Insurance in a digital world: the time is now

Key findings from the EY Global Insurance Digital Survey 2013
Executive summary
Shifting to digital: job 1 for insurers

Digital is a catalyst for dramatic change and rapid transformation of the competitive landscape. And insurers are not yet where they need to be.

The digital revolution has driven massive change and creative destruction in many industries. And now the digital transformation opportunity – and imperative – has come to insurance. There’s no doubt that tomorrow’s top-performing insurance companies will have stronger digital capabilities, as well as new skills, refined metrics, upgraded tools and re-oriented cultures. To get there tomorrow, insurers must move fast today. Because in the digital world, standing still or just keeping up means falling further behind.

While there is widespread belief in the importance of digital (especially relative to the customer experience), many insurance executives are concerned that shorter-term corporate priorities lie elsewhere. EY’s Global Insurance Digital Survey was conducted to determine where insurance companies are today with their digital strategies, ambitions for the future and plans for achieving their objectives.
**Key findings**  
From the EY Global Insurance Digital Survey 2013

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**Insurers are lagging behind digital today but have a compelling opportunity and clear course forward for tomorrow.**

1. Insurers acknowledge their current low levels of digital maturity and the need to take action.
2. Companies have high digital ambitions – but are they grounded in reality?
3. Insurers are holding themselves back.
4. It's all about retention through improved customer experience.
5. Distributors are digital customers, too.
6. Analytics are critical to digital success.
7. Insurers need to embrace the mobile and social media wave.

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**About the survey**

- Objective: extend on findings from EY’s 2012 Global Consumer Insurance Survey to determine the current state and future outlook for digital adoption in insurance
- More 100 respondents – global life and non-life; large regional and domestic players
- Key regions – EMEA (UK, Spain, France), Americas (US and Canada, Chile and Mexico) and Asia-Pacific (Australia, Hong Kong, Singapore, Thailand, Malaysia, Indonesia) with additional contributions from South Africa, India and other countries
- All results on following pages refer to global insurers (life and non-life), except where otherwise stipulated
Defining digital in insurance

It’s not a distribution channel – it’s a strategic enabler.
It’s not a technology – it’s a way of life.

Digital is everywhere. From new mobile devices that make interactions possible anywhere, anytime, to proliferating social media channels, from cloud-based infrastructures to high-powered analytics tools that convert raw data into actionable insights, digital can transform the entire insurance value chain.

The marketing, sales and service opportunities are obvious. But the underwriting, claims, finance, risk management and IT impacts are just as significant.

It’s about meeting customers where they live. Positioning for next-generation markets. Making key operations and back-office functions more efficient and agile. Because what seems innovative and next-generation today – submitting claims via tablets, making offers via social media – will be standard operating procedure tomorrow.

Just how digital have we become?

| 6.8 billion: | # of mobile subscriptions worldwide |
| 7.1 billion: | total world population |
| 40%: | proportion of world population that is online |
| 6 years: | time it took Google to reach 50 million users |
| 88 days: | time it took Google+ to reach 50 million users |

Time to move

Key finding 1: Insurers acknowledge their current low levels of digital maturity and the need to take action.

Insurers have plenty of digital work to do, but the potential upside is enormous.

79% “Only play the digital game” or are “still learning to use digital capabilities for a competitive advantage”

57% Current operating models do not facilitate digital

47% Have no business case or no unified digital strategy

Bottom line

Insurers that stay on the digital sidelines:

► Risk the loss of existing customers
► Limit their opportunities to connect to new customers
► Miss out on cost-effective opportunities to enhance the customer experience
Possibility vs. achievability

Key finding 2: Companies have high digital ambitions – but are they grounded in reality?

Insurers aspire to future digital leadership, but current levels of investment and pace of implementation, won't get them there.

- Nearly 70% spend less than 10% of business and IT development budgets on digital
- Only 5%-10% plan for budget increases of 25+% in the next one to three years
- 66% implement digital via “business as usual” or via “test and learn” pilots
- Only 10% have made transformational changes to digital capabilities

Bottom line

To drive digital transformation, insurers must have:

- Realistic investment plans
- Well-defined and achievable ambitions
- New, innovative ways of working that increase business velocity
Cultural and organizational obstacles

**Key finding 3:** Insurers are holding themselves back.

Entrenched cultures. Conflicting priorities. Inflexible organizational structures. Legacy technology. These internal issues are more significant than external market factors in inhibiting digital adoption in insurance. That's why insurers must re-orient and mobilize their cultures to drive change.

**Key challenges in delivering digital strategies**

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<thead>
<tr>
<th>Challenge</th>
<th>Global Life</th>
<th>Global Non-Life</th>
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</thead>
<tbody>
<tr>
<td>Internal company structure or culture constraints</td>
<td>68%</td>
<td>64%</td>
</tr>
<tr>
<td>Creating a culture of rapid innovation and development</td>
<td>63%</td>
<td>68%</td>
</tr>
<tr>
<td>System issues in implementation</td>
<td>63%</td>
<td>65%</td>
</tr>
<tr>
<td>Gaining internal management buy-in and investment</td>
<td>52%</td>
<td>47%</td>
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</tbody>
</table>

**Bottom line**

To unleash the full value of digital, insurers must address internal barriers and drive culture change by:

- Accepting that digital is a mindset – not just a channel
- Encouraging experimentation and fostering innovation
- Recognizing that the business case for digital is multifaceted and non-linear
The business case: growth through loyalty

Key finding 4: It’s all about retention through improved customer experience.

With rising acquisition costs, retaining existing customers is an imperative. Insurers must look to the digital landscape to retain and grow customer value.

Top drivers of digital strategies

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<thead>
<tr>
<th>Percentage</th>
<th>Strategy</th>
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<tbody>
<tr>
<td>32%</td>
<td>Enriching the customer experience</td>
</tr>
<tr>
<td>20%</td>
<td>Regaining more direct control of customer relationships</td>
</tr>
<tr>
<td>14%</td>
<td>Attracting prospective customers and increasing sales</td>
</tr>
<tr>
<td>9%</td>
<td>Reducing cost to serve customers and intermediaries</td>
</tr>
</tbody>
</table>

Risk of complacency?

Only 46% of life insurers believe failure to embrace digital will cause customers to leave.

Bottom line

Investing in the digital experience is about extracting value from the in-force book through improved:

- Quality and frequency of contact
- Cross-sell and up-sell performance
- Lifetime customer value
Win-win

Key finding 5: Distributors are digital customers, too.

Because agents face many of the same digital challenges as insurers, collaboration is key.

Challenge

#1: “Improving efficiency and quality of customer interaction” – most important agent use of digital in next three years

Opportunity

61% life and 50% non-life: “Integrating digital with other channels” is a key challenge

Bottom line

A clearly defined mutual value proposition will help reduce resistance, while better distribution network technology means insurers can:

- Equip intermediaries and agents with powerful tools
- Improve customer relationships at multiple touch points
- Minimize channel conflict
Key finding 6: Analytics are critical to digital success.

Segmentation. Customer intelligence. Predictive modeling. Insurers should not delay developing these critical capabilities; they must be developed in sync with broader digital programs.

Why? Because analytics drives improvement in the full range of operations, from marketing and customer service, to underwriting and pricing, to risk management.

75% Respondents citing analytics capabilities as the most in-demand skill set

Bottom line

Analytics is a game changer because:

- The full digital business case can never be realized without advanced analytics
- It represents a fundamental shift in how insurers measure performance, make decisions and manage operations
- There is real opportunity to deliver immediate results
Where the customers are

Key finding 7: Insurers need to embrace the mobile and social media wave.

Insurers are not as social or mobile as they need to be – or as consumers expect them to be. Underinvesting in these channels today means turning away from the future and the next generation of younger, digitally savvy consumers.

% of insurers with digital functionality

- 47% Provide information about products/company
- 43% Provide quote
- 40% Customer self-service facilities
- 23% Process claims
- 35% Transact/purchase

Bottom line
Exponential growth in social, mobile and tablet usage means that they can no longer be viewed as emerging or separate channels.

- Experiences must be device tailored but consistent
- Use robust customer analytics to close gaps between mobile and online offerings
- Monitor success to avoid mobile app proliferation or social media dilution of brand
With companies at different evolutionary stages, no single solution can seamlessly integrate digital into a business. However, certain elements are intrinsic to all effective digital strategies.

**What insurers must do here and now**

- Create a digital strategy and clearly define ambitions
- Identify initiatives with the most upside
- Help distribution partners develop digital capability by sharing resources and expertise
- Frame the investment argument for digital
- Build analytics capabilities in step with digital
- Develop mobile functionality
- Take social media seriously
- Start to embed innovation in your organization

**The digital “virtuous circle” – non-linear business case**

Digital strategy cannot be created in isolation from corporate or customer strategy and should not start with technology.
To realize their full digital potential, many insurance organizations must transform their cultures, as well as key operations. Looking for agility and flexibility, some companies will need to transcend traditional, product-centric thinking and may opt to create entirely new businesses. Rapid change, large-scale collaboration and learning by doing are critical to create a sustainable culture of innovation.

**01 Leadership alignment**
Alignment of leadership around a compelling story through the use of tools, methods and approaches that will form the DNA of the future ways of work and digital culture (using video, animates and social media)

**02 Cultural alignment**
Defining the cultural shifts necessary for the business to achieve its purpose and creating interventions to achieve this alignment

**03 Collaborative working**
Creating the physical, online and cognitive (methods, tools, approaches) environments to support the business and embed cultural change

**04 Enablement**
Delivering the training, education and development opportunities necessary to shift the ways of working, as well as undertake development activity on specific topics pertaining to cultural change, through the use of the collaborative working environments (03) — thinking and learning by doing

**05 Momentum**
Establishing the performance management systems to reinforce the new ways of working and sustain the collaborative environment
Driving digital transformation

EY customer advisory services help insurers grow profitable customer relationship through deep analytics and sustainable change. We offer a suite of issue-based, value-led services to drive digital transformation, helping organizations to calibrate their response to the opportunities and challenges that “the digitization of everything” presents.

Core elements of EY’s digital transformation methodology

- Digital maturity assessment
- Digital and multi-channel customer experience design
- Digital analytics
- Customer analytics and insight
- Data enrichment and management
- Innovation capability and culture development
- Digital governance
Find out more about how we can help at www.ey.com/insurance/customer or contact a member of our team:

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