

Key IT Investment Strategies for Insurance Companies in 2013

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IDC Insights Research: Industry-Specific Advisory Services



- *Insights* are a series of industry-focused business units within IDC
- Each *Insights* focuses on technology-enabled business innovation within a single industry
- *Insights* leverage 45 years of IDC research methodologies and processes
- An agile start up with a global footprint

“IDC has demonstrated a solid approach for concentrating on and carving out the Insights product lines based on a core of best practice and benchmarking metrics. Each of the verticals products has specific deliverables that meet the needs of that vertical industry, underscoring IDC’s philosophy that one size will not fit all.”

Outsell Inc., “*IDC Grows Vertically Through Insights Product Line*”, Nov. 07

01#

Premiums

- Europe continues to have the largest market share, 36%, NA 29%, AP 28%
- €1,074 bn in 2011 for Europe, relatively flat growth
- Very concentrated market with UK, France and Germany holding 53% of the market vs Poland 1.3%



02#

Society Transformation

- Web has transformed our cultural mindset
- BYOD and mobile workforce
- EDP II but does not reflect gen Y behaviour
- The “social” revolution creates a balance of power to the consumer



03#

Technology Transformation

- 7bn Things connected to the web
- 1.8 Zetabytes of Data and counting
- Cloud adoption
- Reliance on Technology:
European Insurance industry spent \$43.5 bn in 2012 despite being less bullish than the Banking industry



04#

Regulation

- Growing burden of regulation combined with faltering global expansion, more muted premium volumes, higher hedging cost, and low interest rates is reducing investment yields and undermining profitability
- Solvency II, EDPA II, IT risk guidelines, Insurance Mediation Directive and Dodd-Frank Act...



Key Investment Priorities

- Revenue Growth
- Predictive Modelling
- Operational Efficiency
- Channel Proliferation

- Big Data
- Cloud
- Mobility
- Social Media

Q: In 2013, which of the following initiatives will be significant in driving IT investments at your organization?

- Increasing productivity, improving revenues, and decreasing costs continue to be the top drivers of IT investment.
- Database consolidation and business process management are top IT initiatives.
- Cloud, mobile, big data and social media are top of mind for insurance IT executives



Source: 2012 Vertical IT & Communications Survey, IDC, 2012, N= 194
Multiple Responses Allowed – Will not equal 100%

The Shift from Narrow Channel to Multi-Channel Strategies

Implications

Consumerisation of IT is Challenging organisations

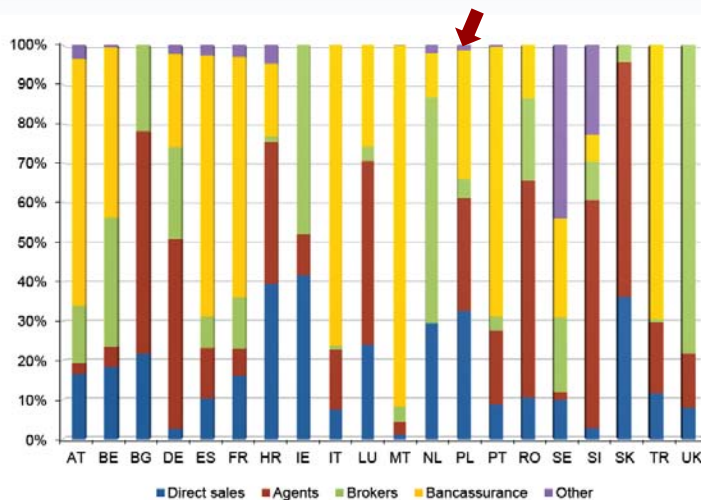
The Distribution Network becomes more Flexible, more Mobile

Productivity and Employee satisfaction are expectations

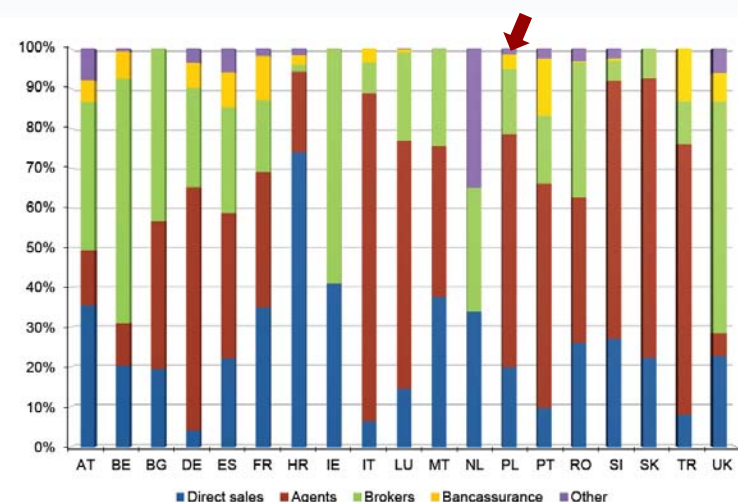
Increasing competitive threats as Relationships become fragmented

End-goal is to Increase Sales Reach, Improve Customer Service and Operational Efficiencies

Life Distribution Channels (GPW)



Non-Life Distribution Channels (GPW)



Source: CEA, August 2012

The Rise in : Mobile Devices

1bn

The number of smartphones worldwide by 2013, over 200m shipped in EMEA

216m

The number of tablets by 2013 worldwide

244.6m

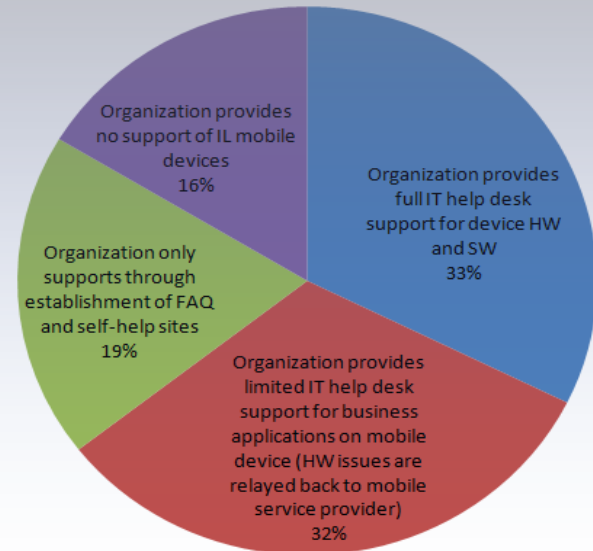
The number of employees in EMEA that will be classed as MOBILE WORKERS by 2015

BYOD and Mobility within the Enterprise

- The number of individually liable (IL) smart phone and tablets at insurance companies continues to increase, as do the challenges in managing IT support and security.
- Insurers have not yet come to agreement on best practices for managing IL mobile devices, as evidenced by the varied responses illustrated below.
- 65% of respondents provide some level of IT help desk support for IL mobile devices.
- There won't be a one-size-fits-all answer, but taking the time to understand where potential mobile security risks can occur will help organizations figure out which approach to mobile security works best for them.
- Taking a layered approach to mobile security that looks across the device, network and apps can help ensure protection against a number of vectors of attack

Bring Your Own Device (BYOD) Is Still An Unsolved Issued

Q. What is your support policy for individually liable (IL) mobile devices?



Source: 2012 Vertical IT & Communications Survey, IDC, May 2012
N= 110

And we always forget the impact on our systems – vulnerability but also reliability

The Industry Needs Greater Maturity Harnessing Social Media

“Industry
tells us...”

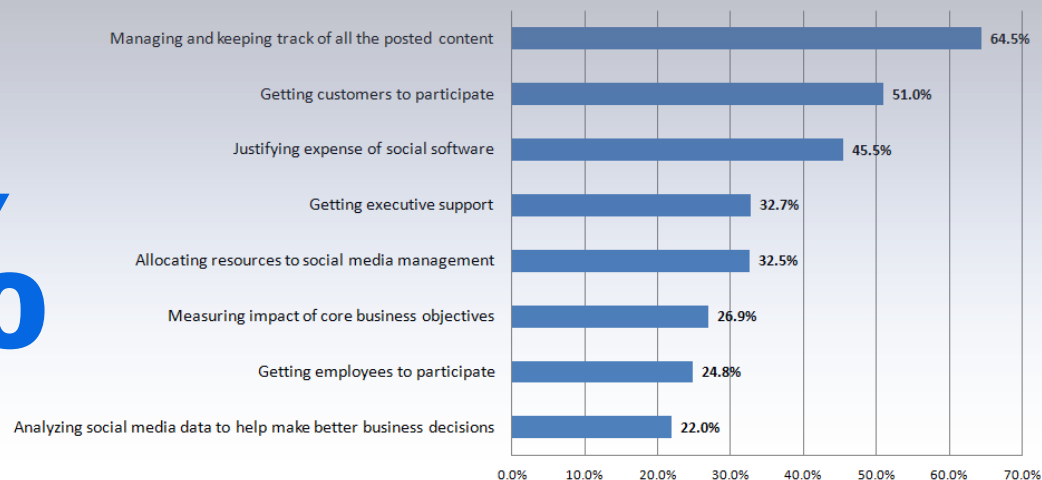
Over

64%

Struggle to
keep track of
all potential
posted
comment

Do you have a Social Media strategy

Q. What are your organization's the top 3 challenges in using social media tools?



Social Media is owned by Marketing
function – Need to be integrated to risk and
IT functions

Source: 2012 Vertical IT & Communications Survey, 2012
N= 204
Multiple Responses Allowed – Will not equal 100%

Key Considerations for Your Multi-Channel Strategy

Mobility

Customer functionality will focus on connecting with Insurers for quotes, initiating & managing claims, updates on payments...

Integration

Provide a multi-channel experience to increase sales reach ensuring that channels are interoperable and information is portable

Multimedia

On the spot digital photos, Submit estimates via mobile devices, mix of structured and unstructured data

Social Media

Need to go beyond marketing focus in social media strategies – focus on the data to make better business decisions and risk analysis

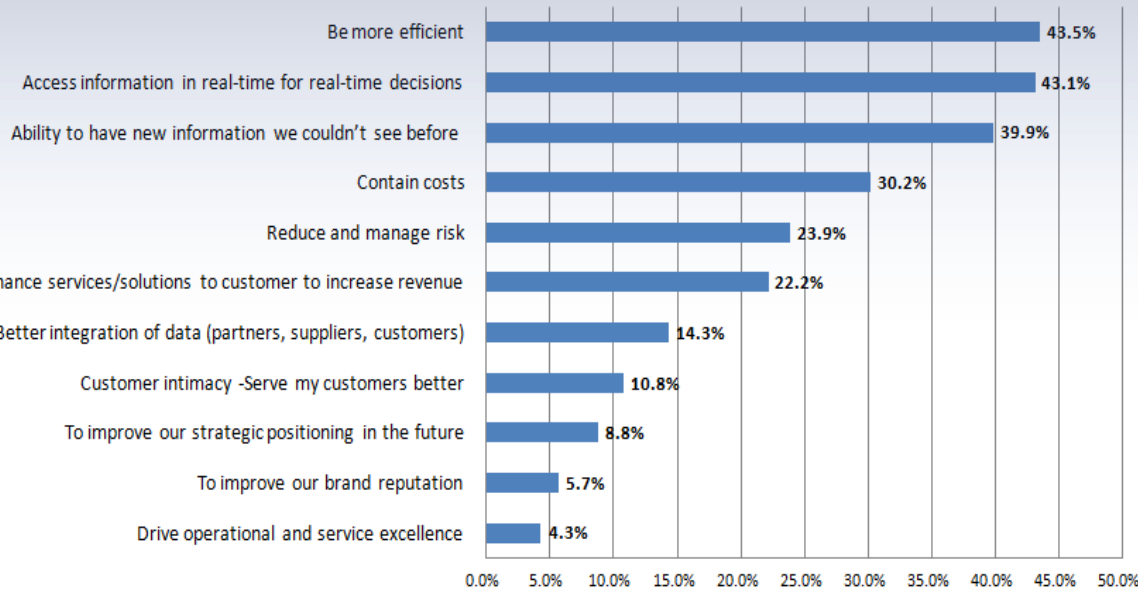
Automation

Develop online tools for agent network to reduce proposal turnaround time, handle inquiries, or perform financial analysis

Harnessing Big Data with a Focus on Greater Visibility of Business Decisions

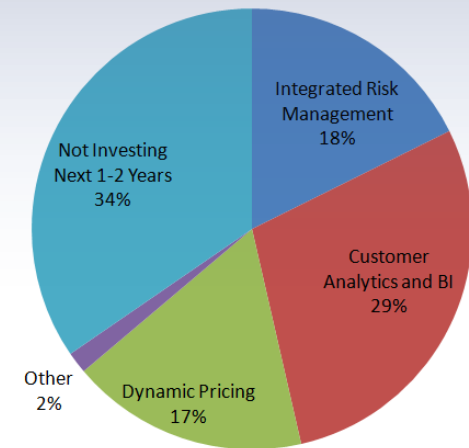
Efficiency Top Driver For Smart Investment, Followed By Real-Time Access To Information

Q. What were the top drivers for investing in smart technology solutions?



Insurers Focusing Smart Investment on Customer Analytics/BI, Risk Management, and Dynamic Pricing

Q. In which of the following smart solutions, if any, is your company investing over the next one to two years?



Solvency II

More real-time information with regards to risk measurements, capital management, enrich existing models with new sources of data

Reducing Fraud

Better integration of existing data sources to better monitor patterns, enrich with new sources of data – Socialytics and Geolocation

New Models

Dynamic pricing, including telemetry in particular for P&C (TomTom) increasingly used as a differentiator

Customer Centric

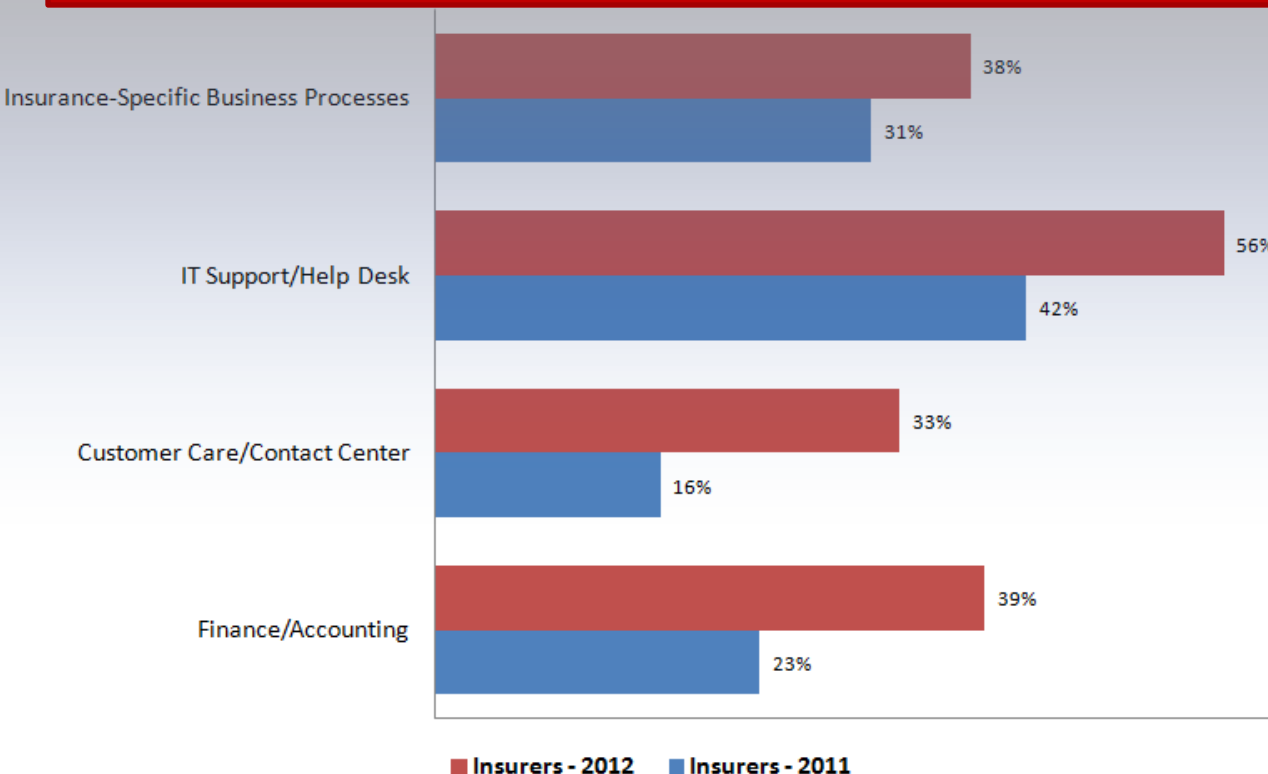
Create more granular segregation of customer base to develop appropriate products and services using new touchpoints and media

Automation

New collaborative tools to speed access and retrieval of information for greater service and efficiency levels – including DMS

Insurers Outsource IT Support/Help Desk Most

Insurers focus on streamlining specific Business Processes

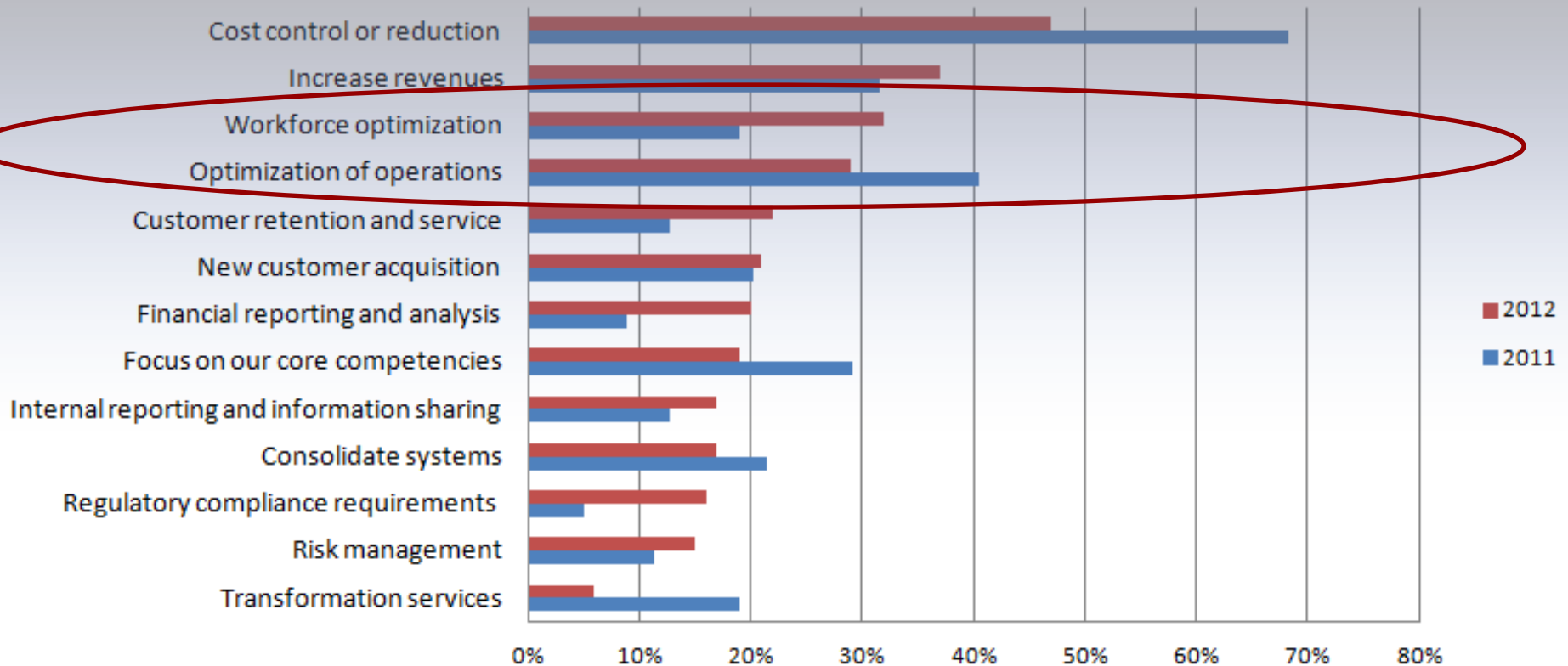


- Globally increase demand for more flexible, dynamic, and cost effective technology architectures:
- Pay-per-use, utility-style models including technology on demand such as cloud computing
- Build-Operate-Transfer (BOT) to captives – return of BPO deals but more strategic relationships

Source: 2012 Vertical IT & Communications Survey, IDC, May 2012
N= 102

Beyond Cost Reduction, Optimisation Takes Center-Stage

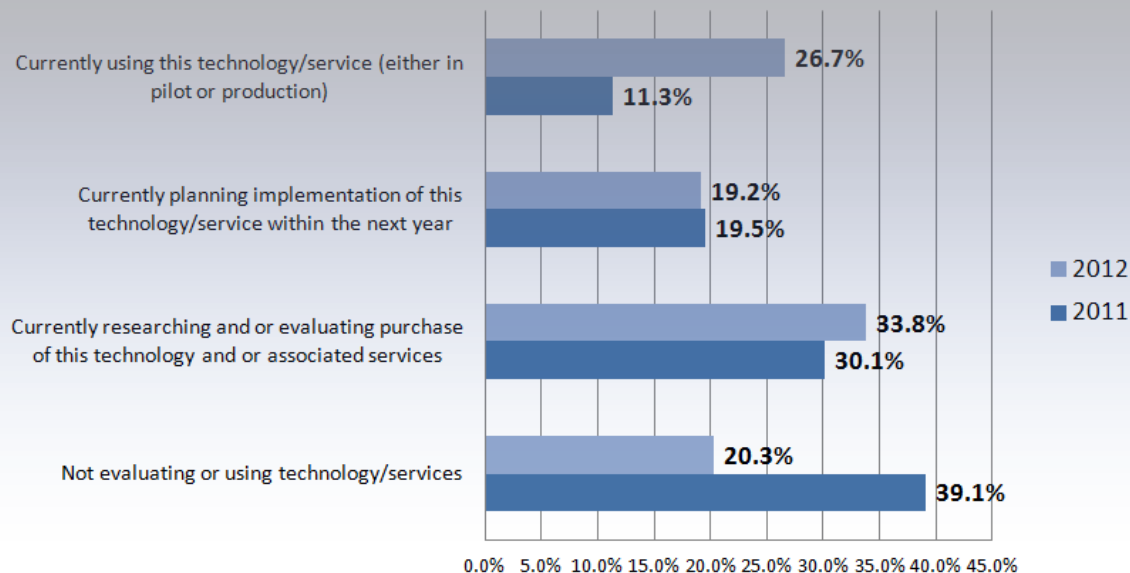
Q. What were the top 3 drivers for your organization to outsource business processes?



Source: 2012 Vertical IT & Communications Survey, IDC, May 2012
N= 80 (2012), N=79 (2011)
Multiple Responses Allowed – Will not equal 100%

80% of Insurers Either Using or Planning to Use Cloud Computing

Q. Is Cloud computing currently on your organization's technology roadmap?



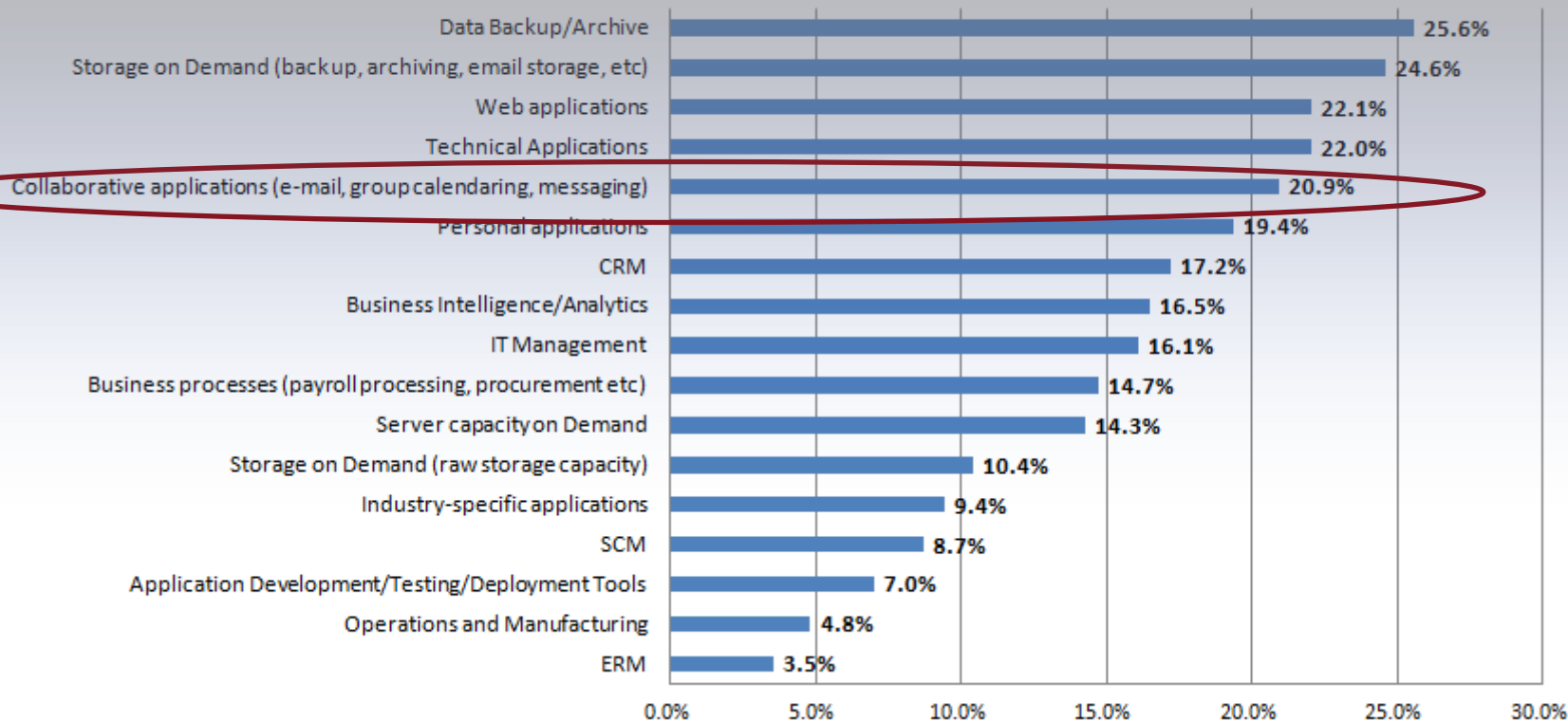
More than 26% of insurers utilize some form of cloud in 2012.

The number of insurers not interested in cloud fell by half from 2011 to 20% in 2012

- Security remains the greatest concern for cloud adoption for 36% of respondents
- Additionally, Insurers are still determining their cloud strategy and their cloud roadmap

Cloud Utilization Focused on Efficiency and Cost

Q. Which of the following technologies are currently delivered, or are planned to be delivered, via a cloud solution?



Source: 2012 Vertical IT & Communications Survey, IDC, May 2012
N= 99
Multiple Responses Allowed – Will not equal 100%

Security Vulnerability, Time-to-Market, Outages, Real-time Capability



Not scaleable to accomodate today's premium growth

May not support advanced consumer analytics or enterprise-wide integration

Difficult and costly to modify to accomodate regulation or strategy change

Increase risk of system failure

Potentially weaker fraud detection

Difficult and resource intensive integration to third-party applications

Key Technology Considerations for Your Organisation in 2013

IT Simplification

Increased complexity and vulnerability – ensure that you focus modernizing core

Mobility

BYOD – Mobile Security Policy on access control, focus on Distribution and Workforce

Big Data

Integration of new sources of information: demographics, geolocation, social, digital...

Automation

Sales force automation tools, streamline processes, reduce transaction errors

Cloud

Do consider as will resolve reduce capital but clarify vendor SLAs around data & security

Key Takeaways

Cloud

Insurers have dramatically increased cloud adoption in 2012, with 80% of insurers using or planning to use cloud. Use of cloud centered on data backup and storage, but focus on collaborative apps.

Mobile

Insurers are struggling with Bring Your Own Device (BYOD) and risk management practices need to be strengthened


Big Data

More than 50% of insurers are using or planning to use more BI and analytics. Insurers are motivated by access to real-time and new information. Investments will be in risk management, customer analytics, and dynamic pricing

Social Media

Insurers face multiple challenges with social, including use of data, cost justification, and customer involvement. Can generate very little ROI if no clear strategy and measurable KPIs

BPO

Expect more outsourcing decisions to be made, especially insurance-specific  **IDC Financial Insights**

