolinas and pointed out that **"this is what our industry is for."** Its entire purpose is to support people when something bad happens.

She introduced the Summit by posing a challenging question to the audience: **"When we say the words 'transformation in action,' what image comes to mind?"** For her, she continued, the first thing she thinks of when trying to picture transformation is her grandson, Clark, playing with his Transformers toys. For those not in the know, Transformers are superhero robots, originally from a cartoon, that can that can disguise themselves as everyday machines. Incidentally, the Transformers premiered on September 17, 1984, exactly 34 years before the 2018 SMA Summit!

Clark's favorite Transformer, Bumblebee, can transform from a robot to a race car and back again. Rearranging the pieces and parts changes the toy from one to the other, and Clark loves both the car and the robot. But more than anything, Deb explained, he enjoys the process of transformation, rearranging the parts and pieces to turn Bumblebee from robot to car and back again. He plays with purpose and intent, focused on the changes that he is making. He flips the different parts around, reshapes the toy, and redefines its state. He creates energy in motion.

The big question is this: **How do we take this concept of transformation to insurance to bring new energy into the industry?** In the current state of insurance, Deb explained, we are striving to improve ourselves and save people and things from bad things happening. We are steady, reliable, capable, and efficient, like Clark's favorite toys. We do have the ability to transform and have always been doing it along the way. Now, it is simply necessary to accelerate our pace.

Deb listed the four pieces and parts that, together, comprise transformation.

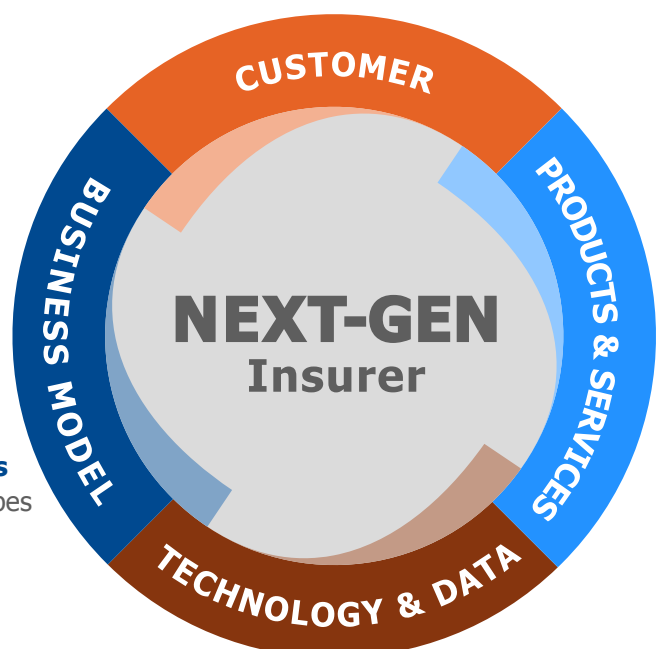
1. CUSTOMER

2. BUSINESS MODEL

3. PRODUCTS & SERVICES

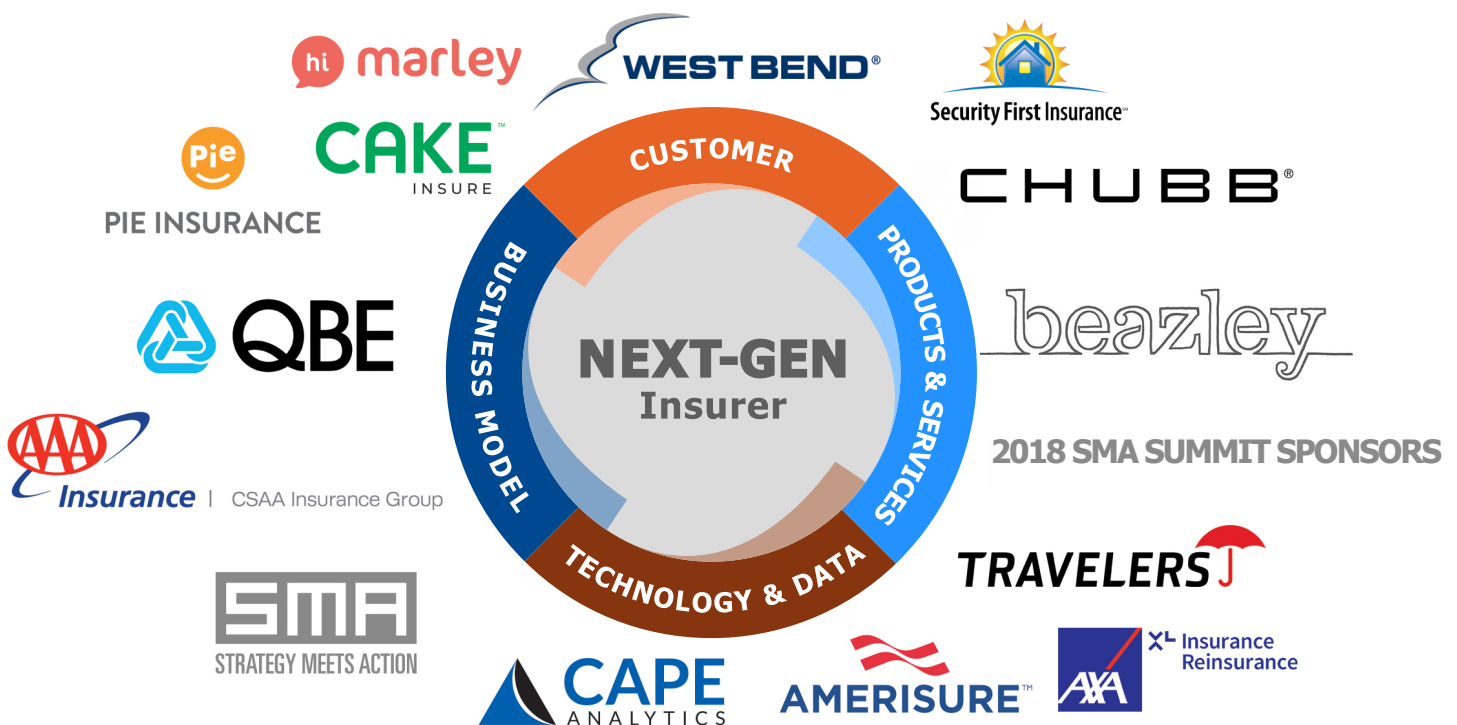
4. TECHNOLOGY & DATA

The changes that we are seeing triggered in these areas are happening at different speeds and are at different stages of maturity. **Customer** and **Technology & Data** are further advanced: we know a lot of the elements that we will be able to rearrange into the new state. There are still bigger questions to answer in **Products & Services** and **Business Model**. But they are all interconnected, taking on new shapes and forms.



"We don't know what the new future is going to look like or what's going to trigger us to be ready to leverage these new developments and really transform," said Deb. **"We just know that it's coming. If we keep these four areas in mind, though, flipping them around, playing with them, and creating energy in motion, we will be ready to get there together."**

"All of these transformational stories that you will hear today align to our Next-Gen Insurer model," she continued. She showed how the different speakers mapped to the model but noted that the four areas were so closely interconnected that many of the presentations fell into multiple categories.



In this report, the session summaries are organized into the four categories in the diagram above.

Deb closed with a call to action for the whole audience:

- 1 **EXPERIENCE THE DAY WITH INTENTION**
- 2 **EMBRACE TRANSFORMATION**
- 3 **SET YOUR ENERGY IN MOTION**

"Let's accelerate this pace even more, so you can take what you learn today and all of this energy back to your organizations," Deb concluded. And the 2018 SMA Summit got underway.

CUSTOMER

"Everything we're doing around customer experience, coupled with massive investments in digital, is moving us from a transactional focus to a service focus and ultimately to an experience-focused industry." – Deb Smallwood, SMA CEO & Founder



Spotlight on Transformation: West Bend Mutual Insurance Company and Hi Marley

KARIN L. BOGENSCHNEIDER, Dir. of Casualty Claims West Bend Mutual Insurance Company | **AWARD WINNER**

MIKE GREENE, CEO and Co-Founder Hi Marley | **AWARD WINNER**



For the first time in the seven years that SMA has held the SMA Innovation in Action Awards program, an insurer won for using the solution from a solution provider who also won. To acknowledge the collaboration, both winners, West Bend Mutual Insurance Company and Hi Marley, presented together.

Hi Marley's AI-based conversation platform helped West Bend to revolutionize their claims experience. Claims representatives use the Hi Marley solution to collaborate and communicate with their customers to receive photos, send proactive updates, and gather real-time feedback via text messaging.

That real-time feedback was key, Karin Bogenschneider explained. It allowed them to fix an issue immediately. When one user gave their claims experience a rating of only one star out of five, West Bend immediately jumped in. They found that the claimant had never received the check, and they were able to resend it right away. The ability to respond allowed them to swiftly apologize to an unhappy customer. It changed how they dealt with their policyholders during the claims process.

Mike Greene gave some context to how Marley, the AI-driven virtual assistant, enabled that transformation. Policyholders opt in through SMS messaging: they receive a text offering the ability to use Marley during the claims process. The way this is presented is that Marley works for West Bend, and Hi Marley is the platform behind it. If the policyholder agrees, they immediately get a text with their claim number and their claims representative's contact information. Marley is automatically stored as a contact in their phone, enabling easy texting later. The conversation is encrypted at both ends, and transcripts become a part of the claims file for the sake of auditability.

Karin brought the discussion down to the bottom line by saying, "To the insurers in the room, I will tell you: change is hard." The big question, she continued, is whether your representatives like it. West Bend reps were hesitant, wondering how this new solution would affect them and their jobs. She was happy to report that the initial reaction was quickly superseded by enthusiasm and satisfaction. Marley can answer routine customer questions and coordinate with the claimant asynchronously, in their own time, which customers had been requesting for some time. Deploying Marley cut down on incoming calls, but more importantly, it drastically reduced phone tag and voicemails. West Bend also gamified the rollout with a competition to become the first team of reps to earn fifty 5-star ratings.

West Bend was the first insurer to pilot Marley, and their experience demonstrates how this means of communication and the technology behind it can make a big difference for insurers. Marley uses machine learning to improve its insurance-specific knowledge base and conversational capabilities. Customer satisfaction is way up, and the claims reps are happier. The companies agreed that it was Hi Marley's solution that enabled West Bend to transform their interactions with policyholders.

Demystifying the Customer Experience

MARISSA BUCKLEY, Vice President of Marketing Security First Insurance

TULIO MURILLO, UX & Design Lead Chubb Digital in N.A. Chubb

JUDY DELAROSA, Consulting Partner Strategy Meets Action



Judy DeLaRosa kicked off this panel by pointing out something that is easy to lose track of when talking about the customer. Customer experience isn't new. In fact, it's always been a foundational part of business. Businesses have been built on relationships and experiences from the beginning. What has changed, however, are customer expectations – and the value that customers place on their own experiences and those of others. Most of the time, unfortunately, customers do not proactively articulate their expectations. They assume that you, the company, truly know and understand their behaviors, goals, and preferences, and are prepared to go above and beyond

simply accommodating them. "Insurance," she said, "is measured by a bar that is not set by us." So how do you flip the lens and move toward the customer-oriented culture?

Tulio Murillo revealed that design thinking has been a huge part of Chubb's success in this area. He laid out several key principles:

- ✓ **Make sure users are at the center of design**
- ✓ **Understand who they are, what they need, and what they want**
- ✓ **Define the specific problem**
- ✓ **Ideate**
- ✓ **Prototype**

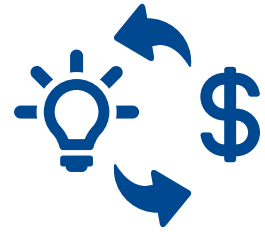
Tulio also said that validating critical functionality as soon as possible is absolutely essential. Getting things out in front of real users as soon as possible is important, and you have to make sure that it makes sense. And if there are hard conversations that have to be had, then do that sooner rather than later.

Working with that kind of purposefulness, Judy agreed, is very important. You cannot go about this haphazardly. She then brought the topic of culture into the conversation by talking about an intentional CX culture and practice. "Work your purpose, vision, and values into everyday work life so these things become a part of the language you speak, and you achieve continual alignment and focus across the organization, with every employee," Judy explained.

For Marissa Buckley, the most important part of that alignment is to educate your employees – and part of that is figuring out how to communicate with them. She echoed an earlier point from Judy, that agile development, for example, can look like under-delivering if you're not clear on the process. Marissa said that she strives to make employees feel okay with asking questions, because if employees know that they can ask the important question, they are looking at the problem that the whole company is trying to solve. As an organization, she added, it's not only a matter of empowering people to ask questions – it's also telling everyone that you will accept those questions and answer them.

BUSINESS MODEL

"Every day we learn of new proofs of concept that are absolutely redefining what is possible in insurance." – Deb Smallwood, SMA CEO & Founder



Thriving in the New Norm

TED STUCKEY, Managing Director, QBE Ventures QBE Insurance Group | **AWARD WINNER**

JAMES SIMONIAN, Director of Product Deployments HyperScience



Deb kicked off this session with a surprise announcement: QBE had won the company-wide SMA Innovation in Action Award for 2018 for their large-scale innovation successes with emerging technologies and partnering and investing in InsurTech startups. Ted Stuckey, the head of QBE Ventures, received the award and shared his insights on successful innovation in the digital world.

Eighteen months ago, QBE had formed a digital innovation lab, QBE Ventures, to coordinate work already occurring in emerging technologies and explore the InsurTech movement. Echoing the sentiments of many in the audience, Ted admitted, "There are so many InsurTechs

out there that we didn't know where to start." Their goal was clear, however: QBE wanted to become the partner of choice for InsurTech startups and to use their technology to accelerate QBE's own business. This meant not only did QBE want to invest in startups, they had a mandate to implement the startups' technologies within QBE's business.

Today, QBE is at the forefront of InsurTech, investing in a series of startups like HyperScience, Cytora, and RiskGenius. They have had notable success in going beyond the early stages of InsurTech partnerships and rolling out capabilities with their partners across their business. In fact, all of QBE's portfolio companies are deploying their technology at least somewhere within QBE. And they are rapidly delivering more advanced and higher quality technology than QBE could have managed on their own.

The startups also have much to gain from their partnerships with QBE. As a specific example, James Simonian from HyperScience, one of QBE's key InsurTech investments, joined Ted onstage to share what each has learned about how to thrive in the new norm by building a successful partnership between an insurer and an InsurTech startup.

James talked about how HyperScience's technology, which uses machine learning to automate and streamline the data capture process from documents, has significantly increased QBE's efficacy. While HyperScience was able to help QBE identify hundreds of use cases for this solution, QBE also co-developed a second product with them and helped identify other insurers who might benefit from it. "They had such a long-term view of our company," James commented.

Ted wrapped up by explaining the radical changes that QBE had to make internally to make the partnership with HyperScience and their other InsurTech partners happen. "We literally almost put a startup out of business," he admitted, because they ran out of money while they were still navigating QBE's usual procurement process. QBE had to step back and evaluate how startups are different, and how that affects nearly every initial activity of the partnership from procurement to regulation to legal. They found that they needed to frontload the most important deployments to keep the startup's cash flow going. In return, QBE's startup partners and investments could help them transform and find new ways that they could be transformed. The InsurTechs could also accelerate QBE's transformation by facilitating the deployment of emerging technologies and new ways of doing business. In the end, Ted concluded, you end up with trust both ways – and a great return on investment for QBE.

Evolving Innovation Models

S. MARIK BROCKMAN, VP of Strategy & Partnerships CSAA Insurance Group

MARK BREADING, Partner Strategy Meets Action



Mark Breading started this session by calling CSAA Insurance Group, a AAA insurer, a company on the move. Vice President of Strategy and Partnerships Marik Brockman, he continued, is one of the company's key drivers of innovation and transformation and will be sharing his insights on how innovation models are evolving.

Marik gave the audience some perspective on CSAA, which is the second-largest AAA insurer and has a 100+ year history. The company had grown over time with mergers and acquisitions and had dozens of core systems. The first essential part of the CSAA transformation story was

consolidating those multiple systems into seven modern core systems. As other speakers had noted, a modern core system is a critical element of the transformation journey. But for CSAA, it was just the beginning. Now that they had modernized their platform, they had to get down to the real work of innovation and transformation.

Marik introduced a new vision with four components:

- ✓ **Living Strategy**
- ✓ **Strategic Partnerships**
- ✓ **Innovation Acceleration**
- ✓ **Corporate Venture Capital**

Living strategy, he explained, meant getting away from the old mode of being in strategic planning for most of the year with a three- to five-year roadmap. The "how" of strategy is just as important as the "what." It meant letting go of the idea that they would be lost without a roadmap, and unsure of what to do next in favor of reacting and shifting with help from design thinking, lean startup, and agile.

To help focus their efforts, CSAA adapted an innovation model from C. Christensen that consists of incremental, sustaining, and disruptive innovation. They hit upon the three categories of innovation that worked best for their own company:

- ✓ **Enable Daily Innovation**
- ✓ **Improve the Core**
- ✓ **Innovate New Businesses**

Part of the evolution of their innovation model was empowering people and teams to innovate to solve the small problems in front of them as well as the large-scale, high-impact targets. It enabled CSAA to start discussing backlogs and diving into the existing problems that they had been handling, albeit with too much effort.

At the same time, they were exploring more radical concepts, incubating little businesses, partnering with GIG car sharing, Lyft, and Room8, a roommate-matching app. Marik put it into perspective by noting that big companies have certain strengths, and small companies have others. Working together unites both sets of strengths and directs them toward a common goal.

Marik also encouraged the insurers in the audience to let their own cultural mindsets evolve. He urged them to move from a state of “always know” to “always learn.”

Spotlight on Insurer Transformation: Pie Insurance

JOHN SWIGART, Co-Founder and CEO Pie Insurance | **AWARD WINNER**



Pie Insurance, a full-stack digital MGA, won a 2018 SMA Innovation in Action Award for their use of predictive analytics and external data to transform the customer buying experience for small business owners. Co-founder and CEO John Swigart was on hand to accept the award and do a live demonstration of how easy it is to purchase workers’ comp insurance from Pie – on a mobile phone.

Small business owners are an underserved and often overcharged market. According to Pie’s proprietary data, 80% of small businesses overpay for workers’ comp, often by as much as 30%.

Pie does everything from quote to claim but partners with Sirius Group for licenses, capital, and an A rating from AM Best. They work with Corvel for claims to enhance their scalability. They developed all the pricing in conjunction with Valen Analytics, which has an enormous workers’ comp database on premium, claims, etc.

Pie started selling policies in late 2017, having first launched an educational cost calculator for consumers. The first seven states that they rolled out in are all NCCI states, which made it relatively easy to navigate their regulations. Additional state approvals are in the works.

John projected his iPhone’s screen so that the audience could watch him apply for workers’ comp insurance on Pie’s website in real time. He explained that Pie’s user experience was designed to be mobile-first, since they had found that more than 75% of their customers were getting quotes on their phones, often outside of business hours. He entered a zip code and business name, and the system called out to a data provider for confirmation. After providing his contact information, he was asked a series of questions to confirm other externally sourced data, such as founding date, legal structure, number of employees, and total payroll.

Pie had not found a good source for NACE codes, which they circumvented by asking the user to start typing in a business description in plain language. Predictive search algorithms on the back end help funnel results to get the right 4-digit code. Even with that additional step, John ably demonstrated that, from beginning to end, the whole process of applying for small business workers’ comp took only a few minutes.

Spotlight on Insurer Transformation: Cake Insure

TIAMO WRIGHT, Chief of Staff Cake Insure | **AWARD WINNER**



Cake Insure, a digital MGA started by Pinnacol Assurance, won a 2018 SMA Innovation in Action Award for demonstrating how an established insurance company can embrace greenfield thinking and reinvent their customer experience. Cake's chief of staff, Tiamo Wright, explained how Cake came to be and how they had fulfilled their mandate to reinvent the purchasing experience for workers' comp insurance.

Cake was incubated by Pinnacol Assurance, a 100-year-old workers' comp insurer. The initial four-person team was a varied one: it included a curious data scientist with no insurance experience and an insurance veteran with thirty

years of workers' comp experience. Their biggest problem, by far, was in creating a completely new user experience attached to Pinnacol's legacy systems. They deliberately started with a blank slate, without any talk of the systems behind it.

The result, Cake's online platform, gives consumers a responsive, mobile-friendly experience that requires only a few data points to generate a workers' comp quote in three to five minutes instead of a single business day, which was what Pinnacol's existing processes necessitated. They use yes/no questions to move people through the quoting process as quickly as possible. 93% of quotes can be done on the app without any human intervention. Cake customers can simply enter a description of their business in their own words without industry jargon or class codes, and the language processing AI and machine learning on the back end find the class code without ever exposing it to the consumer. The results have been impressive, coming in under budget and three months early.

Tiamo noted that one of the key points of their success was in their human-centric design. As soon as they had an idea, they showed it to other people: each other, potential consumers, etc. "An idea is worthless if it's not shared and critiqued."

Gaining Traction With InsurTechs

BRIAN HEMESATH, Managing Director Global Insurance Accelerator

MARK BREADING, Partner Strategy Meets Action



Mark welcomed Brian Hemesath onto the stage for a fireside chat about the InsurTech movement. Brian explained that he was proud to have been working in InsurTech from the earliest stage, before it was a movement or a hashtag. The Global Insurance Accelerator was always meant as a model of collaboration. It helps insurers to discover InsurTechs that would be the most strategic investments for their own companies, and helps InsurTech startups get the mentoring relationships that they need to succeed in insurance.

When Mark asked him about the often-heard statistic that 80 – 90% of existing InsurTechs will fail, Brian advised

the audience to mind the hype. Although innovation and change are constant, hype moves in cycles. And today, we're still in a hype cycle, with lots of venture capital floating around and quite a few pilots being announced. "The news," Brian noted, "may be less substantial than it appears." He pointed out that when the tipping point occurs, VC will begin to dry up. That will not mean the end of InsurTech as a movement, but it will start to level off, which he predicts will happen between two and five years from now.

Mark pointed out that even the failed InsurTech startups will have good ideas and good technology. How can that be transferred or preserved? No idea is unique, Brian countered. A great team with a mediocre idea will seize it and succeed. Advanced ideas have failed from lack of cash flow, runway, etc. where the team simply did not have the right dynamic. The key is to get the idea out of your head, he explained. Then you hear the critical feedback. Then you can start on the learning curve.



PRODUCTS & SERVICES

"New product development is at the heart of our industry. This will be a fun area to watch, so stay tuned." – Deb Smallwood, SMA CEO & Founder



Spotlight on Insurer Transformation: Beazley Group

MATT FITCH, Acting Platform Lead for Digital Product and Broker Experience Beazley Group | AWARD WINNER



Beazley Group won a 2018 SMA Innovation in Action Award for their personalized digital Weather Guard policy, which sets a new standard for how insurers can communicate with policyholders. Matt Fitch, who was presenting on Beazley Group's winning initiative, started off with a few questions for the audience. How many have read an auto or home policy? Most in the room raised their hands. And how many, he continued, understood all of it? Quite a number of hands went down, even among these insurance professionals.

That, Matt explained, was the purpose of their project: to make policy documents digital, personalized, and

above all, easy for the layperson to consume.

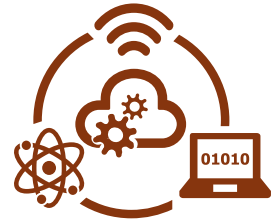
Beazley decided to experiment with this new approach with a new product, Weather Guard, that covers inclement weather for event cancellation or promotion. The Weather Guard policy is notable for using external data sources to validate whether the specific weather that triggered a claim had occurred. In the event that the parameters are met, Beazley automatically begins the claims process without waiting for an FNOL from the policyholder. The specificity of the parameters – including the event in question and what qualified as inclement weather – made this product ideal for the document redesign.

Matt then showed the audience a sample policy that he had drawn up for this year's SMA Summit. If an independent weather service ascertained that at least two inches of rain fell during the two days of the Summit, it would automatically trigger a payout. The real revelation here was that the policy document had each detail filled in already. There were no endorsements or declarations at the end that changed the meaning of the policy. The words were much simpler than the usual insurance document, and there were fewer of them – the average policy length had decreased by 1,200 words. Clicking on each term in the policy revealed a simple definition. Beazley's description of the redesign was apt: "Beautifully Designed Insurance."

The project was on time, on budget, and took four months from beginning to end, including filings in 32 states. The next step is to simplify other aspects of the product as well as identifying other products for similar simplification and digitization.

TECHNOLOGY & DATA

"Data is the cornerstone of transformation. Without it, we cannot transform the customer experience, we cannot reinvent our products and services, and business models are not going to change. The future leaders will be masters in data. If you have to start anywhere, start here." – Deb Smallwood, SMA CEO & Founder



Beyond Digital Transformation to the Platform Future

BARRY POWERS, Director – Insurance Industry Solutions and Business Development IBM Global Markets IBM

MARK BREADING, Partner Strategy Meets Action



Mark opened this session by debunking the first big myth about platforms. "When we say platforms, we think of a monolithic set of technologies," Mark said. "But that's not the way IBM sees it." Barry Powers of IBM agreed: the new definition of business platforms is not set in stone. Instead, platforms represent a much more flexible, living, and changing ecosystem. He gave an example of eBay and their acquisition, PayPal, in how platforms can evolve to support new business needs.

In IBM's definition, a platform connects two or more participating sides and allows them to interact with each other, thus enabling interactions between producers and consumers.

Platforms consist of three elements:

- 1 **A MARKETPLACE OR ECOSYSTEM**
- 2 **ONE OR MORE APPLICATIONS**
- 3 **INFRASTRUCTURE**

Barry stated unequivocally that insurance lags behind other industries in terms of technology, and the situation is no different where platforms are concerned. The insurance industry is only just beginning to see the significant revenue possible from adopting a platform approach. Today, we can expect to see \$1.2 trillion in capital allocation for business platforms in the next two years alone.

There are significant benefits to being a latecomer, Barry pointed out (to the relief of some in the audience). Experimentation in other industries has created both expectations and opportunities. A significant number of lessons learned can factor in as insurers consider how to leverage platforms to enable digital transformation and harness network effects to drive down expense and grow risk ecosystems.

Technology Transformation in Action: Cape Analytics

RYAN KOTTENSTETTE, CEO Cape Analytics | **AWARD WINNER**



Cape Analytics was awarded a 2018 SMA Innovation in Action Award for their solution, which uses computer vision, scalable AI, and machine learning to automatically identify properties seen in geospatial imagery and to extract property attributes relevant to insurers. Ryan Kottenstette, Cape Analytics' CEO, shared some insights with the audience.

He outlined the problem that Cape Analytics set out to solve: the lack of uniform, consistent, and actionable property information for use in underwriting. Inspections fill some of that gap, but they are expensive, inefficient, and can be of variable quality. Data prefill has its own issues.

Cape Analytics partners with leading imagery providers using all kinds of geospatial technology, including aerial, satellite, and drones. They apply their own proprietary algorithms to extract insights and specific property attributes like roof condition, building footprint, and nearby hazards, all of which can be stored and utilized as structured data. The result is a continually updated database with over 500 million data points that insurers can access via API in real time. They also provide higher-level analysis, such as a risk condition score for roofs to identify the 5 – 25% nationwide that are in poor or very poor condition.

Cape Analytics has a number of insurer clients in production who provided significant quantitative improvements: one client reported a 5X ROI on rate capture alone, while another cited a 50% reduction in inspections at the same time that U/W quality has improved – their solution has been deployed mainly for claims, but is expanding to U/W.

Ryan stated that the imagery challenge of the last decade was how to get the right image. Today, that has shifted. There are now so many images available from so many different sources that the challenge – and the opportunity – is in getting the right information from the images and leveraging it effectively.

Learning From the Journey: The Data Deluge

RACHEL ALT-SIMMONS, Head of Business Architecture & Design, Strategic Analytics AXA XL

JAYASHREE ISHWAR, Chief Underwriting Officer Amerisure Mutual Insurance Company

SANDI PERILLO-SIMMONS, 2VP, Data Management Travelers

KAREN PAULI, Principal Strategy Meets Action

Karen Pauli kicked off this lively panel by describing insurers' adaptation to new data sources, uses, and analytics as a journey. She introduced her three speakers, who were happy to share the ups and downs of the data transformation journey and impart some sage advice on how to drive greater success.

Rachel Alt-Simmons gave some context with her description of her role at the newly formed AXA XL. Her purpose, she explained, was to help people connect the dots in large strategic programs and innovative initiatives. Jayashree Ishwar expanded on this by noting that in her role at Amerisure, she focuses on the service element of data and analytics, using them to jumpstart things that they have already wanted to do by applying data-driven insights at the right spot for the



highest impact. Sandi Perillo-Simmons emphasized her role in the technical side of data management and security while underscoring the immediacy of the need to help others in the company become more data literate. The central theme was using analytics as a service to others in the company and enabling the entire company to excel in how they leverage data.

Insurers are putting a lot of money and effort into analytics as they place a higher and higher value on data. That means going beyond traditional business intelligence to engaging in foundational data projects and improving their data management skills. They are also hiring the staff to support these efforts, from chief data and analytics officers to data scientists.

Jayashree shared her perspective on the old tenet that smaller companies have to spend a lot of money for data. Her spreadsheet metaphor for understanding how carriers are changing the way they look at their existing data struck a chord. She said, "It's not just a matter of getting more rows on a spreadsheet – it's getting more columns. You get to know the richness of your data." With so many resources in the vendor community, including access to AI and machine learning, even small companies can leverage data and analytics to make better informed business decisions.

Rachel pointed out that even large carriers have less data than they might want in certain areas. AXA XL deals with extremely complex policies but at a low volume. You may not be able to always rely on your internal data sources, especially if the cost and time of extracting that data is greater than the potential benefit.

Karen wrapped up the session by observing that the data deluge will only increase. "We'll be on the data journey forever," she concluded.

Capitalizing on Data in the Digital Age

MICHAEL ANDERSON, Business Owner, Predictive Analytics Guidewire

LAKSHAN DE SILVA, CTO Intellect SEEC

ALEX MARTONIK, Industry Strategy Specialist for Banking and Insurance Esri

ATANU SARKAR, Vice President, Data Leverage ValueMomentum

BRIAN WOOD, VP – Data Products Group IVANS, a division of Applied

MARK BREADING, Partner Strategy Meets Action

Mark introduced the speakers on this panel, who gave mini-TED talks on how their companies are finding new ways to capitalize on data. They then discussed the synergies between these approaches and the greater patterns of data usage in the digital age.

Lakshan De Silva got a laugh from the audience with a still from the movie *Taken* featuring some revised dialogue: "I don't know who you are, but I will find your data, match it, triangulate it, and send it to the carriers."

Once the data is obtained, though, the bigger questions come into play, like how to use it and what questions it can be used to answer. Alex Martonik noted that data is most important when it can be used to generate actionable, authoritative insights to those who need it to make decisions. It has to be transformed into something of value – its value is not inherent. He also pointed out that with the proliferation of data, it can be easier to get an answer than to understand the question that it answers. Interpretation is key.



Atanu Sarkar pointed out that it is difficult for CIOs to prioritize data: that core and digital tend to overshadow it. Michael Anderson agreed. Core, he said, needs to become a trusted advisor in this new era, with analytics operationalized throughout the transaction lifecycle. Data and analytics need to act interoperatively with your core systems. "To operationalize analytics," Brian Wood observed, "you can get stuck on where to start." He advised insurers to figure out where they have the most data and where they use it most to prioritize their efforts.

All agreed on the criticality of data scientists. Without a solid foundation in statistical methods, chances of

miscommunication go up dramatically, as do miscalculations. A small mistake in a large book of business could create a huge issue. At the same time, they also agreed with the earlier discussion led by Karen Pauli that highlighted the democratization of data throughout the organization. The earlier organizational method of giving IT the sole responsibility for data is no longer tenable.

Deriving Value From the Three Stages of Digital Maturity

FIL FIRMANI, Head of Product, Digital, and SaaS OnDemand Duck Creek

KAREN FURTADO, Partner Strategy Meets Action



Digital is really about a journey, as Fil Firmani said to open this session. There are so many pieces you need in order to "do" digital well that it can be overwhelming. But if you can focus on the three different stages of digital maturity, you can have success along the way. He listed them for the audience:

- 1 **AUTOMATING EXISTING PROCESSES**
- 2 **OPTIMIZING STRATEGIC FOCUS**
- 3 **TRUE DIGITAL TRANSFORMATION**

We lose sight, Fil explained, of the fact that we can do really simple things to jumpstart the digital journey. That is where the first stage of digital maturity, **automating existing processes**, comes in. By focusing on the simple things that are pain points or on specific things that your company does well, you can gain momentum simply by automating those processes. He gave a few examples, like simple data prefill, PDF capabilities in documents, automating U/W rules, digitizing assets, and reducing the risk profile just from data improvements. Starting small gives an organization time and room to expand. Karen Furtado agreed, noting that these kinds of activities may not be – or may not seem to be – institutionally significant, but they can make a big difference.

The second stage, **optimizing strategic focus**, entails honing organizational efforts to prevent inaction or going off in too many different directions. He recommended that companies take a good look at those areas where they can and want to excel in the near term. That might include specific niche areas like products, lines of business, customer service, or distribution. It may not be possible to know where you want to be in ten years, but thinking two or three years out can help narrow your focus.

In the third stage of digital maturity, **true digital transformation**, every decision should be made with the primary purpose of helping the company better sell to and service customers. That, Fil said, is how you know you've transformed your DNA to become a true digital insurer. Some of the supporting characteristics are a long-term, more connected ecosystem, bringing in plenty of third-party services, and real-time data and analytics.

Most importantly, he concluded, it is vital to understand that digital maturity is not a one-year project or a single evolution with a beginning and end point. The key is to gain momentum, which will include learning from failure to pick yourself up and keep going.

Accelerating Digital Across the Globe

HUGH TERRY, Founder The Digital Insurer

DEB SMALLWOOD, Founder Strategy Meets Action



Deb opened the afternoon sessions with a fireside chat with Hugh Terry, founder of The Digital Insurer. The two companies have been collaborating, focusing on a single question: how can we work together to accelerate digital across the world of insurance? Hugh, who is based in Singapore, spoke about what is currently working in Asia, and how it can work in North American markets.

Hugh introduced the audience to two distinct lenses for innovation: **Transform** and **Disrupt**.

Transform refers to innovations within the existing value chain, in areas such as product development, underwriting, analytics, and claims.

Disrupt refers to new digital business models, which can include new ecosystems, comparison sites, health and wellness, and new models such as on-demand, P2P, and microinsurance.

Deb noted that this aligns to SMA's discussion of innovation models as either inside-out or outside-in. Hugh agreed: despite the different insurance regulatory environment and marketplaces in Asia, there are notable similarities with the North American market. In both locations, there are a number of small businesses who are either uninsured, have only workers' comp coverage, or are otherwise underinsured.

Success, in the three use cases that Hugh discussed, lay in finding a way to first go out and reduce a risk that people already had, then look at their other risks and unmet needs. Digital allowed each of these companies to do so in their different ways.

- ✓ ZhongAn, China's first and largest digital-only insurer, started as an on-demand platform for microinsurance. Their first product covered shipping refunds. Today, they have more than six billion policies in force.
- ✓ Policy Bazaar, India's largest insurance aggregator and comparison site, handles 20% of the term life market in India and is making inroads into the auto market.
- ✓ Good Doctor is a Chinese ecosystem based on a mobile app that provides access to doctors and AI-generated medical advice. Although Good Doctor is owned by Ping An, the world's largest insurer, they are not selling insurance...yet. They are in an excellent position to do that in the future.

In terms of North American implications, Hugh explained, what we do know is that technology crosses borders. Some new business models may appear and suddenly ramp up. Disruption is already happening, and it will be here even if you can't quite see what it will look like.

Realizing Success With Digital Transformation

SHARON ASHTON, SVP Commercial Insurance Service Leader, North American Operations Chubb

HUGH BURGESS, Managing Director Vindati

JOHN SWIGART, Co-Founder and CEO Pie Insurance

JONATHAN VICTOR, Chief Information Officer Insurity

KAREN FURTADO, Partner Strategy Meets Action



Karen Furtado led this panel, which showcased three insurers – both new and incumbent – with different digital stories, who shared how they are thinking differently and leveraging technology to create better experiences for their customers.

Sharon Ashton opened the discussion by talking about Chubb's new digital platform for the small commercial marketplace. Small businesses can connect with a CSR in agencies. There is a gamification element with badges earned for certain achievements. Only six months after launch, they have 3,000 agents and 15,000 users.

Hugh Burgess's new MGA, Vindati, was just launched the week before the Summit. He pointed out that MGAs can be the recipients of innovation experience. They can partner with insurers looking to have someone go through some of the transformation with them. The model helps with digital transformation by enabling insurers to access digital distribution and many data sources that may be harder to incorporate from the insurer standpoint. A digital MGA, Hugh stated, "can help them get that data."

John Swigart from Pie Insurance noted that for his greenfield company, digital was the driver. They found that they could use external data and predictive analytics to fundamentally transform how commercial insurance is sold. What he called the "Holy Grail question" was which data sources to leverage for real transformation. John made the surprising admission that it had been a matter of trial and error. Some are poor or meaningfully lacking in scope. He recommended insurers find the ones that work best and choose the right tool for the right job. It would not be perfect at the beginning: you have to work through it yourself and see what's going to work best for you. He noted that InsurTechs can help in the data area, since their data has already been built out when an InsurTech goes live.

Jonathan Victor summed up the session by identifying a shift toward highly personalized, customized user experiences fueled by data. When Karen asked if he thought that the mode of communication, the lens on the customer, was starting to flip, he commented, "I think it's flipped already." The focus on the end user helps insurers see the value in bringing in data through APIs to create a very specific user experience. The pace is accelerating, he observed, and ultimately realizing success with digital transformation means using data to its fullest potential.

Harnessing Speed and Agility in the New Era of Computing

KAREN FURTADO, Partner Strategy Meets Action

MARK BREADING, Partner Strategy Meets Action



Karen Furtado and Mark Breading introduced Summit attendees to the new era of computing that is upon us, and how it will transform the ways in which companies throughout the insurance ecosystem meet their digital needs and support digital initiatives. New computing trends such as microservices, serverless computing, edge computing, and the computational power of the cloud are advances that will change how we think about software, technical architecture, and development approaches. The bottom line is that these shifts will result in greater speed and agility for new product development, software maintenance, and responsive digital experiences.

Karen set the stage by talking about how microservices, one of these new computing technologies, enabled the digital giants Netflix and Amazon to enhance their usability and functionality. Both faced similar challenges in the past three years: difficulty upgrading software, in terms of both time frame and cost; changing expectations for user experience accelerating faster than back-end systems can handle; and data and analytics being tied up in monolithic tech stacks. She pointed out that despite the differences between insurance and these digital giants, these are the same issues that insurers face today. What worked for Amazon and Netflix can be effective in our industry as well.

A number of fundamental technologies are driving this new era:

- ✓ **Cloud and Serverless Computing**
- ✓ **Microservices**
- ✓ **New UIs**
- ✓ **Data Explosion & AI**
- ✓ **5G**
- ✓ **Edge Computing**
- ✓ **Advanced Biometrics**
- ✓ **Quantum Computing**

Mark and Karen discussed each technology in turn, providing some perspective on how quickly they are expected to impact insurers' computing environments. They advised insurers to pay particular attention to the technologies that will change how we access, build, and interact with technology: advanced cloud computing, serverless computing, microservices, and new UIs. Those, Mark noted, are already having a significant impact, and insurers need to take them into account when thinking about their technology roadmaps.

Implications for Insurers

These technologies will, and are beginning to, have a profound impact on the way we compute. Putting a lens of digital on top of all of them will help insurers make sense of these new trends. They will increase insurers' ability to enable digital transactions, personalized customer experiences, and internal efficiency. The implications for insurers fall into five categories:

- 1 **IT SYSTEMS: planning, design, development**
- 2 **IT RESOURCES: skills, development, retention**
- 3 **RISK: changes to risk profiles**
- 4 **CUSTOMER INTERACTIONS: omni-channel and frequency/variety of interactions**
- 5 **PARTNERING: new strategies for partnering**

For more information on the new era of computing, check out these recent reports from SMA:

- ✓ *Advanced Customer Communications in the Digital Age: New Options for Insurers, September 2018*
- ✓ *The New World of Core Systems: How New Computing Trends Will Transform the Core Systems Paradigm, May 2018*
- ✓ *The Emergence of Microservices: New Possibilities on the Horizon, December 2017*
- ✓ And watch for new research coming from Karen and Mark later this year!



CALL TO ACTION

"Over the seven years that SMA has been holding this event, it has been so rewarding to see how much progress we, as an industry, are making from year to year." – Deb Smallwood, SMA CEO & Founder

Creating Your Call to Action

DEB SMALLWOOD, CEO and Founder Strategy Meets Action



Deb brought the Summit to a close with the observation that each year the intention, momentum, and even the pace of change itself changes so much. The Summit is a unique opportunity to get some perspective on these amazing stories that reflect the transformation in action taking place in our industry. She then thanked the attendees for their commitment and told them, **"It is all of you who are leading the industry through our transformation journey."**

She shared three key takeaways from the day:

- 1 **TRANSFORMATION IS HERE**
- 2 **OVERCOME THE OBSTACLES**
- 3 **SET YOUR ENERGY IN MOTION**

Deb urged the audience members to take what they had learned and the success stories they had heard back to their organizations to keep the energy flowing – to help them set their whole company's energy in motion for true transformation.



EXPERIENCING THE ENERGY IN MOTION



ABOUT STRATEGY MEETS ACTION

Strategy Meets Action (SMA), is a strategic advisory firm delivering advice, consulting services, and published research to insurers, solution providers, and InsurTech startups. We provide insights and guidance to help our clients bridge today's business strategies, plans, and technology investments to the new world of customer experience, digital transformation, emerging technologies, and InsurTech. Exclusively servicing the insurance industry, our mission is to help our clients excel today and position for tomorrow with the right technology decisions as unprecedented changes take place in our industry. Additional information on SMA can be found at www.strategymeetsaction.com.

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About the Author

Deb Smallwood, the Founder of SMA, is highly respected throughout the insurance industry for her expertise in helping insurance companies rethink, re-energize, and retool their business plans and technology investments for profitable growth and differentiation. Focus areas include innovation, digital, distribution, portals, agent connectivity, and underwriting automation.

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