accenture

INSURANCE AS A LIVING BUSINESS

EXPLOSIVE GROWTH

A $375 BILLION OPPORTUNITY FOR HYPER-RELEVANT, CUSTOMER-CENTRIC INSURERS

THE FUTURE OF INSURANCE BELONGS TO LIVING BUSINESSES

The disruption that insurers face is causing costs to rise while suppressing growth and profitability. It is, however, a double-edged sword. For those that are able to respond effectively it is creating a wealth of opportunities that should ensure their prosperity far into the future.

Accenture calculates that these opportunities will expand insurers' worldwide revenue potential by as much as $375 billion within the next five years.

The majority of carriers will find it difficult to position themselves to take advantage of this windfall. Those that do will be what we call 'living businesses' – agile, flexible organizations with fluid business and operating models and an obsession with maximizing their relevance. They will have a deep and constantly growing understanding of their customers, and a corresponding commitment to understanding the evolution of risk. They will be able to deliver meaningful, personalized propositions at the times that matter. They will recognize the potency of ecosystems, relish change and value innovation, and have the energy to keep pace with their customers no matter how their needs evolve.

A significant number of traditional insurers and banks have already started to transform, but few if any can truly be called living businesses. Becoming a living business may be a daunting challenge, but there is little doubt that the future of insurance will belong to those companies that make this shift.

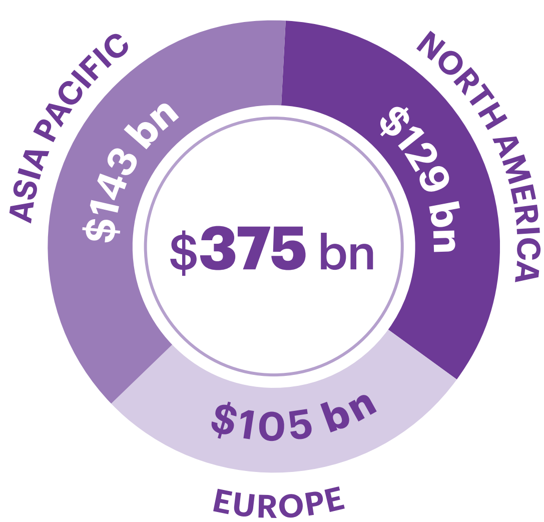
DIGITAL INNOVATION OFFERS INSURERS A $375BN GROWTH OPPORTUNITY

In a world where much of the talk is about the disruptive impact of innovation and changing consumer expectations, insurers' fortunes have been mostly unaffected. Growth rates have been low but steady, return on equity has been adequate if unspectacular, and the online platform-based competitors that have devastated other industries have – with a few exceptions – yet to leave a significant mark on the industry.

Few insurance executives believe their sector will escape disruption – many surveys, including those by Accenture, confirm this. Yet carriers have been slow to change. In the absence of consensus on what the industry will look like in years to come, it's hard to build a business case for transformation. This is especially true when so many investments in digitization have yielded lackluster results. It's more prudent, many argue, to wait and see.

But if the threat of disruption isn't immediate, there's another perspective that cannot be dismissed. New technologies and business models, and shifts in the consumer and commercial markets, are creating numerous opportunities for insurers to increase their revenue and seize market share. Accenture has calculated that, taken together, these opportunities will add $375 billion to the global growth potential of the industry over the next five years.

FIGURE 1. NEW REVENUE GROWTH OPPORTUNITIES BY REGION



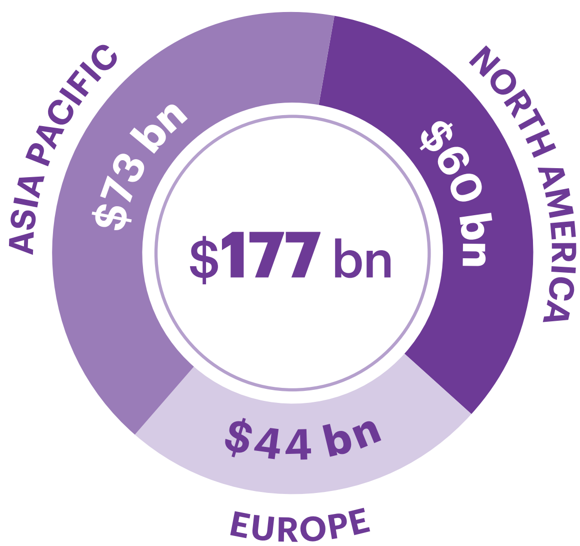
Part of the opportunity will be shared across the industry. Most of it, however, will be accessible only to insurers that can nimbly adapt their business and operating models to maximize their relevance and innovate effectively. We call them 'living businesses' (see next page). These pace-setters will gain a powerful competitive advantage over those that choose to wait and see how the industry will unfold. This will enable them to capture customers from their less responsive competitors. We calculate this to be worth approximately $198 billion worldwide between now and 2022.

We have also identified a significant number of opportunities for living businesses to launch new products and services, increase the reach of those they are already selling, and explore innovative revenue sources. Together, these are likely to expand the global insurance market by $177 billion over the next five years.

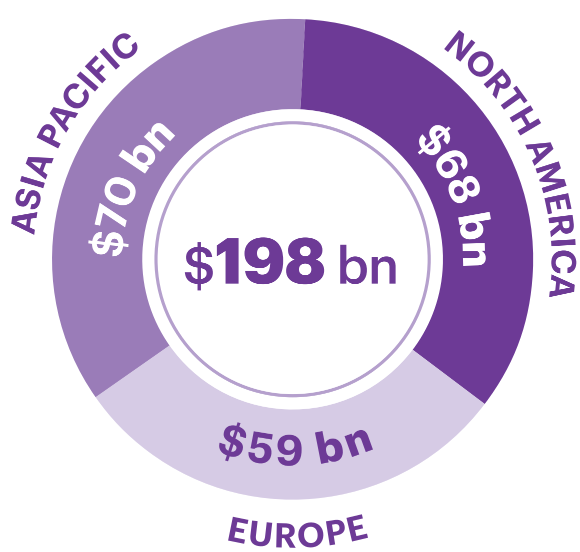
The total that is accessible to living businesses is therefore $375 billion. Our analysis indicates that insurers that retain their faith in the traditional business model, in preference to transformation, will contribute the bulk of this in the form of forfeited market share. This is likely to be offset only by the normal expansion of the market, as they will be able to benefit minimally from the new business opportunities.

FIGURE 2. REVENUE GROWTH POTENTIAL HAS TWO KEY COMPONENTS

NEW SOURCES OF REVENUE



MARKET SHARE GAINS



RESEARCH METHODOLOGY

The aim of this study was to calculate the growth opportunity which is available to property & casualty personal lines, commercial, and life insurers that become living businesses.

To evaluate the opportunity, Accenture Research set up an international team of insurance analysts and market experts in North America, Western Europe and Asia Pacific. An intensive market scan of nine major economies (the US, the UK, France, Germany, Italy, Spain, Japan, China and Australia) identified a total of 23 future growth levers, which the team grouped into the five categories described in this report.

Using a common methodology that included a range of scenarios, and drawing on input from clients, each of the local teams then analyzed the future impact of each of the growth levers. Their forecasts – which included estimates of future market-share shifts – were aggregated into the regional and global totals which have been used for this report.

The total of $375 billion is the amount by which insurers' total revenue potential is expected to grow, between 2017 and 2022, as a result of the ability of living businesses to release trapped market value.

INSURERS CAN THRIVE BY BECOMING LIVING BUSINESSES

The potential for growth from increased market share augmented by new revenue streams is real, significant and already available. However, for many carriers, it will remain out of reach. Their focus on products rather than customers makes it difficult for them to keep in touch with customers' changeable, rising expectations. These expectations will continue to change quickly as insured assets become inherently less risky to own and as they cross traditional product boundaries. Rigid operating models constrain these carriers' options and prolong their response times. And their preference for going to market alone means that potential ecosystem partners are more likely to become rivals than allies.

The answer, we believe, is to become a 'living business' – one that is perpetually hyper-relevant, agile and innovative, and that embraces and becomes expert at change. Living businesses have a profound and dynamic understanding of their customers, the risks they face, and how innovative products and services can promote safety, protect health and income, and restore them in times of loss. This is due to a sophisticated data and analytics capability as well as an authentic receptiveness to what customers tell them. They also have the ability to convert this insight into meaningful, more timely actions. Whereas traditional insurers are usually late to learn about changing customer needs, living businesses synchronize their interactions with key moments in the customer's life.

Living businesses have more fluid models that give them the vitality to evolve in synch with their partners and customers. Their modern platforms, and motivated talent allow them to continually create compelling new value propositions. They look beyond insurance, and find new sources of value for customers and new reasons to engage meaningfully with them on a much more frequent – if not an everyday – basis. They strive for flexibility, adaptability and simplicity, rather than worrying about 'being right' 100 percent of the time.

Insurers that become living businesses look beyond the traditions of the industry for inspiration. Instead of being threatened by GAFAs* they seek to emulate the secrets of their success, and to partner with them to reinforce their brand, reach new customer segments, and become part of a larger, more dynamic portfolio of platforms, products and services. Living businesses thrive within multiple ecosystems. While it is important that insurers identify and reinforce what is unique to them, in order to defend against insurtechs and other emerging rivals, they should also strive to become more open, receptive and collaborative.

* *GAFAs refer to the ever-expanding host of 'digital natives' that include Google, Apple, Facebook and Amazon, as well as Baidu, Alibaba, Tencent/WeChat, and other large platform businesses like Uber and Airbnb.*

This shift in mindset is important, as it helps the organization appreciate the significance not only of its customers but also of its partners and employees – whose commitment to a shared, new and constantly evolving role is indispensable. It enables the organization to re-envision its personality, and empowers its people to take risks and innovate fearlessly.

In addition to being consumer-to-business companies – whose products and services as well as corporate structure and culture are shaped primarily to serve the interests of the customer – living businesses are intelligent, dynamic, credible and engaging. This gives them a differentiated, purposeful personality that is significantly more likely to appeal to consumers. And because it is authentic and supported by appropriate skills, it makes it easier for the insurer to respond effectively to its customers. It is a personality that is empowering, both for employees and the people they serve.

KEY TRAITS IN THE PERSONALITY OF A LIVING BUSINESS

To be accepted by customers as relevant, trusted and important in their lives, insurance organizations need more than just good customer data, IT and marketing. They need to develop a personality that is appealing and authentic. Some of the key attributes are:

- **Engaging**. This means ‘being there’ for customers and commercial clients, a trusted, relevant and empathetic ally as they navigate the uncertainties of their lives and businesses. To achieve this, insurers need to look ahead and constantly strive to offer advice and services that are timely and useful, and that protect or compensate individual and business customers on their terms.
- **Intelligently personalized**. By understanding and anticipating individual customers’ and businesses’ needs, and having the ability to change products and platform features to meet these needs, living businesses can deliver relevant, context-matched offerings at scale.
- **Credible**. Like many financial service providers, insurers have a trust deficit to address. More than just putting the customer at the center of the business, living businesses demonstrate their commitment at every moment of truth, across every channel and end-to-end in the value chain. This includes responding to feedback, participating in social conversations, and ensuring employees ‘live’ the brand values at all times.
- **Consistent**. Delivery of the same branded experience anytime, everywhere, across all channels and devices is challenging but essential. It includes ensuring that the actions of ecosystem partners reinforce rather than undermine the brand.
- **Generous**. Insurers will not be regarded as the customer’s ally if they are seen to willingly accept regular premium payments but then dig in their heels whenever a claim is submitted. Inexpensive gestures or services offered to customers at no cost, simply to reward them for their loyalty, will help to diminish the ‘me vs. them’ mentality.

INNOVATION AND ENHANCEMENT EXPAND THE MARKET FOR INSURERS

Accenture's analysis has identified five primary areas of revenue growth and market-share gain for insurers that are equipped to take advantage. These include entirely new opportunities as well as others that are better described as a shift or progression from existing business lines.

1. **Increased penetration of existing market segments that are difficult to reach profitably** with traditional methods, but which are proving more accessible as new channels (online, mobile etc.) mature and as new technologies (analytics, geo-location etc.) enhance insurers' effectiveness. Examples include:

- Direct business model for the micro and small commercial market (commercial)
- Micro-insurance / small-ticket insurance (personal)
- Simplified underwriting / instant issue (life)
- Low-income home contents (personal)
- Middle-market life insurance (life)
- Worksite (life)
- Robo-advice (life)

Estimated value: $144 billion

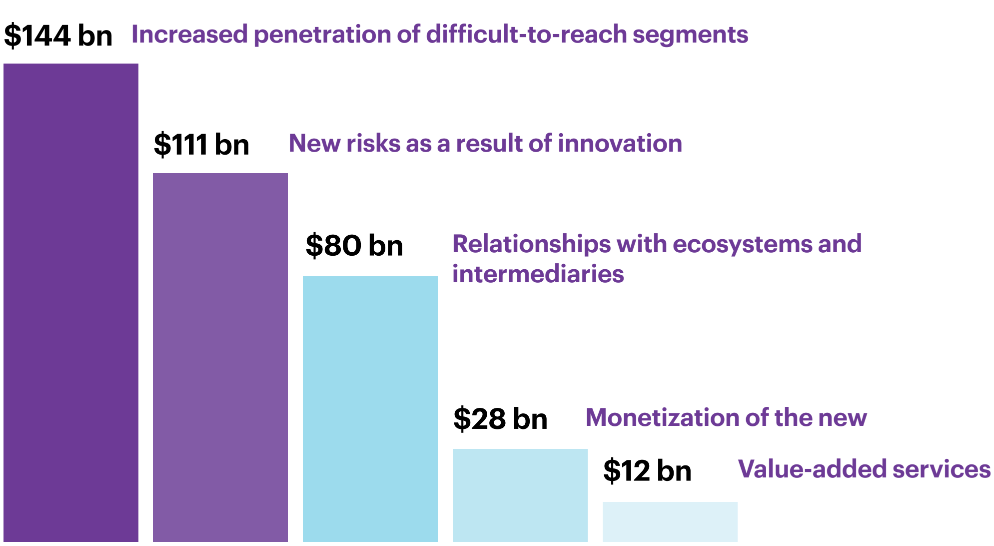
2. **New risks** that have emerged as a result of technological and other innovation, and that present opportunities for new insurance offerings. Examples include:

- Cyber insurance (commercial)
- Increased longevity risk (life)
- New commercial exposures in motor insurance (commercial)
- Insuring digital / virtual assets (personal)
- The sharing economy (commercial)
- The freelance / gig economy (commercial)

Estimated value: $111 billion

FIGURE 3. ESTIMATED NEW REVENUE POTENTIAL BY GROWTH AREA

Total: $375 Billion



3. **Relationships with non-traditional intermediaries and ecosystems** (such as GAFAs) that enable insurers to engage differently with customers and discover new sources of value for them – and new revenue for the business. Examples include:

- Insurtech (personal)
- GAFA (personal)
- Payroll companies (commercial)
- Car manufacturers / OEMs (personal)
- Wellness companies & lifestyle brands (life)

Estimated value: $80 billion

4. **Monetization of "the new",** where insurers offer their assets to ecosystem partners and other players who can benefit from them. These assets include data and customer insights, platforms and models as services, risk algorithms, digital identity verification and more. Examples include:

- Providing data-driven services (personal)
- Healthy living (life)
- Selling proprietary algorithms (commercial)

Estimated value: $28 billion

5. **Value-added services** or products, including advisory services, that help customers reduce their risks. Often enabled by the Internet of Things, these personalized services will allow insurers to position themselves more positively, increase the frequency and value of their customer engagement, and generate revenue at the same time as lowering the incidence of claims. Examples include:

- Using wearables to help aging relatives stay at home longer (life)
- Selling connected-home devices & home security services (personal)
- Car-buying service (personal)

Estimated value: $12 billion

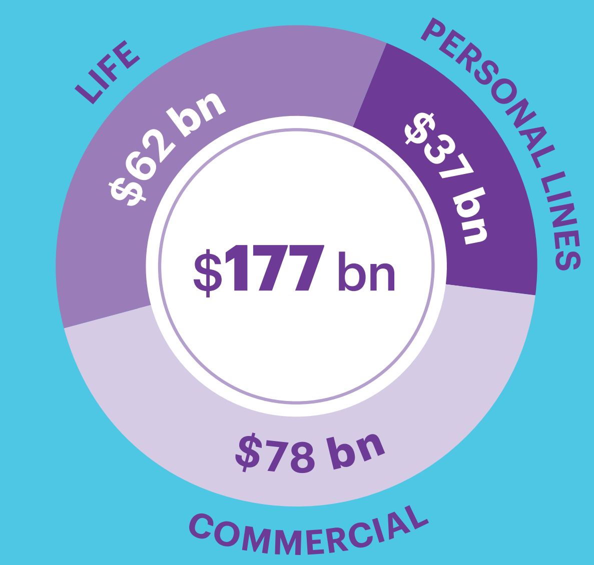
OPPORTUNITIES ABOUND ACROSS ALL LINES OF BUSINESS

The opportunities that Accenture Research has analyzed are plausible and certainly not exhaustive. Others are sure to emerge – opportunities that few people foresee today but which, like Airbnb, will be massively disruptive and will seem obvious once they have changed the world. This exercise highlights the need for insurers to become agile, enabling them to respond effectively to whatever opportunities emerge; and to prioritize relevance, ensuring they remain tightly aligned with customers' needs, preferences and contexts irrespective of how these may change.

While many of the identified opportunities are specific to a particular line of business, the entire spectrum of the industry stands to benefit from the changes that are emerging.

FIGURE 4. POTENTIAL NEW REVENUE BY LINES OF BUSINESS

NEW SOURCES OF REVENUE



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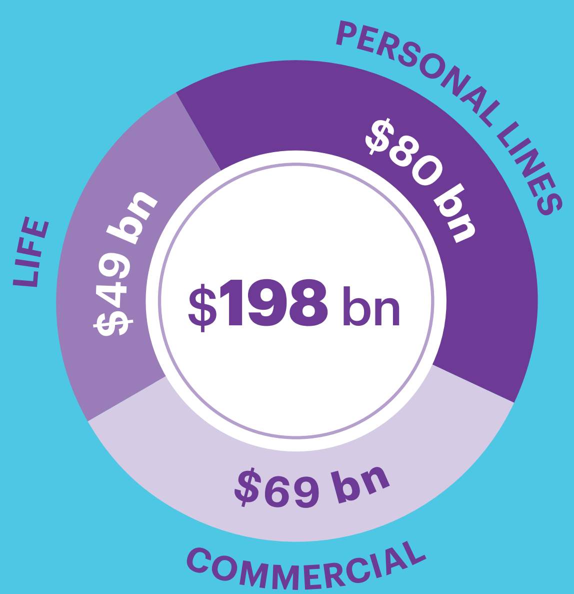


P&C PERSONAL LINES

Much has been written[1] about the likely impact on auto insurers' revenues when autonomous vehicles and the accompanying growth of ridesharing transform personal transportation. Forecasts predict there will be as many as 23 million driverless vehicles on US roads by 2035, resulting in a $25 billion drop in premiums. In the UK, the Bank of England[2] has predicted as much as a 41 percent drop in premiums for British auto insurers by 2040, amounting to a £4.8 billion (US$6.6 billion) decline. The need for carriers worldwide to find alternative sources of income is clear.

Approximately $117 billion in new revenue is available for personal lines insurers to pursue, primarily through a more effective reach into shifting markets. Personal insurers have the opportunity to partner with insurtechs and plug into ecosystems – such as those of the GAFAs – to connect with consumers who are already taking advantage of their platforms. Examples include AXA and Alibaba, Munich Re and Trōv[3], and State Farm and Openbay[4]. By building a vast array of sensors into their products, vehicle manufacturers will be important potential ecosystem partners for insurers.

A smaller, but important growth opportunity for personal lines is the market for large-volume, small-premium, basic-benefit coverages which in developed markets are called small-ticket insurance and in emerging markets, microinsurance. Insurtechs such as Neosurance, Trōv and Lemonade are already using artificial intelligence and other digital technologies to simply and cost-effectively claim a share of this market. Traditional carriers such as Allianz, AIG, Prudential and Munich Re, among others, have also pioneered innovative models for servicing small businesses and farmers in emerging markets. Together they offer a wide range of niche products, from pet, travel and event cancellation insurance in mature markets to small-business and crop insurance in developing markets. They facilitate quick and easy purchasing, often using inventive online and mobile channels.

Allstate's acquisition of SquareTrade[5] – which sells warranties for electronic products and distributes protection plans through several major US retailers – is a good example. The deal not only expands the P&C carrier's customer relationships with 25 million protection plans, but allows it to stretch its reach through the agreements that SquareTrade has built with its retail base.

Two other businesses that are projected to take off are:

- Value-added services that take advantage of insurers' ability to process huge streams of data and trigger personalized actions that customers value. The list of possibilities is infinite, ranging from healthcare alerts to preventive maintenance scheduling for in-home equipment, to monitoring new drivers and helping them improve their performance. Technology start-up Arity uses Allstate's driving data and modeling expertise to help consumers evaluate their driving risk in real time and make smarter decisions.[6]

- Insurers can connect and enrich their own vast amount of valuable insurance data and insights with external data sources to fuel new business models. As the appreciation of the value of information grows, the demand for insurers' data, algorithms and platforms is sure to increase.

CARNIVAL ADAPTS IN REAL-TIME TO VACATIONERS' PLACE AND PENCHANTS

Imagine that the room sensors on your cruise ship sense your approach and by the time you arrive, the lights are on and the air conditioner is cooling the room to your preferred temperature. That's just one example of what Carnival Corporation is doing through its Ocean Medallion technology[7], a small wearable that provides a truly seamless experience at sea.

Each Medallion is synced to a specific guest and interacts with 7,000 sensors connected by 72 miles of cable distributed throughout the ship's 19 decks to track a guest's location, current activity, and what he or she might want to do next. It utilizes 4,000 screens to offer personalized recommendations wherever the guest may be. It optimizes ship operations, energy usage, staff performance … and every aspect of a highly tailored vacationer experience.

LIFE INSURANCE

Emerging technologies are creating opportunities for life carriers to explore a number of potential revenue streams:

- Selling policies direct to middle-market and other hard-to-reach customers. The life sector has been one of the last to embrace direct online selling, remaining dependent on the agents who have driven the business for generations. Most of these intermediaries focus their efforts on more affluent customers. This helps account for the fact that in the US, the majority of the 52 million American households that make up the middle market own no life insurance at all. Also that 2017 was the first year in which more US customers bought life insurance at work, as a voluntary benefit during annual enrollment, than through a retail channel.

  Recent advances in digital technology make it easier for carriers to learn more about their customers, to develop simple offerings, and to customize them not only to different segments but to individuals. This is important, as online insurers are convinced life insurance is an impulse purchase – if you can't clinch the sale at the moment of awareness, the willingness to buy evaporates. Digital tools also enable the provision of value-added services at scale, such as the drafting of personalized robo-wills.

The direct-to-customer model offers great promise, as those of MassMutual and its online subsidiary Haven Life in the US, Direct Line in the UK, and Lifenet in Japan show. This comprises a large share of the overall opportunity for improved penetration of inaccessible life markets. These include not only the famously underserved US middle market but also Boomer Offspring and Millennials, the particular targets of online companies like Lemonade, Policygenius and Fabric. The last of these focuses primarily on new and expecting parents. But agility is key, as are harnessing the power of analytics, cloud and artificial intelligence, and combining different channels across the breadth of the value chain, from selling to serving.

- Monetizing healthy living. In addition to the South African insurer Discovery, whose managed health program has been adopted by large life carriers in a number of countries, a growing number of companies are offering personalized wellness plans. LifeNome aims to revolutionize lifestyle decision-making by using artificial intelligence and DNA input to generate personalized wellness plans and reports for individual households. Another is Wellth, a patient management service which applies behavioral economics through scalable technology to improve personal treatment-plan adherence, engagement and health.

PRUDENTIAL OFFERS EMPLOYERS A FINANCIAL WELLNESS TOOLKIT FOR WORKERS

Life insurer Prudential explains its commitment to financial wellness by quoting the finding, by the American Payroll Association[10], that just under two-thirds of US workers live from paycheck to paycheck and the majority have less than $10,000 saved for their retirement. In addition to partnering with the Aspen Institute to explore solutions to the problem, it has developed a package of interactive tools and materials that enable employers to help their employees create and implement personalized solutions for financial wellness.

The Wellness Effect[11] uses digital tools to conduct a personal analysis, design a financial plan based on individual goals, and provide an online portal that tracks progress and streams relevant content and advice. It includes proposals to fill insurance gaps, debt management solutions, and an innovative investment allocation tool that automates portfolio management and uses behavioral research to set realistic wealth accumulation targets. Workplace financial seminars are presented by the carrier's personal finance experts.

In addition to the group insurance offering, Prudential has a similar online tool for retail customers. The Wellness Effect allows individuals who provide demographic and financial information about themselves to obtain personalized plans that address their most urgent priorities.

In addition to patients and care managers, insurers benefit from reduced care costs, extended customer lifespans and greater customer insurability.

- Promoting financial wellness as a group insurance offering. A 2017 survey[9] by Aon Hewitt found that 92 percent of US employers plan to increase their focus on the financial well-being of their employees. A hot topic for several years now, 60 percent feel its importance has increased at their organization over the past 24 months. A number of life insurers are moving to meet this demand, including Northwestern Mutual through its acquisition of LearnVest, and Prudential (see sidebar). The key to unlocking the potential of the offering will be the ability to provide – affordably and at scale – personalized protection advice and services, and then to leverage engagement with these services to sell life insurance.

COMMERCIAL INSURANCE

The greatest growth opportunities for commercial insurers tend to be customer-segment-specific. For example, improved penetration as a result of new technologies is enabling some insurers to target the small enterprise market, thanks to their e-broker, online-direct, aggregator or other models. Additionally, as middle and large commercial clients continue to instrument their businesses – whether it be manufacturing processes and machinery, worker safety instrumentation or commercial fleets – carriers that have invested in their digital capabilities to digest data, understand exposures, and underwrite and price more accurately will enjoy a decisive advantage over legacy commercial carriers.

- New risks: Barely a month passes without a major cyber breach making global headlines. In addition to the inevitable trust and reputational damage, these attacks can disable the organization temporarily and force it to pay a ransom to regain control of its data and systems. Regulators are taking an increasingly hard line on companies that fail to protect their customers' information. All of this creates a manifest opportunity for insurers to offer both risk protection services to reduce the likelihood of a successful attack and compensation for the damage caused.

  Cyber insurance is just the most obvious of a raft of new-risk opportunities for commercial carriers.

  A recent article by the Rand Corporation[12] makes a compelling case for the rapid introduction of autonomous vehicles. Waiting until they have been proven perfectly safe will cost lives, it argues, as conventional human-guided vehicles are quite obviously deadly.

Much has already been written about the impact of autonomy on auto insurers, including, eventually, a decline in customers and premium revenue. But in the meantime, there is a pressing need for the auto manufacturers, system developers and infrastructure providers to insurer themselves for when the liability shifts from human drivers to autonomous systems.

The sharing economy is alive with possibility as scores of entrepreneurs strive to replicate, in sectors other than transport and hospitality, the devastating impact of Uber, DiDi, Ola and Airbnb. As these platform companies have learned, often to their discomfort, their business models require innovative insurance coverage. A few carriers have responded. Farmers Insurance Group, for example, has launched a ridesharing-specific endorsement to its personal auto policy in Colorado, while Allstate has introduced HostAdvantage for home sharers and Ride for Hire for ride-hailing drivers. Similarly, the growth of the freelance / gig workforce is fundamentally changing employment relationships in terms of workers compensation and group benefits,

and creating the need for a very different interaction model for worker protections and voluntary / worksite benefits. Most commercial carriers have been slow to develop and market suitable products for both of these high-potential sectors.

- Value-added services: The Internet of Things and other digital technologies are likely to transform insurance by replacing pooled, historical data with individual, real-time data for risk assessment and pricing. They also create the opportunity to use this data for other services than just insurance – services that large commercial customers have been willing to pay for, and that insurers are now able offer affordably to medium and smaller customers. From preventive maintenance reminders and keeping track of connected workers on large, dangerous work sites, to surveillance alerts and input for precision agriculture, the opportunities are as diverse as the data itself.

EFFIFUEL BY MICHELIN OVERHAULS DRIVE MANAGEMENT

Aiming to create a value-added service for large fleet operators, Michelin drew on the Internet of Things to launch EFFIFUEL[13]. This ecosystem uses sensors inside vehicles to collect data such as fuel consumption, tire pressure, temperature, speed, and location. The data is then processed in a cloud solution and analyzed by Michelin experts, who provide recommendations and training in eco-driving techniques.

EFFIFUEL provides a risk-free fuel efficiency service to truckers, who receive a refund if pre-defined targets for savings are not met.

By shifting from selling tires as a product to offering a service that guarantees performance, Michelin gained higher customer satisfaction, loyalty, retention and profits. For customers, the service reduced fuel consumption by 2.5 litres for every 100 kilometres (just over a gallon per 100 miles), representing annual savings of €3,200 (US$3,590) for long-haul transport traveling over 120,000 km.

Michelin's success has created a more open-minded attitude in its workforce that welcomes innovation – and its tires-as-a-service model in particular. By embracing technology-led products, the company is also increasing the digitization of operations with robotics, 3D printing and augmented reality.

HOW INSURERS CAN REALIZE THE VISION OF A LIVING BUSINESS

Living businesses balance the need to nurture their existing operations and explore new sources of revenue. This process, which Accenture calls 'pivoting to the new' (see Figure 5), entails investing in the transformation of the core business to reduce costs and drive growth, thereby realizing trapped potential and freeing locked value. The funds generated in this way are then used to launch innovative ventures that offer the prospect of new revenue streams. As the most promising initiatives become apparent, the organization prudently shifts the focus of its effort and investment from the core to 'the new', scaling its innovative ventures to the point where they become significant, sustainable income producers.

While the focus of most discussions about the future of insurance is on new technologies, capabilities and offerings, insurers that neglect their core business will find it hard to transform into living businesses. The first stage of this journey has to be the digitization and optimization of the legacy; only once that has been achieved can the organization plan and execute its migration to new business and operating models. To succeed at this, and to become a living business, Accenture's experience in working with many leading insurers has taught us they need to excel in five key areas:

FIGURE 5. PIVOTING TO 'THE NEW'

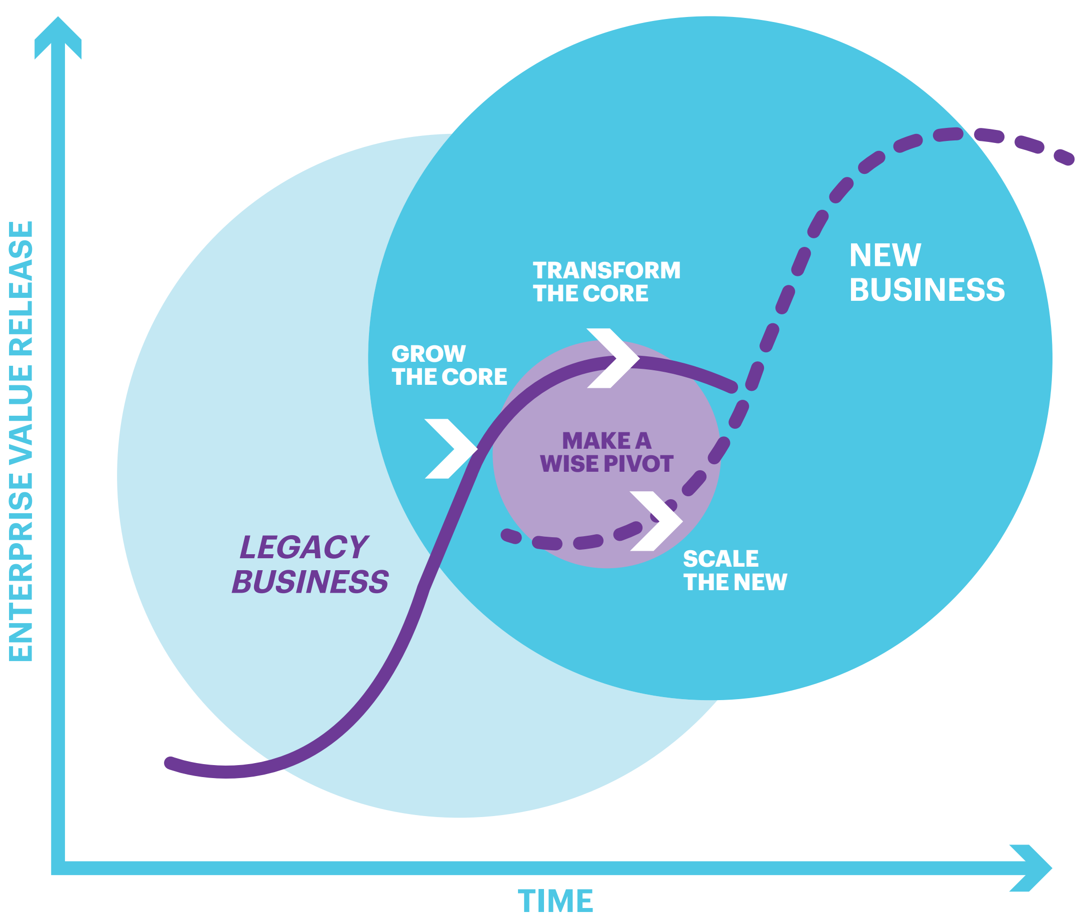
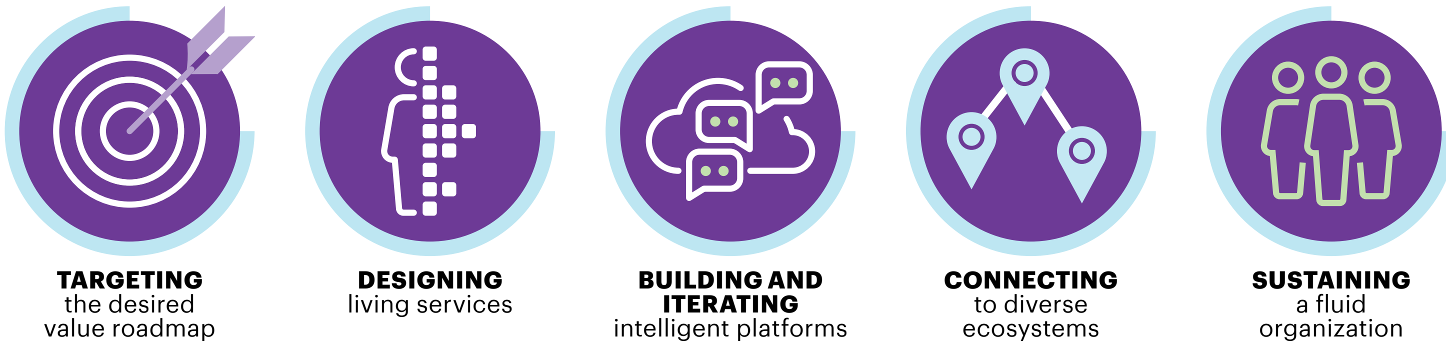


FIGURE 6. FIVE KEY AREAS FOR TRANSFORMATION TO A LIVING BUSINESS



1 Targeting

Developing the desired value roadmap, including funding sources, to drive a balanced, value-focused growth strategy that prioritizes your portfolio of business and identifies new sources of value. What is critical here is deciding how much to invest in your core business, your business adjacencies and new business models. This includes identifying where and how you wish to engage customers, partners and competitors. It could mean opening new revenue streams by tapping into GAFA platforms to serve existing customers and prospect new ones. It could have the additional benefit of increasing customer interactions and generating the data you need to help expand cross- and up-selling opportunities.

Chubb, for example, partnered with Suning to distribute insurance products via the Chinese online retailer's 230-million-strong e-commerce customer network.[14] Root Insurance in Ohio is offering Tesla owners a premium discount if they use Autosteer, a flagship feature of Autopilot that keeps the car in its lane even when approaching curves.[15]

Experience teaches us that while it might be tempting to accelerate your progression to becoming a living business by targeting the more futuristic growth opportunities, this is unlikely to be successful. A more logical, sequential approach is better advised. Develop the capabilities to realize the opportunities that currently exist, and when these have been effectively scaled and have become sustainable, start to target the ecosystems and new risk exposures that will take you to the next level.

2 Designing

Creating living services that drive remarkable experiences by acting on insights mined from customer and business analytics in real-time. You can draw on that insight to shift from pooling and pricing risk based only on historical data, to automatically assessing and pricing risk directly, individually, and in real-time. You can move beyond simply providing customers with insurance cover to also offering risk management solutions that address customers' real goals – all underpinned by adaptive technologies and AI-driven interfaces that interact with customers and employees in more natural, human ways. These living services will wrap around customers, constantly learning from them about their needs, intentions and preferences. Living services will talk to them, help them and even entertain them – a far cry from traditional insurance services.

Lemonade, the New York start-up, uses AI, automation and behavioral science to settle renters' and homeowners' insurance claims quickly, simply and without human intervention. It currently holds the world record for the fastest claim payment: three seconds.[16]

3 Building and iterating
Setting up intelligent, flexible platforms to prototype, deliver and scale innovative services focused on outcomes. This means drawing on a set of new cloud-based technologies to enable strategic actions such as opening and sharing application programming interfaces (APIs); adding robotics and AI capabilities; embracing radical security to reduce exposure to and defend against cyber-risks; and using Agile to implement change and augment your capabilities. By fostering an iterative mindset, you can manage big data in ways that optimize the customer experience across digital and physical channels.

Consider the partnership of online Chinese retailer Alibaba, insurer Ping An and Internet service provider Tencent to create Zhong An Online Property & Casualty Insurance, the first online-only insurer in China[17]. Zhong An has a multi-billion-dollar valuation and offers more than 300 products. It claims to have written 7.6 billion policies for over 535 million customers, 150 million of whom were signed up in its first year. Roughly half its business comes from selling shipping return insurance to Alibaba customers.

4 Connecting
Becoming part of diverse ecosystems, sharing visions, data, distribution channels and value across a broad alliance of partnerships within and beyond the industry to achieve a powerful multiplier effect and compelling customer experiences. It is about developing a dynamic, open ecosystem enabled by APIs and a modern IT architecture, exploring blockchain data connections and cloud technology to connect employees and partners with meaningful customer data, and ensuring that data moves seamlessly and securely across channels.

Many consumers, especially those in the Gen Y and Gen Z age groups, have a strong affinity for GAFA brands. Nearly one-third would switch to Google, Amazon or Facebook if they started to offer banking services (31 percent), insurance services (29 percent) or financial advisory services (38 percent)[18]. Nor are they the only ones putting pressure on incumbent providers; almost as many consumers would consider switching to a supermarket chain or other retailer for financial services.

Partnering with organizations like these could provide access to large pools of potential customers, create an environment, services and experiences that are more appealing than you as an insurer alone can do, and together create a formidable alliance to drive profitable growth.

5 Sustaining
Nurturing a fluid organization in which a flexible, blended workforce is empowered to keep customers at the core of all planning and execution. This requires leadership that exhibits and continuously shapes the vital attributes of a living business. It demands a resilient, tightly integrated culture with built-in vitality that embraces change. And it requires that you recreate, monitor and measure your workforce of the future, a workforce that includes new skills and roles such as data scientists, freelance workers for scalability of specialist skills, intelligent automation (bots and robo-advisors) to augment people and processes, and design thinking to continuously re-imagine products and services through the lens of the customer.

The most important part of sustainability is becoming an agile organization, for the future is uncertain and will only become more so. Fostering innovation and entrepreneurial skills is critical to finding new, relevant ways of engaging with customers. Extending the talent pool beyond employees, contractors and consultants to include specialists – especially in key technologies – using crowdsourcing and on-demand sources will significantly enhance your agility. So will using DevOps approaches to roll out IT systems that improve your business flexibility.

A NEW PATH FORWARD FOR INSURERS

While some aspects of the insurance industry – the need to assess and mitigate risk, the transference of risk, and regulatory mandates to ensure adequate underwriting capital – will always be with us, the nature of these is transforming. The way people assess, mitigate and fund risk in a digital world is already beginning to change. This, in turn, dictates that insurers be relevant beyond insurance.

Insurance as a living business provides a basis for insurers to address the evolution of risk, bolster value-added services, and give new markets access to their services in trustworthy, highly relevant ways. The time to look to this model is now, when digital disruption is putting the traditional business model under pressure and simultaneously creating exciting new opportunities.

With a purposeful personality, embedded innovation, and hyper-relevant services, the insurer becomes a living organism. It quickly learns, decides and responds, and continuously regenerates its business model, all in order to meet customers' ever-evolving needs. Insurance leaders can begin to revisit their market positions and mobilize their people and resources to redirect their journey to the future and reap the resulting rewards.

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