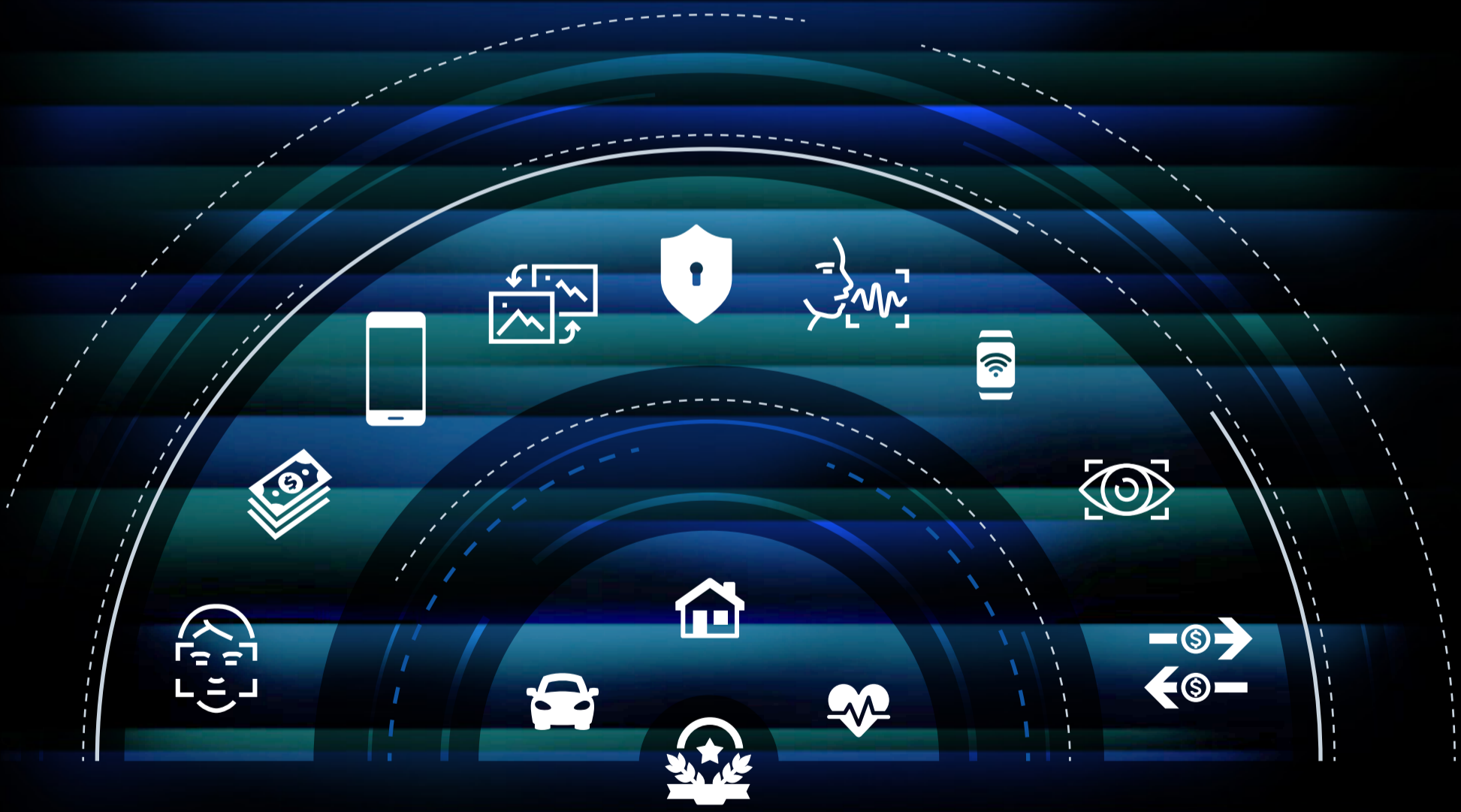


Digital Transformation in the Insurance Industry

How Technology is Disrupting the
Market, and What You Can Do to
Prepare for the Change



Commissioned by Samsung Electronics America

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Introduction

Technology is Changing the Insurance Industry

The number-one priority for insurance carriers today is growth—and one of the most effective ways to enable it is through the use of innovative technologies, part of a new wave in the industry called “InsurTech.” But as customers’ demand for mobile digitalization are increasing, the insurance industry is wrestling with aging technology and struggling to catch up with other financial services industries as well as mobile-savvy consumers. While new technologies are changing the industry for the better, insurance companies must know exactly what tools are available to them—and how to implement them to improve productivity, boost revenues, and maintain security and compliance. For instance, given the ubiquity of mobile devices today, insurance customers expect firms to leverage mobile’s power to process their claims and insurance requests in real-time, creating a smooth and frictionless experience. Insurance companies that do not meet those needs will lose out to the ones that do.

This paper will look at how technology is changing the current insurance industry, and into the future, with emphasis on what the new insurance marketplace will look like; discuss how insurance companies can thrive in a changed industry; examine the ways in which InsurTech is improving the market, with a focus on mobile (apps, geo-location, in-field service), “wearables” (real-time response, continuous biometric monitoring), and AR/VR (training, back-office support for field agents); and offer best practices recommendations for choosing a provider and implementing the new technology.

Mobile is the New Normal

Smart phones and tablets are having a huge impact on how insurance firms market and sell their policies, assess risk, set pricing, and manage and settle claims.

According to Deloitte, 77% of buyers under 35 would like to purchase insurance through their smart phone; surprisingly, fully 57% of people over 55 would like to as well. Already, 19% of consumers use their smart phone when shopping for auto insurance according to the Insurance Research Council. Smartphones will continue to play an instrumental role in the future of insurance as the industry undergoes a digital transformation.

82% of global insurers say that AI-driven automation will be seamlessly embedded into every aspect of their business by 2021.













Source: Accenture

Three Industry Examples

- **Homeowner's/Casualty:** Inventory management is one of the most difficult issues after a fire, hurricane or other loss event. Regardless of whether a homeowner's policy covers the retail replacement value or actual cash value of lost items—everything from furniture to appliances to clothing—most people don't maintain a complete record of what they owned, and have no real way of knowing precisely what was lost. Mobile devices—complete with cameras and loaded with inventory software—can help by making it easy for homeowners to keep an ongoing, always up-to-date record of everything they own. Links to outside data sources can help users maintain replacement costs or current value information, so that they can receive their maximum allowable benefit very soon after their loss event.
- **Automotive:** Armed with smart phones and tablets, claims adjusters can get into the field to assess damages and create incident reports minutes after an accident happens, ensuring payouts and repairs are based on high-quality

TOP 10 TRENDS SHAPING INSURANCE IN 2016

-  Increased Use of Internet of Things By Insurers
-  Auto Insurers Shifting Toward Usage-Based Insurance
-  Using Big Data to Improve Claim Processing Capabilities
-  Entry of Non-Traditional Firms in Insurance
-  Increased Use of Aerial and Digital Imagery
-  Focus on Gamification of Processes
-  Increased Demand For Cyber Insurance
-  Emergence of Peer-To-Peer Insurance
-  Usage of mHealth Apps by Insurers
-  Focus on Customer-Adherence Apps

Source: Capgemini, 2016

and augmented and/or virtual reality technology that is upending the way insurance is sold, customers are supported and claims are handled.

Of course, the insurance industry has been leveraging technology for years, but the benefits delivered from today's innovative tools can be dramatic; they include online quote development and policy management, individual risk development, digitized policy management and data capture, and automated compliance processing, and span all aspects of the industry. They are also impacting those areas of the markets that may not be directly affected by new tech, but which are nevertheless getting caught up in the broader global shifts. And the new technology is caught up in a sort of chicken-and-egg cycle, in which customer demands are requiring that companies change how they do business, which drives new customer experiences, which then lead to even newer demands in the future.

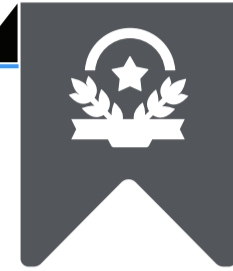
Indeed, according to recent research by Deloitte, 49% of insurance customers are willing to share health data, 45% are willing to share home-related data and 38% are willing to share auto-related data with their insurance companies. In fact, the confluence of technology and insurance seems to be something of a given in the



To date, companies have invested **\$4.74 billion** in InsurTech

Source: InsureTech Connect

Key Criteria for Success in the Changing Insurance Industry



- To survive the coming technology disruption, insurers must adopt a customer-centric approach, moving from enterprise-driven to user-driven solutions. By focusing on their employees' and customers' pain points—and developing user-driven technology solutions that allow them to remain relevant—insurers will gain a better understanding from the overlooked front lines of customer interaction.
- Insurance companies are weighted down with legacy technology; cyclical focus on earnings, existing profitable lines, and short-term balance sheets; siloed employees; and cautious and deliberate processes. To succeed in an ever-changing global marketplace, they must instead deliver innovation at the speed customers demand.
- Pay close attention to the value of customer data. Customers, especially Millennials, are willing to share their data in exchange for lower rates. Thanks to device ubiquity and the Internet of Things, companies have access to more relevant data than ever to better understand and manage risk. Insurers that successfully leverage data and analytics will be able to convert that information into insight faster than their competitors—and attract more customers, which in turn builds a richer data source, creating a positive cycle.
- All roads converge at the intersection of mobility and optimized experiences. Smartphones help firms respond to disruption, scale quickly and build their data pipeline. By focusing on the user experience in mobile, insurers can remove frustration, increase customer interaction, boost employee productivity and build loyalty inside and outside the organization.

minds of many consumers: a 2015 Capgemini survey revealed that almost a quarter of consumers worldwide would be willing to purchase insurance from a technology vendor, rather than a traditional insurance company.

InsurTech comprises a number of business areas, including:

- **Customer Engagement:** CRM, price determination and aggregation, online purchasing, omni-channel support services and digital claims processing. According to a survey by PwC, nearly 75% of insurers see an impact on the customer experience from their technology investments.
- **Compliance and Regulation:** Identification processes, automated reporting and digital policies and contracts.
- **Data and Analytics:** Data management, real-time risk assessment, personalized pricing and customized underwriting. According to PwC, almost 70% of insurers are using technology to leverage existing data and analytics to generate deep risk insights.
- **Internet of Things:** Automotive telematics, sensors and beacons, asset tracking, and home and auto security and real-time information. Almost 40% of insurers are investing in new technology to enable the business with sophisticated operational capabilities, according to PwC.
- **Advisory Services:** Automated asset management, mobile office, digital savings plans and lifecycle investment strategies.
- **Healthcare:** Biometric analysis, patient compliance tracking, genetic data and preventative care.
- **Information Security:** Fraud detection and mitigation, cyber insurance, risk management and privacy policies and loss-prevention services.

Many of the initial changes in the insurance market have been initiated by small upstart firms looking for an edge against more traditional players, which are typically slower to adopt new technology due to the size and complexity of their organizations. But those firms must now get into the InsurTech game, or they will find themselves losing considerable market share to both newer competitors, and old-guard participants that are quicker to adapt to the changing business.

Peer-to-Peer Insurance Disrupts the Market



A new offering called “Peer-to-Peer,” or P2P, insurance is impacting the market by turning the traditional business model on its head. Think of P2P insurance as essentially a credit union, but for insurance. People form a group—sometimes one they create, other times by joining one on social media or via other online options—and effectively underwrite themselves and each other. Any pay-outs come first from that cash pool, but if there are overages, the insurance company—which typically charges a flat fee for participation—steps in to make up the difference. If there are any leftover monies, they are distributed to the group on a set schedule. The benefits come from the elimination of conflict between the insurance company’s goals and that of its customers. According to the Insurance Research Council, 40% of consumers considered purchasing insurance while participating in the sharing economy. So while the impact of this new model has yet to be felt across the market, the potential for disruption is high.

Wearables Make Data Actionable

Wearables like smart watches and biometric trackers can help insurance companies stay up to date on activities that their customers engage in, to better monitor their behaviors and alter pricing and benefits accordingly.

Three Industry Examples

- **Homeowner’s/Casualty:** Smart watches can help home owners make better decisions about their use of safety devices, electronics and appliances by tracking the environment in the home and its effect on the owner’s health and safety. Better still, they can help firms track and contain certain risky behaviors that might normally trigger a higher premium or reduction in claims benefits—and then use that information to alert the customer that her actions have consequences, and potentially try to steer her in another direction. For example, if a homeowner climbs on her roof to clean out the gutters in late fall, her smart watch’s geo-location capabilities could let her insurer know that—and the company could send her a message suggesting she take specific safety

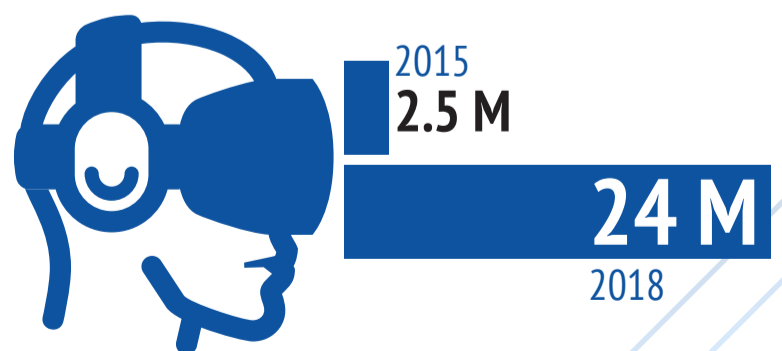
precautions or hire a contractor to do the work, resulting in fewer accidents, and fewer claims payouts.

- **Automotive:** Although Google Glass was a bit of a bust, other camera-ready wearables could transform the auto-insurance industry by capturing and storing video footage of accidents in real time, ensuring companies know exactly who was at fault and what damage was incurred as a result. Meanwhile, health and fitness trackers can tell investigators if there was a medical event that preceded the crash, which could impact fault determination and help deliver needed care to the actual people involved in the incident—as well as suggest ways for them to avoid similar situations in the future.
- **Health:** Biometric trackers, whether worn on the body or clothing, can deliver valuable medical data to doctors and nurses about their patients. This is especially valuable for people with chronic conditions that require life-long management. For example, diabetics can use wearables to track not just their insulin levels, but also their eating and exercise habits, thereby helping them make connections between the two. They can also send alerts when an injection is due, or when they missed a meal, as well as other medical-management best practices. Physicians with access to that same information will gain deeper insights into what their patients are actually doing on a daily basis, rather than what they (often inaccurately) self report.

Augmented and Virtual Reality on the Horizon

Augmented reality (AR) and virtual reality (VR) tools may seem like playthings for gamers and kids, but they have a big role to play in the insurance industry of the future.

The market for VR and AR devices will increase from 2.5 million in 2015 to 24 million in 2018



Source: CCS Insights

Three Industry Examples

- **Homeowner's/Casualty:** Insurance underwriters must be well educated on everything about the properties and people they are insuring. Anything that can help them better understand everything from HVAC installations to lifecycle changes and risk-taking behaviors will help them do their jobs better. Using AR/VR for training and education purposes allows companies to make sure their sales people and adjusters are skilled in assessing and analyzing a variety of potential pitfalls, and then make recommendations to their employers and their customers about how making a few simple adjustments could lower their rates by improving their health and safety.
- **Automotive:** Using VR for driver training could have significant positive impacts on overall accident and injury rates—and insurers can be among the first to embrace this new reality. By encouraging customers to learn better driving habits and techniques, firms will lower accident rates, which will in turn lower premiums and claim filings. Similarly, insurance companies could require customers to take a simulated driving test before issuing or renewing a policy, allowing them to tailor rates and coverage to the individual rather than an actuarial table. And the tech can help underwriters learn about the latest and greatest car and truck models on the road (and even rare older models, too), so they can better evaluate risk and reward.
- **Health:** Continuing medical education (CME) is often perceived as a necessary evil by doctors, nurses and other caregivers. While the information conveyed in such classes is often critically important, the training itself takes practitioners away from their patients, often for days. With AR/VR technology, many intricate procedures can be trained remotely—using gamification to help surgeons learn a new techniques, say, or train radiation techs on a newer, better machine. AR/VR can also improve telemedicine by taking the virtual encounters to the next level, making the experience better for both the doctor and the patient, and boosting outcomes in the process.

Best Practices for InsurTech Success

Insurance companies that want to deliver the best experience for their customers—and increase revenues and market share in the process—must embrace new technologies. Looking at the three key categories we've discussed in this paper, here's what to focus on for each:

Mobile Phones and Tablets

- 1. Security:** Insurance companies are especially vulnerable to security risks, both when it comes to providing the most efficient software and hardware, and in being able to protect corporate assets and customer information from digital threats.

Samsung Knox can keep all transaction data and client information safe and secure on mobile



- 2. Customization:** Higher accuracy by claims analytics, underwriting analytics and real-time loss control is critical when managing InsurTech.
- 3. Workflow:** It's important to remotely manage devices and other equipment to gain control and make workplace safer.
- 4. Customer Service:** Improve the customer experience by delivering faster responses from anywhere, anytime. Use electronic signature capabilities to simplify the buying process, and remote data sharing to make it easier for agents to see what the customer is experiencing from anywhere.
- 5. Voice and Text Messaging:** enable better communication between the insurer and the insured.

Wearables

- 1. Apps:** Mobile apps can help companies identify and define new customer segments with the help of data analytics from wearables. This will allow them to offer specialized policies on an immediate basis—say, when a customer is about to go skydiving, or is embarking on an international trip.
- 2. Biometric Tracking:** Insurers can use body sensors to monitor health and collect valuable customer data for health, fitness, driving readiness and so on. Firms can then use this and other data to more accurately calculate life insurance, healthcare, casualty and healthcare premiums.

3. **Payments:** Claims adjusters and processing agents can instantly and remotely make a payment on a wearable device.
4. **Alerts:** Making customers aware of potential hazards can save them grief and the firm money. The claims-management process can be initiated when notification is sent in case of a mishap.
5. **Geo-location:** Location services drive accuracy and understanding of on-site information.

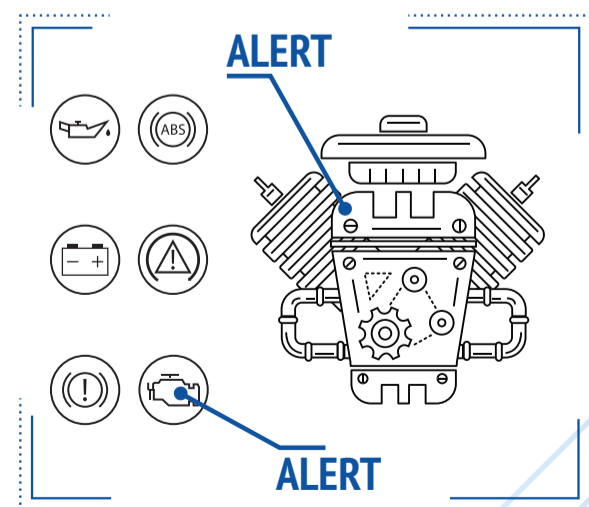
Samsung Pay makes it easy for insurers to receive premium payments and pay claim refunds, all on a mobile device with built-in security.



Virtual Reality

1. **Real-time Data Collection:** Claims adjusters can use a 360-degree camera and AR/VR to better capture information and calculate loss.
2. **Education:** Agents and adjusters can get an immersive experience in homes, vehicles and other sites without ever leaving the office. Customers can learn more about risks, benefits and potential hazards to keep premiums and claims low.
3. **Training:** Especially useful for corporate clients that need to ensure their employees are up to date on all safety protocols and procedures.

The Samsung Gear VR allows underwriters to perform inspections remotely, bringing significant cost savings



Conclusion

InsurTech is poised to transform the insurance industry across all sectors, including health, homeowner's and auto, by leveraging new and disruptive technologies to change business processes, employee activity and the customer experience. Some of the most impactful InsurTech capabilities are focused around mobility (smart phones and tablets), wearables (fitness and health trackers, smart watches, glasses) and virtual reality (VR). When used correctly, these tools are improving everything from marketing and sales to setting pricing and adjusting claims—and they are helping firms increase employee productivity while jumpstarting customer satisfaction in the process.

As insurance companies begin to evaluate, deploy and embrace InsurTech, however, they must pay close attention to security, privacy and compliance issues, and they must engage a vendor that can support those challenges while also offering intuitive apps for communication, payment and other targeted processes. That is the only way to ensure that the changes they instigate will help them stay competitive in an increasingly challenging market—and see success for them and their constituents.

WHAT NEXT?



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