

Look Out
Industry Trends
Insurance

Shaping the future of insurance

Building new ecosystems,
connecting generations



Thought
Leadership

Atos

Megatrends in insurance: preparing for a quantum leap



“Insurance is on the precipice of change. Digital is enabling the industry to revolutionize its core process. It will also re-position it at the heart of the customer-centric services of tomorrow.”

Jo Sevarts
Senior Vice President, Insurance, Atos

For decades, insurance has appeared as a rather stable industry, characterized by a low but steady growth rate and return on equity. This is changing at an accelerated pace.

The 2008 financial crisis and the resulting low interest rates have challenged both insurers' profitability and equity markets. In a traditionally low interaction, highly regulated industry that has for a long time thought it was protected from disruptions, digital is now beginning to dramatically transform customer behavior and business models.

Major disruptions ahead

Everywhere, there are signals that disruptive waves are coming. The rise of aggregators and InsurTechs is just a signpost of more profound changes to come.

Behind the scenes, open platforms and API's are embedding insurance into global services offerings in lifestyle, consumer finance, health, car or travel.

Furthermore IoT, AI and blockchain are promising to radically transform risk management itself, leveraging embedded sensors and real-time analytics to reduce losses and increase prevention, from customer acquisition and underwriting up to claim handling.

Shaping the future of insurance

For incumbents, this brings the threat of being outpaced by new players. Already, manufacturers, retailers and tech giants have expressed ambitions to claim a sizeable share of the \$4.5 trillion insurance industry.

But these changing times also offer formidable opportunities. Digital can help insurance players to target new customers, and insure the new risks of the digital world. It can also support a strategic move from generic risk modelling, distress purchase and static compensation models to models and roles which are personalized, customer-centric and have dynamic lifetime-value. This may make insurance companies essential players in the smart digital life of tomorrow. But to do this, they need to move from competition to collaboration, from payer to partner.

Insurers can position themselves at the heart of customer-centric, data-driven ecosystems that will drive tomorrow's life and economy across generations.



45%

only of insurers believe their organizations are truly customer-centric today



82%

of insurers are just at the beginning of their digital transformation journey



29%

of insurers report losing market share to new entrants



\$3.18 bn

capital invested worldwide in InsurTech in 2018
\$ = USD



30%

of claims costs could be reduced by digital automation



X2,

an incumbent, could double profits over five years by digitizing existing business



1/3

of insurers are already experimenting with usage-based insurance strategies



30%

of global GDP will be realized by 2025 in next-generation business ecosystems



25%

of insurers will leverage blockchain technologies by 2022

Three transformation challenges and opportunities for the future of insurance

1



Transforming from a 'claims-centric' to a 'customer-centric' business

Reinvent the customer experience

For consumers, the experience with insurance has traditionally consisted of buying complicated policies, paying annual premiums, and hoping to get paid by filling in a claim form when an incident has occurred. This made insurance a low interaction industry.

The rise of Y and Z generations is changing the game. More than **79% of consumers now search the Internet for price comparison**. They expect **personalized, tailored services** that fit their lifestyle. Simplicity and instant responsiveness, **anytime, anywhere, on any channel is required**. This renders many traditional agents and broker channels increasingly obsolete, and drives **rapid expansion of direct-to-customer insurer channels, P2P, aggregator sites and affinity partnerships**.

To respond, insurers must not only blend in-person, virtual, and digital for omnichannel interactions, they must also **shift from a product-centric to a customer-centric approach**. This means using all possible data sources - mobile, social, IoT - to proactively respond to individual demands.

> **Customer journey digitalization can reduce 70% of acquisition costs and provide a double-digit increase in policy renewal rates. It also allows data-driven strategies to lay the ground for tailored products and services.**

Create new revenue streams and new business models

By providing both exploding volumes of data and the tools to automatically analyze them with AI, digital does not just help to identify new segments for growth such as micro insurance - it can **radically transform business models**.

With real-world IoT data, **moving from "insurance as a product" to "insurance as a service" is finally within reach**. It enables the development of insurance models based on effective **'pay how you live'** consumption and even ultimately based on **individual's behavioral patterns**, whereby insurers and customers cooperate on shared goals and rewards plans.

Combined with **Open Insurance strategies** - embedding insurance with API's into other sectors' value chains or embedding partners' services into insurance - it can radically transform the value propositions to customers. It is even possible to move the business model from pure compensation to protection and prevention, including offerings in wellness support, security or preventive care.

> **The impact is tremendous. More than just reducing costs, it changes the way insurance companies earn money and operate and fosters growth by creating new revenue streams.**

2



Optimizing costs and radically boosting agility

As pure digital players increasingly put prices and margins under pressure, and as new ways of mitigating risk emerge, insurers need **to make their operations more efficient**.

Today's interconnected, data-driven world allows insurers to reduce costs through legacy modernization, microservices and API's. With connected customers, the IoT and AI, insurers can now **leverage zettabytes of customer data with analytics** to fine-tune risk scoring, and improve loss ratios.

Unleashing valuable data trapped today in old and inflexible systems can, for example, add tremendous business value. Beyond the use of Robotic Process Automation, AI can help **monitor persons, homes and vehicles in real-time for risk mitigation**. IoT, telematics, and automated photo analysis can also **help automate claims processing in a matter of minutes** without human intervention, and at a fraction of traditional costs.

> **These approaches not only help dramatically reduce costs, for example decreasing claim management costs by up to 30% and lowering loss ratios, they can also provide tremendous savings which can be used to fund blue ocean innovation.**

3



Providing predictive security and compliance

Insurance has always been a **highly regulated industry**. GDPR, medical data protection laws, new accounting and tax changes such as IFRS 17 and Solvency II have increased the burden in recent years.

The move to digital is allowing **new cyber insurance markets to emerge**, which in turn is providing interesting opportunities as margins in traditional products erode. But it is **creating new risks for insurers themselves**.

Moreover, the development of AI and IoT has **ethical implications** not only in data protection, but also in people and asset safety, creating profound dilemmas.

This makes it necessary for insurance players to **deeply review and extend their risk and compliance management strategies**, leveraging both the latest security technologies, and the capability to deep dive into AI systems to manage specific legal risks.

> **New technologies can reduce by double digits the workforce needed for governance, risk management and regulatory compliance, and slash the 5 to 10% cost of fraud. They can also minimize the risk of litigation while developing expertise to grow opportunities in cybersecurity.**

How to successfully modernize and digitize insurance



“For insurers to reinvent themselves with customer-centric strategies, agile enough to adapt to changing ecosystems, they need to develop new technology strategies from infrastructures and platforms to business services.”

Franck Coisnon
Global Industry Solutions Director, Atos

Successfully meeting the transformation challenges and opportunities, identified overleaf, will impact insurance business models, organizational strategies, and resources. It will also impact the very foundations of insurance technologies.

Bringing legacy models into the digital era

For decades, insurance players have built solid insurance models and processes, backed by solid IT foundations. They have pioneered mainframes. They have developed advanced analytics for underwriting, risk scoring and fraud management.

Tomorrow's new world, however, requires profound changes. Often built in isolation, supporting siloed departments or resulting from various layers of M&A, rigid legacy processes and systems often fail to provide the agility, openness and scalability insurers need in today's fast-moving landscape.

Insurers have already launched a wealth of modernization initiatives. The drive behind this is diverse: catching-up with digital innovation, developing multi-channel insurance services, experimenting with the cloud, or even with Usage-Based Insurance through telematics and the IoT. And while success has been plentiful, increasing competition from the global tech players and InsurTechs means insurers must accelerate their efforts.

Preparing for a paradigm shift

To embrace the challenges of a digital world and take a winning position within it, three core actions will be essential for insurers:

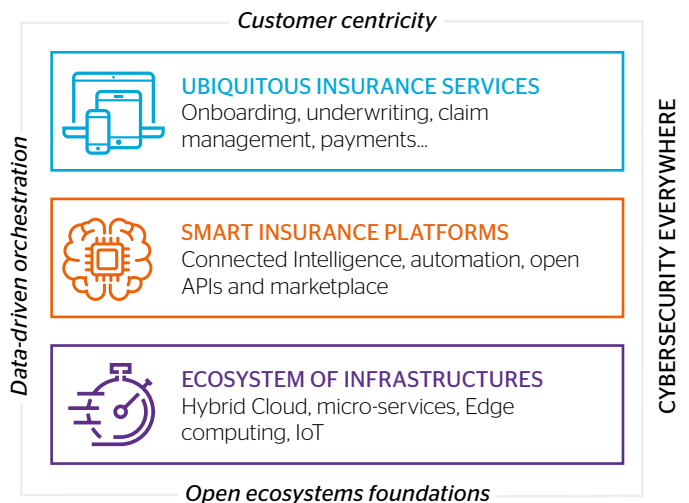
- **Transform insurance operating models** to reduce cost-to-serve by up to 50% and increase agility. This strategic move should include innovative Business Process Outsourcing (BPO) and ITO services, to implement intelligent automation through transformation and cloudification of infrastructures.
- **Modernize core insurance platforms.** This will allow insurers to adapt up to 40 times faster to market changes and respond to evolving customer demands in a real-time, prescriptive and secure way. This can be deeply accelerated by the latest legacy migration, rewriting, re-platforming and core insurance application transformation technologies.
- **Digitize insurance processes, services and business models,** to boost customer intimacy and generate new revenue streams. From onboarding to claims management, next-generation customer and employee engagement, intelligent automation, AI and IoT solutions will be necessary to build the intelligent insurance services of tomorrow.

The road ahead

To thrive, insurers need to create the right industrial and service partnerships to enrich their offering, monetize their data and turn it into profit. Insurers should begin building new supporting information systems today. Selective partnering with InsurTech players may also accelerate time to value.

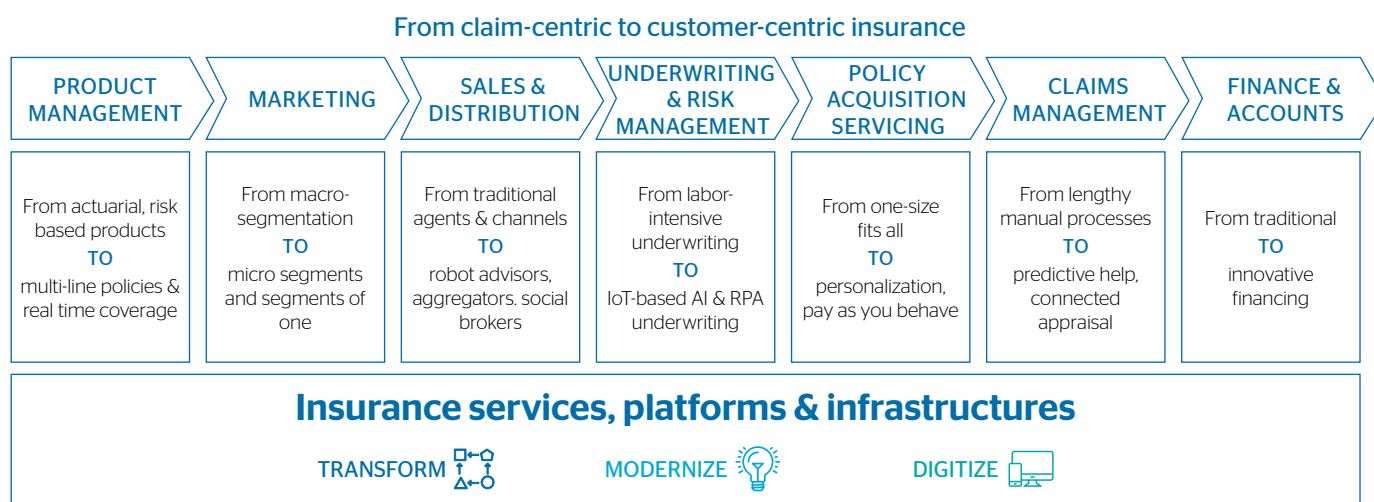
Insurance:
building new ecosystems, connecting generations

TRANSFORM / MODERNIZE / DIGITIZE



Moving from claim-centric to customer-centric insurance requires strategic change. From product design up to financing, there are specific initiatives which are essential boosters.

10 strategic transformation initiatives that will shape the future of insurance



Insurance operating model transformation

Innovative ITO services can combine the latest IT management framework – such as ServiceNow – automation tools and Hybrid Cloud technologies to reduce the 70% processing costs usually devoted to running traditional insurance systems.

Advanced Digital workplaces allow to combine collaboration capabilities and knowledge management to foster transformation and boost productivity by up to 30%. By 2020, with 40% of employees being millennials, this can drive insurers to upgrade their people excellence strategy.

Next-generation Business Process Outsourcing can include an innovative mix of digital frameworks and services to outsource processes themselves and reduce costs by 30% or more. To face digital newcomers, insurers may leverage this opportunity to dramatically reduce their cost base.

Core insurance platform modernization

Legacy modernization can rely on robotic data, rules and policy migration tools to re-platform, rewrite and free up precious resources blocked today in traditional legacy systems. This will allow for a better alignment with the business and future-proof growth engines.

Next-generation Insurance platforms can leverage the latest data-driven, omnichannel and cloud-native technologies to streamline insurance processes, reduce risks and improve customer experience. They will enable to build the core insurance services of tomorrow.

Prescriptive security can use AI, real-time monitoring including the dark web and automation to detect threats and prevent them from striking. Applications range from cyber protection to fraud management and compliance.

Insurance process and model digitization

Omnichannel CX platforms enable a personalized customer experience (CX) across all touchpoints. Insurers should take advantage of exploiting these platforms which typically improve speed-to-market and customer satisfaction by more than 30%.

Robotic Process Automation (RPA), such as Atos Syntbots, robo-advisors and virtual assistants can manage repetitive tasks, reducing the cost of administrative and regulatory processes by at least 50%, while improving quality and speed.

Internet of Things deployment offers boundless opportunities to insurers, from turbo charging underwriting models to enabling usage-based products and dynamic pricing. Insurers can even change the rules of the game by moving from risk protection to risk prevention.

Open insurance platforms and open APIs can allow customer-centric insurance products and services, facilitate partner onboarding and enable open insurance products to be distributed and serviced across third parties. It helps to bring new partners and services into a single platform to serve ecosystems of needs which are beyond insurance services.

Partnering with InsurTechs to foster innovation

Selective partnering with InsurTech players can accelerate time to value. To help insurers, Atos has set up a selection of FinTech, InsurTech and RegTech partners which insurers can team up with to co-create new customer services. Our Engagement Program includes:

FinHub: a community of pre-vetted, quality-assured and road-tested FinTech/InsurTechs.

FinLab: a cloud-based API platform to co-create new banking or insurance services.

FinNet: a knowledge portal covering the latest trends in FinTech/InsurTechs from around the world.

Find out what opportunities they could bring to your business: atos.net/fintech

A glimpse into the future of insurance: best practices for digital transformation

Many insurers have already made decisive steps on the road to digital. Here are three examples with interesting insights:

Insurance operating model transformation

Aegon: developing BPO to reduce the cost base and deliver future-proofed customer-centric services.

Aegon is a multinational life insurance, pension and asset management company.

To accelerate digital transformation and enhance the customer experience, Aegon wanted to modernize the processing of its 2 million business protection, life and pensions policies. To do so, it chose Atos "Customer Experience Led L&P Transformation Proposition", incorporating cloudification, app management, BPO, and back office digitization, all centered around a customer-centric omnichannel experience.

The result: The project is on track for a medium-term step change in Net Promoter Score. Combined with material cost efficiencies over 10 years, and multi-millions in new revenue growth for Aegon, it is supported by the timely delivery of a complete digital landscape.



The expert's view: Richard Holland, Global Client Executive

"Digital requires insurers to reinvent the way they work. The core question is not just how to do more with less, but how to do better with less. Aegon is a perfect example of how insurers can reinvent their processes to gain from several angles: improved customer experience, financial efficiencies and market share gain. It is also a great example of result-driven transformation, where outsourcing services are linked to business objectives KPIs."

Core insurance platform modernization

A large American mutual Life Insurer: Accelerating time to market by 50% thanks to legacy migration.

To accelerate its time to market, one of the top 3 largest life insurance companies in the United States wanted to modernize its IBM mainframe based legacy platforms. To do so, it used the Atos Exit Legacy to automate the migration. With the migration tools, and auto rearchitecting, 65% of the modernization tasks were automated. Migration effort was reduced by 50% and schedule was reduced by 60%.

The result: faster and more timely delivery of the Policy packages has enabled the insurer to grow revenue by millions of dollars, while at the same time reducing the total cost of ownership (TCO) by 50%. This has also enabled the insurer to provide digitized self-service on the portals. All this while the old system continued, in parallel, running during the project.



The expert's view: Syam Yellamraju, Client Partner

"With most insurance data still trapped in mainframes today, legacy modernization will be the next challenge. What has been done for this large life insurer demonstrates how the use of AI-powered modernization technologies can fast-track migration and transform legacy systems into secure next-generation platforms while dramatically reducing the TCO."

Insurance process and model digitization

AXA: deploying new 'pay how you drive' insurance and fleet management services

AXA is a global insurance, investment management, and financial services provider who serves customers in over 200 countries.

To serve new segments in auto insurance, AXA needed to develop a connected vehicle management platform. To do so, it has worked with Atos big data, machine learning, APIs, social media and modern UX, plus the Worldline IoT platform, to set up a secure and profitable IoT operating model and develop successful collaborations with InsurTechs.

The result: the platform has not only helped AXA differentiate and grow business within a new segment but also enabled a 24% reduction in claims, 12% reduction in fuel consumption, 3% reduction in fleet TCO. Moreover, it has allowed for a 10% increase in car resale value and optimized duty of care thanks to improved driver behavior. These cost savings came along with a score of 9 out of 10 in customer satisfaction.



The expert's view: Laurent Gibert, Deputy Global Head Insurance

"The convergence of IoT and AI will give life to next-generation business ecosystems in transport, health, home... Those who pioneer new behaviors and uses will thrive. The AXA Connected Auto Insurance project is a perfect example of how disruptive innovation can open the way to disruptive business gains and improved customer satisfaction."

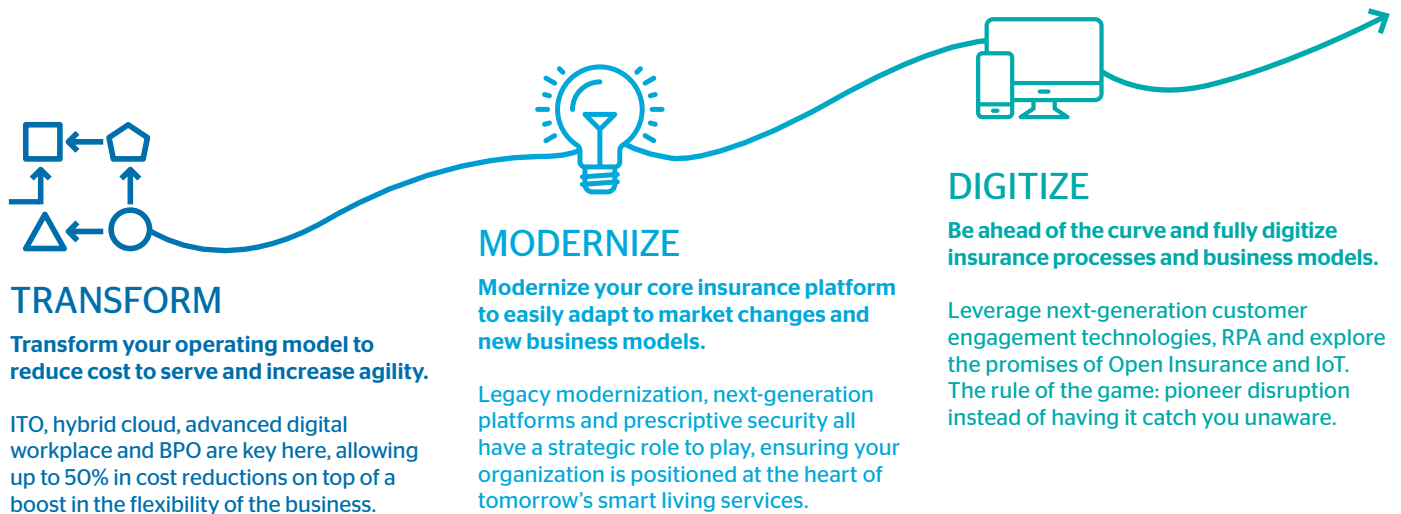
Creating your own insurance transformation journey

With all these changes converging at once, you must steer your insurance business carefully. Faced with rapidly changing business models, the question you will be asking is not 'Why change?' but 'In which direction?' and 'How?'.

The first step is **figuring out the role you want your organization to play within tomorrow's smart living services**. There are several possibilities, each with their pros and cons. Do you want to scale as a utility insurance provider or focus on being a category killer?

Do you want to become the insurance services orchestrator for your customers or drive an overarching platform solution?

Having made that strategic choice, you must next **embark on a journey of progressive and continuous transformation**, combining people, organizational as well as technology streams. Your journey requires a roadmap: the transformation initiatives highlighted previously can support a three-step approach, with phases that can be undertaken simultaneously.



Throughout these phases, an open approach to innovation, as discussed in the thought leadership papers 'Digital Business Continuum' and 'Journey 2022: Resolving Digital Dilemmas' developed by Atos, will be paramount to success.

In a connected world in which start-ups appear and spread at internet speed, openness is also the best way to capture collective intelligence.

As insurers strive to transform, open innovation labs - such as the **Atos FinLab** and **Atos Labs with Google Cloud** - will also provide an ideal environment for bringing new ideas or concepts to life - and creating the insurance services of tomorrow.

Where should you begin?

As the trusted partner for your digital journey, serving 15 out of the top 30 world leading insurers, Atos can help.



DISCOVER how our InsurTech program can help you co-create new customer services.

Leverage our advanced set of InsurTech, FinTech and RegTech partners. Meet our experts and stay one step ahead.
> atos.net/fintech



ENGAGE in a co-innovation workshop at one of our Business Technology & Innovation Centers.

Get off to a quick start with a personalized workshop. Ask for a meeting:
> atos.net/btic



EXPLORE how the latest technologies can boost your own practice.

Use our experts and labs to build proof of concepts tailored to your own business:
> atos.net/insurance

This is an extract from the full Atos Look Out Industry trends series, which provides an in-depth analysis of the emerging megatrends, business transformation opportunities and technologies that will drive innovation in the years ahead. Explore the full reports on atos.net/lookout



About Atos

Atos is a global leader in digital transformation with over 110,000 employees in 73 countries and annual revenue of over € 11 billion.

European number one in Cloud, Cybersecurity and High-Performance Computing, the Group provides end-to-end Orchestrated Hybrid Cloud, Big Data, Business Applications and Digital Workplace solutions. The group is the Worldwide Information Technology Partner for the Olympic & Paralympic Games and operates under the brands Atos, Atos Syntel, and Unify. Atos is a SE (Societas Europaea), listed on the CAC40 Paris stock index.

The purpose of Atos is to help design the future of the information technology space. Its expertise and services support the development of knowledge, education as well as multicultural and pluralistic approaches to research that contribute to scientific and technological excellence. Across the world, the group enables its customers, employees and collaborators, and members of societies at large to live, work and develop sustainably and confidently in the information technology space.

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Let's start a discussion together

