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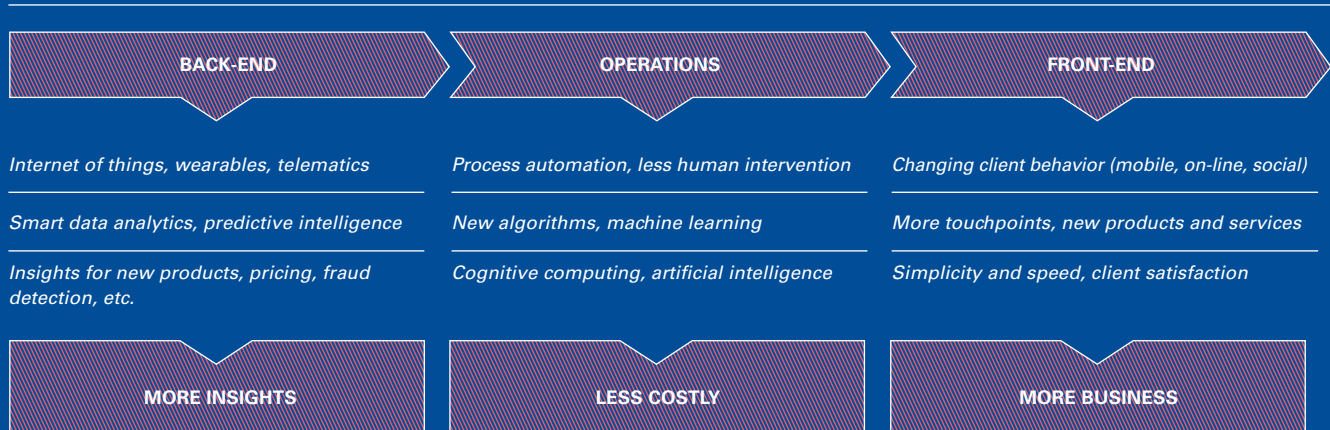
# Insurance Digitalization

## From strategy to solutions



Much has already been said about the need for a digitalization strategy and key success factors. For example, experts agree that no insurance company can afford to take a 'wait and see' position. You can't even look to see what your insurance peers are doing because it's other industries that are in fact shaping customer expectations and setting the benchmark for insurance companies. The consensus is that digital transformation needs adequate investment and a senior sponsor to succeed. But where should insurance companies begin? What areas should they focus on and what steps do they need to take?

## De-composing the insurance value chain helps to detect the true benefits of digital initiatives



"The consensus is that digital transformation needs adequate investment and a senior sponsor to succeed."

### OPTION 1: DEVELOP THE FRONT-END

Digitalization will deliver big benefits at each stage of the value chain: on the front-end, insurers can gain market share, drive growth and enhance customer retention with the right digital tools. For example, Swiss Life's 'My World' portal gives customers a transparent view of the products they own and ways to assess what additional cover they need. The trend is shifting from multi-channel, in which customers use various sales channels successively, to omni-channel, in which customers use multiple options simultaneously.

### OPTION 2: IMPROVE YOUR OPERATIONS

Operations is becoming the major source of differentiation and will be integral to the overall value proposition. It's good to have the best products or the most accurate risk assessments, but if you don't have the right processes, you won't be able to scale – which is of course the key to benefit from cost differentials.

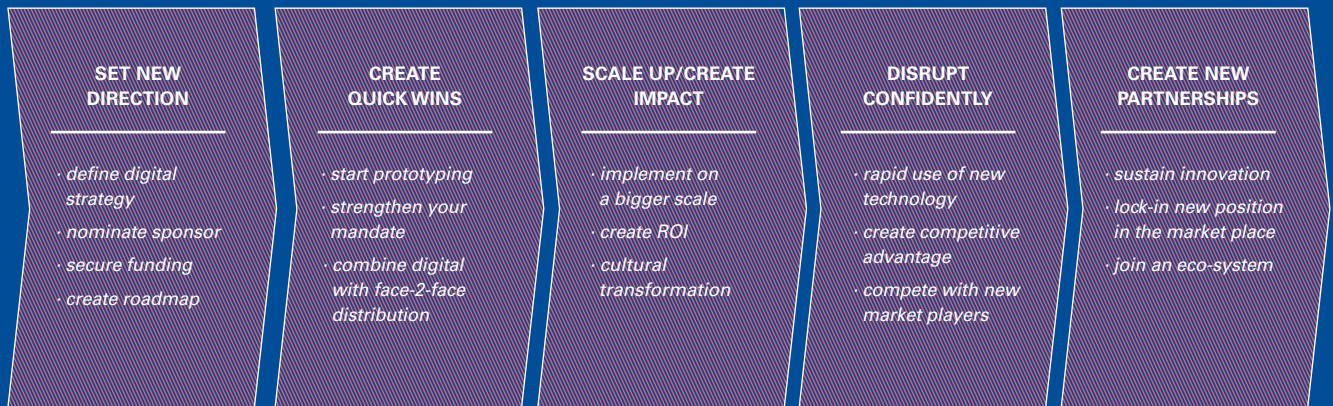
Evidence for the rising role of operations can be seen at Zurich Insurance, where the newly appointed COO is in charge of the group-wide digitalization program, alongside a substantial investment budget. Operations is where you turn a strategy into cost-efficient solutions.

### OPTION 3: DEVELOPING INSIGHTS

Analytics will also deliver deeper insights that allow insurers to optimize prices or develop entirely new customer-specific products. Swiss Re, for example, is developing smart analytics capabilities to expedite the processing of submissions and claims. It is also exploring ways to create entirely new types of services through digitally-supported underwriting.

As more and more real-time data becomes available, digital analytics will change the game in underwriting because it will allow a shift from historic risk modelling to real-time risk assessments. For example, telematics plus analytics will allow new types of pay-as-you-go motor insurance.

**A proposal for a digital transformation journey for KPMG insurance clients –  
“Start small, think big and move fast”**



**MAPPING THE JOURNEY**

We encourage insurers to “start small, think big and move fast”. Begin by understanding your digital readiness and then define the digital strategy. You need to nominate a C-level sponsor and secure the funding. To do that, it is good to identify a number of impactful use cases and outline the roadmap. Remember to carefully manage stakeholders as you build internal awareness.

As you move into the second phase, you are looking for quick wins, so improving client touch-points by improving web, mobile and social offerings are good starting points. Start prototyping and begin to combine digital and face-to-face distribution. It is also advisable to explore access to external big data sources at this stage.

In the third phase, it is time to scale up and generate return on investment (ROI) as you hire data scientists or establish an innovation lab. As you optimize underwriting, claims, operations and service processes, we can begin to talk of cultural transformation. Digital analytics can be used to improve insights in areas like pricing or fraud detection.

In phase four, you can begin to disrupt confidently as you rapidly apply new technology to create competitive advantage and compete with new market players. At this stage you can expect to generate substantial cost savings through process automation and the replacement of legacy systems. As you add non-core value-adding services, expect customers to become fans who promote you wholeheartedly.

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The ultimate goal is to establish new partnerships and join a new ecosystem based on broader and deeper client relationships that extend beyond the insurance industry and which are characterized by a more collaborative use of technology and the ability to avoid adverse risks while increasing market share.

Digitalization is calling for entirely new business models and putting insurance companies under pressure to innovate. In a digitally interconnected world, products and services have to be comprehensive, ubiquitous, individual and, above all, authentic.