

The Digital Insurer: Capabilities Needed



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On occasion this document has been illustrated with full or partial screenshots showing the 'good practice' referred to. These screenshots come from corporate websites in the public domain and remain subject to all rights of the of the companies concerned and should not be used in any other context.

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1. Introduction

“ *If you do not get a digital business model right, all the fancier stuff you do on apps, digital banners and social media will have a risk of being experiments that will fizzle away or will never result in a pure transformation of the company.¹”*

Joe Gross,
Allianz’s Group Head of Market Management

This paper draws on two capability maturity models developed by Capgemini:

- The Insurance All Channel Experience Capability Maturity Model, which focuses primarily on an insurer’s customer-facing capabilities
- The Capgemini / MIT Capability Maturity Model, from which the key enabling capabilities have been extracted

Together, these summarize all the capabilities that are required in a digital insurer. For each of these capabilities, we:

- Summarize the level of capability we expect a digital insurer to have in place by 2016 to be a leader
- Provide examples of companies—insurers and others—who already have that capability in place

It is unlikely that any insurer will be, or would want to be, a leader in every capability. It will select the capabilities in which to dominate in accordance with its business strategy and objectives.

¹ “Digital Leadership: An Interview with Joe Gross, Head of Group Market Management at Allianz,” Capgemini Consulting, 2013

2. Overview

To succeed in a world in which customer and intermediary expectations are changing rapidly, enabled and supported by evolving technology, the digital insurer must focus on ensuring key capabilities are in place.

2.1. Customer-Facing Capabilities

To meet customer expectations and increase profitability, insurers must put the customer (and/or intermediary where appropriate) at the heart of the business and build capability around them.

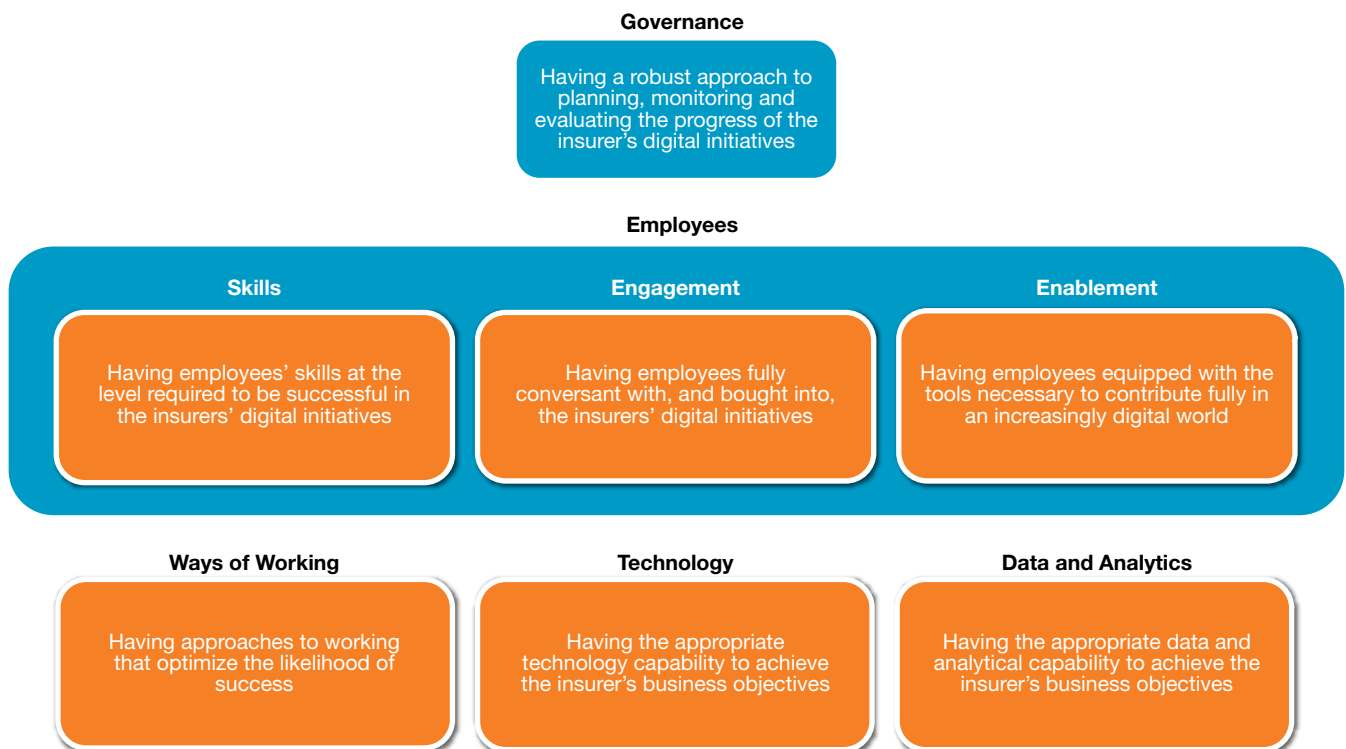
Exhibit 1: Insurers must put the customer at the heart of the business



2.2. Enabling Capabilities

But these customer facing capabilities are not, in themselves, enough. The digital insurer must also ensure that certain key enabling capabilities are in place as well. These provide the support infrastructure necessary to allow the customer-facing capabilities to be delivered efficiently and effectively.

Exhibit 2: Enabling capabilities for the digital insurer



3. Customer-Facing Capabilities

These are the capabilities required to meet customer (and/or intermediary) expectations and thus increase profitability.

3.1. Price Competitively

What it's about

This capability is about managing pricing across all channels to provide value for money to customers and intermediaries, thus driving sales.

What good looks like

The digital insurer:

- Knows the correct “technical” price for each risk – but rarely sells at that price
- Continually refines and updates its rating models real-time, based on both internal and external datasets
- Understands the price-elasticity of demand for different customer segments buying through different channels
- Understands competitors’ pricing for different customer segments buying through different channels
- Incorporates customer lifetime value analysis into pricing
- Always sells at the “best value” price for that particular customer, through that particular channel, at that particular time.

Leading examples of current practice

Allianz

In order to gain a single, consolidated view of their customer, Allianz Group implemented Oracle’s Master Data Management solution. This enabled them to maximize their services to customers based on detailed and accurate customer segmentations and behavioral preferences.²

The deep and comprehensive segmentation enabled Allianz to understand likelihood of termination and also to tailor their offer to customers’ needs, resulting in increased revenues. It is now at the heart of many of Allianz’s digital initiatives and provides them with a 360 degree view of their customer, putting customers at the centre of their business.

Allstate

Allstate identified improving its motor competitive position through price optimization as a key strategy for the homeowner and motorist segments. This was in order to ensure customers who called for a quote were given the best possible price and was in response to concern in the market place about Allstate being too expensive.³

Their pricing and underwriting strategies and decisions are designed to enhance both their competitive position and profit potential. Pricing sophistication uses a number of risk evaluation factors based on information that is obtained from credit reports. Allstate first implemented their auto risk evaluation pricing model for 25 states in 2011 and the rollout continued through 2012.

Price optimization allows Allstate to use risk evaluation models and an evaluation of competitors to increase their price competitiveness to a greater share of target customers, whilst not under-pricing where they are already competitive.

² “Allianz Group Turns to Oracle Master Data Management for Customer Insight,” Mala Narasimharajan, Jun 12, 2013. https://blogs.oracle.com/mdm/entry/allianz_group_turns_to_oracle

³ The Allstate Corporation Notice of 2012 Annual Meeting, Proxy Statement and 2011 Annual Report

3.2. Connect Elegantly

What it's about

This capability is about creating a personal and relevant dialogue with individual customers and markets, across communication and distribution channels, to learn more about them and hence improve conversions.

What good looks like

The digital insurer:

- Gathers and integrates customer-specific insight from multiple sources, including social media
- Develops personalized campaigns in response to customer-specific insight
- Manages campaigns consistently across multiple channels, including social media and other digital channels
- Aligns all marketing, sales and service channels, ensuring that the experiences customers have across these channels are consistent
- Accurately anticipates customers' (or intermediaries') future needs, to give consumers exactly what they want, when they want it, in the channel of their choice
- Builds and maintains virtual communities
- Proactively putting the word-of-mouth referral network to work

Leading examples of current practice

Allstate

As part of its comprehensive programme targeting teenaged drivers, Allstate has developed a series of specially commissioned games and videos.⁴

These include a specially-commissioned teen soap opera, "The Lines", of which there are multiple episodes. As Allstate describes it, "Our first-ever live action web series is about way more than just compelling drama. It also helps teens make smart decisions behind the wheel."

Exhibit 3: Allstate's teen driver website



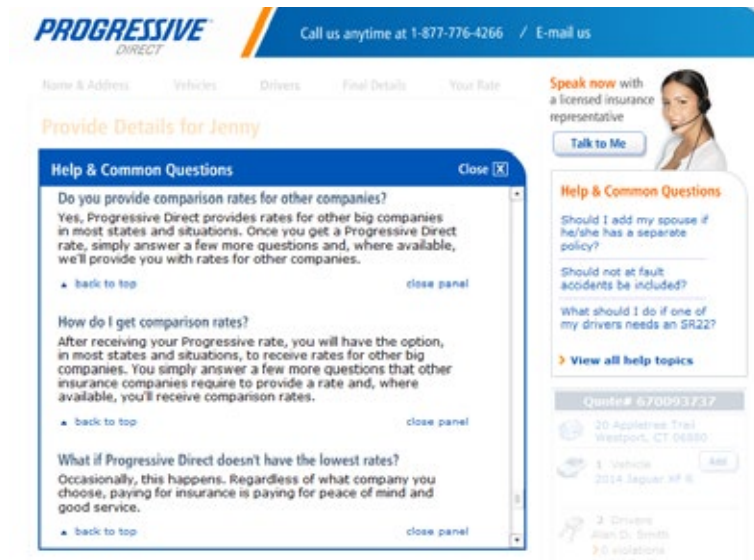
⁴ Allstate Teen Driver website, www.allstateteendriver.com

As another example, Allstate's 'X the TXT' programme is focused on raising awareness about the dangers of texting while driving. American Idol's Jordin Sparks launched the cross-media campaign in 2009, urging Americans not to text and drive.

Progressive

Progressive reduces the amount of work required by prospective customers, and positions itself as a helpful adviser rather than an "insurance seller", by using the data at its disposal to recommend an insurance package tailored specifically for the particular customer.⁵

Exhibit 4: Progressive website



But it then goes one step further: as part of its recommendation, it lets users compare the prices offered by Progressive with prices offered by the leading competitors—even when those prices are lower than Progressive's.

LV=

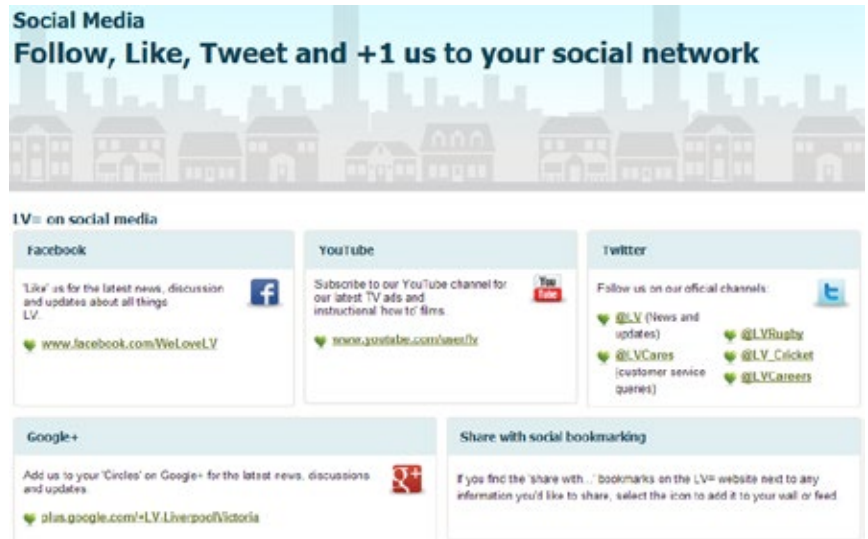
LV= has styled itself as a customer centric insurance firm that places the All Channel Experience at the center of how it connects with consumers. LV= has made each social media channel unique, with each contact point tailored to suit the channel and make the most of its strengths.

LV= has grouped its social media channels together as a section of the 'Contact Us' area of the website. This makes them easy to find and helps the customer understand how they link together, forming a coherent portfolio of channels.⁶

⁵ Progressive company website, www.progressive.com

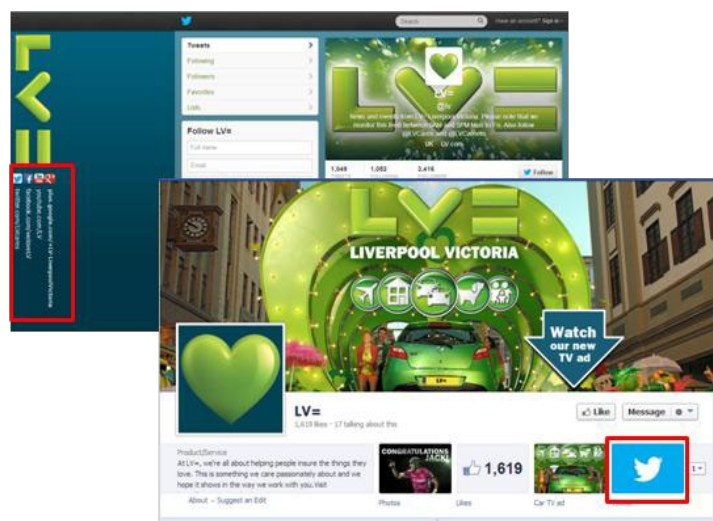
⁶ LV= social media contact page, <http://www.lv.com/contact-us/social-media>

Exhibit 5: LV= website groups social media channels together



In addition to a consolidated website location for social media, LV= links well between platforms, ensuring a seamless experience for the customer. This not only makes the customer experience better on a practical level, it also shows that LV= has put the time into taking a customer-centric approach, demonstrating an investment in the customer.

Exhibit 6: LV= on Facebook and Twitter



Source: <https://www.facebook.com/WeloveLV> and <https://twitter.com/lv>

Finally, LV= also uses social media advertising. This helps to add to the consistency of customer connections and ensures customers see the same LV= wherever they look.

3.3. Engage Regularly

What it's about

This capability is about managing high-quality, rich and inspirational digital content across all distribution channels and touch points. The objective is to drive higher customer engagement with the insurer and its intermediaries as efficiently and effectively as possible.

What good looks like

The digital insurer:

- Creates regular customer interactions, tailored to meet the specific needs of target customer segments
- Coordinates messages across all customer touch points
- Develops and maintains digital content in an integrated manner across the whole insurer
- Manages digital content as a corporate asset, with appropriate controls in place
- Has rationalized cross-channel, cross supply chain, template-driven (primarily digital) documentation, fully searchable, with audit trails, electronic signatures, watermarking and revision control
- Has integrated gamification into its customer engagement strategy, supported by enterprise-wide gamification technology

Leading examples of current practice

Samsung

Samsung rolled out a social loyalty program, Samsung Nation, based on consumer interaction and gamification. Using gaming techniques the company identified key customer behaviors it wanted to measure, recognize and reward across the Samsung.com portal. The company also integrated the 'Bazaarvoice' conversations platform to reward customers for submitting reviews or commenting on product Q&A.⁷

Also, to maximize customer engagement across the site, Samsung identified the key motivators of its customer base that visited the site. They then built engagement mechanics in the platform that mapped these needs.

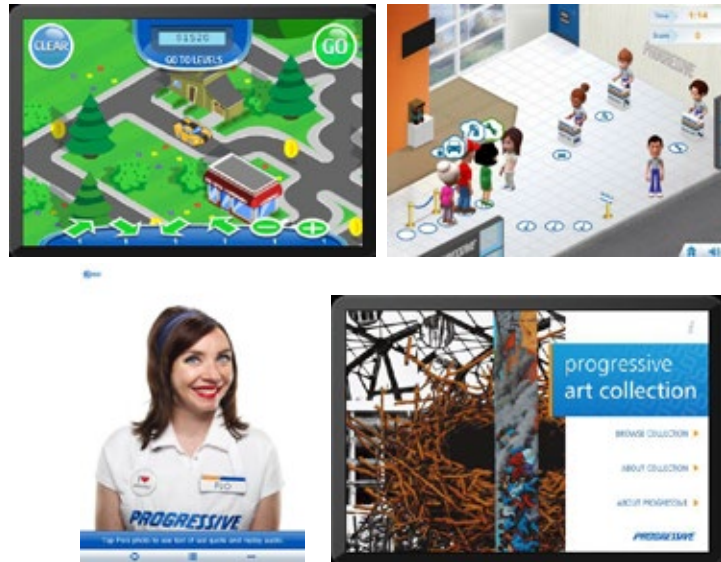
They rewarded customers with 'Points' for performing key behaviors, scaling them appropriately based on the effort required to do them. A 'Leaderboard' displayed the users with leading points. There, customer advocates could check their name, rank and status and be eligible for product coupons at the end of each month. Customers could also earn 'Achievements' for demonstrating loyalty and aptitude in multiple product areas.

Progressive

Progressive offers a range of apps of different types, categorized as "transactional" and "Just for Fun". These include games, such as Route Rageous and Superstore, but also more esoteric offerings such as Flo-isms, an iPad app tied closely to its TV advertising campaigns, and Progressive Art, which provides details of the insurer's art collection.

⁷ "Samsung Benefited with Four Times More Brand Advocates Using Gamification," Digital Transformation Review #4, Capgemini Consulting, May 2013. <http://ebooks.capgemini-consulting.com/Digital-Transformation-Review-4/>

Exhibit 7: Progressive mobile apps



Source: <https://www.facebook.com/WeloveLV> and <https://twitter.com/lv>

Allstate

One of the widest range of apps is provided by Allstate. These apps include “standards” such as Allstate and Roadside, which provide breakdown and accident assistance, together with hints and tips on vehicle problems that can be fixed by the driver. But they also include more unusual examples such as Digital Locker, which provides a cloud-based home contents inventory complete with photographs and valuations, and Kaptura, an app in which the player is the goalkeeper in a Mexican football team.

Exhibit 8: Allstate mobile apps



Source: <http://www.allstate.com/mobile.aspx> or <https://itunes.apple.com/us/artist/allstate-insurance-company/id318394321> on iTunes

Burberry

In just a few years, fashion retailer Burberry has established itself as the most truly digital luxury brand in the world and turned the company's performance around in the process. Digital is woven into the fabric of Burberry's business, but a particular strength is the fully integrated cross-channel experience they deliver to their customers.⁸

Examples abound, but we would highlight their "retail theatre" concept, which uses technology to bring the brand to life in their stores: from the music, to the rich video content on giant internal and external screens, to the iPads carried by all sales associates that give access to the full global collection, to the changing room screens that light up with footage of the chosen clothing on the catwalk.

3.4. Deliver Perfectly

What it's about

This capability is about efficiently and effectively deliver underwriting, claims, fraud management and investment services.

What good looks like

The digital insurer:

- Can sell all its products and services online, via web and mobile
- Maximizes the use of straight through processing
- Has a comprehensive underwriting and policy administration system, connecting seamlessly to third-party services, supporting rapid, accurate underwriting and policy administration across multiple communication channels
- Fully integrates mobile capability into its claims management processes (e.g., mobile computers and/or tablet apps used by employees and suppliers in the field, claims self service, automated telematics-based triage, and more efficient interactions with suppliers)
- Has sophisticated fraud management systems at point of application as well as point of claim
- Integrates its underwriting and policy administration system with its claims systems, providing closed loop feedback
- Employs state-of-the-art, fully-integrated front, middle and back office investment processes and systems with centralized data

Leading examples of current practice

Direct Line Group

Direct Line's home insurance loss adjusters have been provided with a pre-loaded estimating tool with contractor cost information on 800 line items. This allows the loss adjuster to cost the required work on the spot and to provide customers with clearer, faster information. The customer can then either settle the claim for cash, or use Direct Line's contractor network, at their choice.

⁸ "Burberry's Digital Transformation," Digital Transformation Review #2, Capgemini Consulting, January 2012. <http://ebooks.capgemini-consulting.com/digital-transformation-review-2/index.html>

Exhibit 9: Direct Line's building estimating tool



Source: Direct Line Group, Results for the first half 2013, 2 August 2013.
<http://www.directlinegroup.com/investors/results-and-presentations/2013.aspx>

Direct Line is also piloting an initiative called "With you in 5", which speeds up the capture and notification of home claims using the video capabilities of smartphones to enable claims advisers to assess claims in real time.

Exhibit 10: Direct Line's With you in 5 pilot



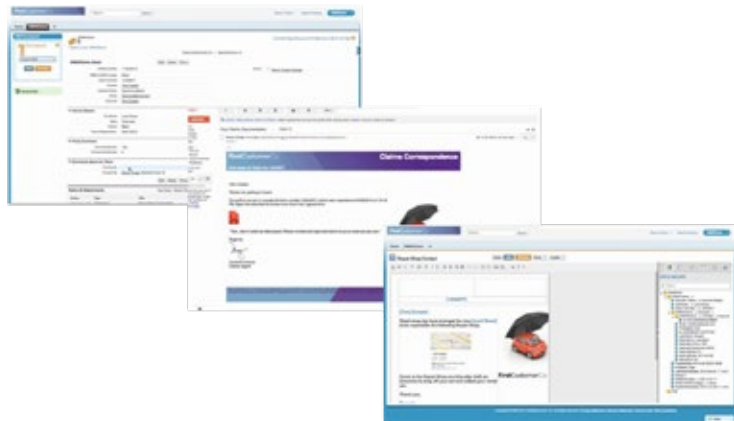
Source: Direct Line Group, Results for the first half 2013, 2 August 2013.
<http://www.directlinegroup.com/investors/results-and-presentations/2013.aspx>

Safe Auto

Safe Auto is using Thunderhead.com to standardize document creation out of its Guidewire suite of core systems. The system captures, stores and retrieves outbound policy and claims documents and also allows Safe Auto to expand the solution as those needs change in the future.

Safe Auto will now be able to connect information in their Guidewire policy management, billing and claims systems by incorporating unstructured data and supporting documents that come in paper forms, pictures and .wav files. The goal is to help agents retrieve quickly inbound and outbound documents from any system they are currently working in. Those documents have already been standardized in terms of look and component by the Thunderhead.com platform, which ensures regulatory and brand compliance.

Exhibit 11: Thunderhead ONE Correspond for claims



Source: Use case video for ONE Correspond for Salesforce, Thunderhead.com, <http://www.thunderhead.com/resources-2/video-case-studies/>

3.5. Measure Relentlessly

What it's about

This capability is about monitoring and optimizing the performance of the insurer across all channels, so as to improve efficiency and drive higher profitability.

What good looks like

The digital insurer:

- Has a fully integrated and automated performance management system based on a cascaded balanced scorecard and closed-loop rewards / sanctions mechanisms
- Uses big data mechanisms and feedback to analyze and optimize customer ROI
- Has real-time dashboard visibility of loyalty programme credits, NPS and lifetime-value scores
- Increases profitability by influencing customer behavior to drive them to the channels known to be most profitable for the products / services in question

Leading examples of current practice

Primerica

Primerica wanted its representatives to have the ability to access a high level view of their total business quickly and efficiently, without the limitations of static reports. However, Primerica's online representative portal offered only static data and required representatives to run multiple, time-consuming queries and filters for different subjects. Primerica was convinced that dynamic ability to gain deeper insights by interacting and drilling down into sales data would help them increase productivity dramatically.⁹

The company therefore enhanced their "Primerica Online" portal with new capabilities for accessing premium and compensation performance unlike any other in the insurance industry. Representatives can now dynamically drill-down into sales data and identify downline representatives that need help with their performance.

For instance, representatives could spot a high earner or low performer that is two or three levels downline, and determine who needs extra attention or motivation based on their earnings and their commission rate from that level of the organization. With this information, managing representatives can focus their attention on those who most need coaching and mentoring, and learn of the successes of their top performers in order to maximize revenue opportunities for themselves as well as Primerica.

Standard Life

Standard Life have been working towards level 5 maturity for the last five years, taking a stealthy rather than Big Bang approach to building an enterprise data warehouse. Though they laid out the architecture for the data warehouse from the beginning, they have been deliberately delivering it in smaller chunks, each abiding by Standard Life's rules requiring each project to have its own business case and be developed in collaboration with external partners.¹⁰

In response to business requirements, Standard Life rolled out the first element of the data warehouse for accounting in the third quarter of 2008. This was driven by a business requirement to view accounting data across all source systems, maintain consistent data formats and provide access to data that had not previously been available to the accounting function.

A second element of the data warehouse, forward pricing, which reduced risk and allowed the movement of funds between insurance administration and investment systems, was rolled out in the fourth quarter of 2009, followed by policy assets, a core enabler of profit generation, in the fourth quarter of 2011. The next tranche of the build will support Solvency II. When live, it will deliver the required balance sheets and optimize the company's regulatory capital position.

According to Standard Life, the IT team worked with the business to support current business priorities, aligning with the business and structure for growth. Going forward, they will give the business control using business rules, not code, and the business will lead the extension of the enterprise data warehouse with new business processes, attributes and propositions.

⁹ "Increasing profits, slashing expenses at Primerica," IBM, 31-May-2011. <http://www-01.ibm.com/software/success/cssdb.nsf/CS/SANS-8HDP8U>

¹⁰ "Standard Life Takes Stealthy Approach to Building a Data Warehouse," ReferenceDataReview.com, November 28, 2012, <http://referencedatareview.com/blog/standard-life-takes-stealthy-approach-building-data-warehouse>

3.6. See Completely

What it's about

This capability is about using a single, comprehensive, view of data for all strategic, tactical and operational decision-making to improve accuracy, avoid duplication and increase insight.

What good looks like

The digital insurer:

- Has a comprehensive, real-time, single view of the customer, including all interactions (such as web chat, click-to-call, social media and research feedback) across all business units and geographies
- Can identify cross-sell and up-sell potential during the course of a contact and accurately predict the next best action, optimizing pricing and promotions
- Has the ability to use all operational and customer data, at any customer touch point, to make decisions that improve the customer's perception of the insurer

Leading examples of current practice

MetLife

In order to overhaul its customer view, MetLife implemented a NoSQL database as the platform for bringing together data from more than 70 separate administrative systems, claims systems and other data sources.¹¹

MetLife chose NoSQL because their databases can use structured, semi-structured and unstructured information without requiring tedious, expensive and time-consuming database-mapping or extract, transform and load (ETL) processes to normalize all data to a rigid schema, as required by relational databases.

The result is that MetLife is now better positioned to integrate its multiple product lines and provide customer support personnel with a view not only of individual products and policies, but of the customer and all transactions and policies for that customer over the course of what could be a very long customer lifecycle. This has provided a powerful single view of the customer across products and business units.

Prudential Group Insurance Inc.

In the U.S., Prudential's CustomerONE initiative is aimed at putting the customer at the heart of its operations. Prudential aims to increase productivity among Customer Service Representatives (CSRs), decrease training times and crucially provide better customer service through a single, unified view of the customer, all while consolidating five call centres into one. Prudential's customer-centric approach has enabled it to achieve predictable and improved business outcomes.¹²

Prudential launched its "CustomerONE" initiative as a major service thrust to improve customer interactions and reduce operational costs. The high-profile project's charter perhaps sums it up best: "CustomerONE is Prudential Group Insurance's Strategic Servicing Portal that will be used by all associates to handle inquiries and

¹¹ "Insurance Giant Gains 360-degree Customer View with NoSQL Implementation," Tracey E. Schelmetic, Insurance & Technology, May 13, 2013. <http://insurance-technology.tmcnet.com/topics/insurance-technology/articles/337928-insurance-giant-gains-360-degree-customer-view-with.htm>

¹² "Prudential Group Insurance Named Model Insurer by Analyst Firm Celent," Pegasystems, January 30, 2012. <http://www.pegasystems.com/about-us/news-room/press-releases/prudential-group-insurance-named-model-insurer-by-analyst-firm-celent>

process service requests across products, markets and channels.” Pega’s BPM software is used in several contact centres and the back office to bridge multiple disparate systems and provide dynamic case management features delivered via a single intuitive user interface.

The result of all of this is that customers will feel more engaged by Prudential Group, who will in turn be able to maximize their interactions with customers and offer an increased level of service.

3.7. Transform Effectively

What it’s about

This capability is about knowing your customers, then developing the vision, proposition, business model, roadmap and business case to deliver to the customers’ needs.

What good looks like

The digital insurer:

- Understands the experiences that customers value, by customer segment
- Identifies and evaluates options for change
- Develops propositions specific to the various customer segments
- Develops a robust business case
- Sets out a clear roadmap for change
- Ensures the right resources are brought to bear to assure delivery
- Embeds good governance and benefits realization tracking

Leading examples of current practice

AIG

Having come close to collapse and requiring a bailout from U.S. taxpayers, AIG leadership realized they needed to radically transform the business to set it onto the road to future growth. With the customer in mind, they evaluated the current situation and identified areas for improvement. The new CEO at the time decided that consolidating AIG’s fractured global IT systems would help to standardize processes and to achieve economies of scale. This would help reduce costs, which could be passed to customers and increased standardization would ensure a better level of service with fewer errors and a quicker response.¹³

In order to achieve such a large aim at such a difficult time for the company, it was crucial to establish a roadmap for the transformation and to engage with different areas of the business on a global scale. The gravity of the situation facing AIG was turned into a driving force to help the transformation on track and ensured that everyone recognized the progress that had been made. Engaging the correct resources was also an important step to incorporate in the transformation, with AIG Subject Matter Experts working closely with vendors in order to tailor IT systems to AIG’s specific requirements, whilst still incorporating industry recognized best practices. This helped to embed the solution in the business by keeping ownership with AIG and also ensuring that the solution would endure in the business.

¹³ “Rebuilding AIG on a Global IT Platform,” Michael Vizard , CIO Insight, 07-09-2013. <http://www.cioinsight.com/it-news-trends/rebuilding-aig-on-a-global-it-platform/>

Allianz

Allianz has invested heavily in the digitalization of its business over the past couple of years, but has done so very systematically. They first defined a global digital target picture, which has been the guiding element in the transformation process. This was supported by an assessment of all operational entities which helped them to define their ambition level for the next three to five years. Based on these results, the operating entities and Group have set up initiatives to drive relevant topics, such as social media and mobile, globally, and they are also building Group assets such as their global web platform “Allianz oneWeb”.¹⁴

The various operating entities have then driven the rest of the transformation locally, for instance providing more engaging and responsive broker interfaces and mobile quoting apps to help their agents with their everyday roles.

Peugeot

Peugeot is demonstrating an innovative approach to creating value propositions for particular customer segments. Its “Just Add Fuel®” proposition is targeted at motorists who don’t want the hassle of sourcing their personal transportation proposition from multiple vendors.¹⁵

Instead of buying a car and independently arranging insurance, finance, breakdown cover etc., the customer takes out a three year contract with monthly payments. Included in the monthly payment are the car itself, three years’ insurance, three years’ road fund licence and three years’ servicing. The customer just adds fuel.

CNA

CNA, a leading U.S. commercial, property and casualty insurer made a strategic commitment to bring its commercial and specialty insurance customers the world’s best claims experience. To achieve the goal, the company developed a multi-year claims transformation roadmap encompassing multiple distinct initiatives. These included streamlining claims processes, upgrading the core technology, creating a single repository for structured and unstructured claims data, implementing a reporting and analytics tool kit, building a predictive model for recovery management and implementing a document management platform to generate letters.¹⁶

An important first step was to identify the areas of improvements and investments that would return the greatest and most lasting benefits. These were then reconciled to CNA’s desired appetite for change to develop a programme roadmap that was broad enough to achieve the firm’s strategic goals and focused enough to be achievable within the desired budget and timeframe.

Working closely with a strategic partner, CNA delivered one of the world’s best customer experiences while capturing several other operational and strategic benefits along the way. By adhering to its roadmap, maintaining focus and prioritizing those initiatives with the greatest business impact, CNA achieved its targeted benefits.

¹⁴ “Allianz: Creating a Digital DNA,” Digital Transformation Review #4, Capgemini Consulting, May 2013. <http://ebooks.capgemini-consulting.com/Digital-Transformation-Review-4/>

¹⁵ Just Add Fuel®, Peugeot, <http://www.offers.peugeot.co.uk/just-add-fuel>

¹⁶ “Operational Transformation Helps CNA Create a Differentiated Claims Experience,” Capgemini, June 22, 2011. <http://www.capgemini.com/resources/can>

4. Enabling Capabilities

These are the capabilities required to meet customer (and/or intermediary) expectations and thus increase profitability.

4.1. Governance

What it's about

This capability is about having a robust approach to planning, monitoring and evaluating the progress of the insurer's digital initiatives.

What good looks like

The digital insurer:

- Has a senior executive in charge of digital transformation for the company, across all business units
- Has a detailed digital transformation roadmap in place that covers projects, development, integration, architecture etc
- Has defined clear processes to make decisions around digital initiatives
- Has processes in place to ensure that all digital initiatives are contributing to common corporate objectives
- Carefully prioritizes and builds a one-company view of its digital initiatives
- Has a robust approach to monitoring and evaluating the progress of its digital initiatives
- Has a rigorous approach to follow-up, measuring value and lessons learned

Leading examples of current practice

Progressive

Progressive wanted to establish an effective way of working closely with independent agents, so it created the Technology Advisory Board. Ten such independent agents have joined Progressive business leaders in Web, mobile, social media, and information technology to guide Progressive's development of current and new technologies for its Agency Business. At its first meeting, the board discussed its charter, the growing importance of mobile platforms, and the future of agency management systems.¹⁷

Progressive have developed easy-to-use tools to help agents build their internet presence, more efficiently manage their businesses, and better serve customers online and off. With the establishment of the Technology Advisory Board, they are creating the framework to encourage innovation and collaboration between agents and Progressive. The Board will also help to rationalize initiatives and ensure that effort is not duplicated and that conflicting approaches are not adopted.

The Board's ten member agents are forerunners in adopting and using technology. Agents will serve a two-year term, and to ensure both stability and fresh perspectives, half of the members will roll off every year. Progressive will share the Board's insights with its business leaders and Progressive independent agents across the country through the company's Agency Blog and agent e-newsletter. Agents now have a seat at the table with Progressive leadership to help shape current technology, identify emerging trends and opportunities, and influence the direction of Progressive's future technology investments.

¹⁷ "Progressive's Technology Advisory Board to help independent insurance agents thrive in digital world," Progressive, January 27, 2011. <http://www.progressive.com/newsroom/article/2011/January/progressive-technology-advisory-board/>

Nestlé

Nestlé has implemented a Digital Services Unit (DSU) to deliver a broad catalogue of digital services and coordinate efforts across various business units. This facilitates innovation and supports accelerated transformation across the business units. Nestlé's centralized DSU is responsible for a wide range of digital services including e-commerce platforms, digital marketing, social media, consumer relationships, m-commerce, Search Engine Optimization (SEO), analytics and Research & Development.¹⁸

4.2. Employee Skills

What it's about

This capability is about the insurer having employees' skills at the level required to be successful in its digital initiatives.

What good looks like

The digital insurer:

- Has class-leading skills in harnessing leading-edge technologies to deliver business outcomes
- Has strong competencies in pricing, rating, marketing and fraud analytics
- Has a strong social media team
- Has invested in acquiring and developing advanced expertise in mobile
- Has a highly evolved and expert web team
- Has the skills in place to use internal social media for collaboration and communication
- Has the people and skills to transform core processes through digital and to automate enabling processes
- Continually invests in recruitment and training programmes to develop employees' digital competencies further

Leading examples of current practice

Burberry

It may seem obvious, but new skill requirement might mean new people. Burberry decided right from the start to use digital to target its consumers. So they went out and hired a young, dynamic marketing team who in essence were the millennial customer they were targeting. The CEO says this is a key reason why Burberry have been at the forefront in marketing innovation in the luxury sector, whether that's launching its latest fragrance on Facebook, or developing the 'Tweetwalk' with Twitter, or being amongst the first brands on Google+.¹⁹

¹⁸ "Digital Services Unit as a Tool to Accelerate Digital Transformation," Digital Transformation Review #4, Capgemini Consulting, May 2013. <http://ebooks.capgemini-consulting.com/Digital-Transformation-Review-4/>

¹⁹ "Burberry's Digital Transformation," Digital Transformation Review #2, Capgemini Consulting, January 2012. <http://ebooks.capgemini-consulting.com/digital-transformation-review-2/index.html>

Pepsi

Acknowledging a widening gap between society's use of digital technology and the digital skills inside the organization, Pepsi has instituted a "Digital Fitness" programme for its marketing teams. The programme leverages online learning courses and hands-on "experimental" sessions to keep Pepsi's marketers up-to-date on the latest digital tools. According to one executive, "As we look at where our customers are going in the future, [we realize] everything from supply chain to sales needs to understand how to operate in this digital world. And it's going to happen really quickly. It's not 20 years out, it's four years out".²⁰

4.3. Employee Engagement

What it's about

This capability is about having employees fully conversant with, and bought into, the insurers' digital initiatives.

What good looks like

At the digital insurer:

- Senior executives have a strong vision on how the business should change through digital technologies
- The digital vision represents significant and transformative change compared to business-as-usual and embraces the whole organization, cutting across all boundaries and silos
- A senior executive is in charge of digital transformation for the company, across all business units
- Other senior executives are aligned and committed behind the transformation vision and are actively promoting the vision of a digitally-modified company
- Middle management has a clear and consistent view of the transformation vision and journey and are seen as active champions and role models for the digital transformation
- A company-wide programme of communication means everyone is aware of, and inspired by, the vision
- There are structures in place to open discussions around digital to a large number of employees, and the insurer actively creates opportunities for employees to be part of digital initiatives
- Considerable efforts are made to motivate people to change through communication, training, etc.

²⁰ "Successful Companies are Mobilizing their Organizations through Digital," Digital Transformation Review #4, Capgemini Consulting, May 2013. <http://ebooks.capgemini-consulting.com/Digital-Transformation-Review-4/>

Leading examples of current practice

3M

To innovate the way it conducted strategic planning and engage workers, 3M turned to Enterprise 2.0 tools and crowdsourcing. The company hosted an online innovation jam, dubbed “InnovationLive,” and invited over 20,000 employees from its Sales, Marketing and R&D units. Over the course of the two-week event, 3M collected 736 ideas, 6,799 votes and 1,084 comments from more than 1,200 participants in over 40 countries.²¹

By the end of the event, the company had identified nine new strategic opportunities and made a significant impact on employee engagement. In fact, the InnovationLive format itself was the most discussed “idea” of the event. Reflecting on the event, one participant stated, “...This has been an absolutely amazing exercise. For one thing, it certainly made me feel part of the global 3M and showed me that one’s ideas, comments, vote is important to the potential solutions that could affect in a POSITIVE WAY our economics, people, lifestyles, planet and urbanization...Thank you ever so much for the opportunity to express my view, comments and ideas”.

Allianz

To really get its digital transformation moving globally, Allianz needed to drive a sense of urgency from the top. So its Group COO took on an active role in driving the digital efforts, with participation from the board. Not only did Allianz engage its group board members, but also the heads of its main operating entities. Allianz’s objective was to get a local perspective and leadership in the digital arena. They therefore created a two-way process of driving digital – not just top-down but also bottom-up.²²

4.4. Employee Enablement

What it’s about

This capability is about equipping employees with the tools necessary to contribute fully in an increasingly digital world.

What good looks like

The digital insurer:

- Has a pro-active policy to enable employees to work from anywhere at anytime
- Has over 90% of its workforce with powerful mobile computing capability
- Has over 90% of its workforce with smart phones and/or tablets
- Embraces employees working with their own devices
- Provides all its employees with instant messaging tools, which have become a part of how they communicate
- Provides everyone with access to video-conferencing to transform team-working and realize efficiency / cost improvements

²¹ “Crowdsourcing Engagement,” Digital Transformation Review #4, Capgemini Consulting, May 2013. <http://ebooks.capgemini-consulting.com/Digital-Transformation-Review-4/>

²² “Allianz: Creating a Digital DNA,” Digital Transformation Review #4, Capgemini Consulting, May 2013. <http://ebooks.capgemini-consulting.com/Digital-Transformation-Review-4/>

- Provides all employees with digital access to the combined knowledge of the insurer
- Encourages the use of innovative tools (blogs, forums, etc.) and channels to foster collaboration and innovation
- Provides cross-BU collaboration platforms on which well structured communities are flourishing and in which over 90% of employees actively participate
- Finds its collaboration platforms to be very powerful in solving business-related issues

Leading examples of current practice

Zurich Insurance

One of the key initiatives that Zurich IT is driving is its Digital Workplace initiative. Ultimately, Zurich's ambition is to ensure that its employees, wherever in the world they are, have full access to all of Zurich's technology resources: click to call, click to chat, click to video conference—all on any device. They are now rolling out the ability for all of Zurich's employees to bring and use their own iOS device, iPad or iPhone.²³

Suncorp Group

Australia's fifth-largest bank and biggest general insurer started their BYOD journey five years ago and reaped its true benefits during 2011 Queensland flood. Even at the time of crisis people needed the services of Suncorp staff for settling insurance claims, purchasing new policies and more. The public services were shut down due to water all around country, so the only option left with Suncorp was to let employees use their own devices, from their homes, to service the customers.²⁴

To suit the needs of the business, Suncorp developed its BYOD solution in-house making use of third party software. Suncorp made use of data containerization to ensure that the corporate data is safe and can be controlled by Suncorp. The Suncorp BYOD initiative proved to be a huge cost saver to start with, at the time of crisis and in the long run as a means of infrastructure cost cutting, as many employees preferred to work from home, making it possible for Suncorp to move to smaller premises. BYOD practices also proved beneficial in staff retention and saved training and recruitment costs of new joiners.

NAB

The Australian bank implemented Yammer, and uses it to leverage social networks to drive improvements in their processes. Whenever employees identify areas that need to be improved, they share it on Yammer and solutions can then be crowd-sourced. By doing so, they have been able to drive real results in a matter of hours as opposed to the months that it took them earlier.²⁵

²³ "Zurich: The Department of Yes or the Evolving Role of a CIO," Digital Transformation Review #4, Capgemini Consulting, May 2013. <http://ebooks.capgemini-consulting.com/Digital-Transformation-Review-4/>

²⁴ "Does BYOD Actually Save Money? Case Studies Say, Yes!" Ritu Saxena, Tools Journal, 10 February 2013. <http://www.toolsjournal.com/mobile-articles/item/1306-does-byod-actually-save-money>

²⁵ "Yammer: Driving Employee Engagement through Social Networks," Digital Transformation Review #4, Capgemini Consulting, May 2013. <http://ebooks.capgemini-consulting.com/Digital-Transformation-Review-4/>

4.5. Ways of Working

What it's about

This capability is about having approaches to working that optimize the likelihood of success.

What good looks like

The digital insurer:

- Ensures that project team members always have a diversity of backgrounds and expertise
- Has multi-expertise teams that are extremely efficient and able to co-operate even on very difficult projects
- Reaches out beyond its organizational boundaries to find expertise and innovations, using a balanced mix of in-house vs. external skills are used to deliver digital services
- Adopts iterative cycles between technology and business teams to conduct digital initiatives
- Ensures that the pace for digital initiatives is more rapid than the pace for traditional projects: prototypes, new releases, etc
- Has processes and structures in place to share resources for digital initiatives
- Has fully digitized its business support functions

Leading example of current practice

Allianz

According to Allianz, a crucial step they took in the early stages of their digital transformation was to loop in its marketing and sales teams. This ensures Allianz isn't only focusing on operations and IT agendas. By encouraging an inclusive atmosphere that also took into consideration the perspectives of marketing and sales, Allianz avoided an imbalance, where one function dominates another.²⁶

4.6. Technology

What it's about

This capability is about having the appropriate technology capability to achieve the insurer's business objectives

What good looks like

The digital insurer:

- Has an IT strategy which is fully integrated to the company's business strategic plan
- Has a detailed architectural framework and roadmap for digital
- Allocates over 10% of its IT spend to Innovation / Research and Development / Experimentation
- Gives ownership of the innovation budget to the CIO or Chief Digital Officer
- Ensures IT representatives work with business units to detect tech-enabled opportunities
- Runs a continuous improvement process on Enterprise Architecture to track function and data duplication

²⁶ "Allianz: Creating a Digital DNA," Digital Transformation Review #4, Capgemini Consulting, May 2013. <http://ebooks.capgemini-consulting.com/Digital-Transformation-Review-4/>

Leading examples of current practice

Zurich Insurance

Zurich's IT organization has focused extensively on IT infrastructure outsourcing over the past few years. This has helped to free up IT resources to be reinvested in digital transformation.²⁷

To focus its efforts, Zurich has created a technology advisory committee. This is chaired by the CIO, but has outside members from, for example, technology and FMCG companies, to keep abreast of the latest digital developments. This advisory committee comprises both IT and business stakeholders to discuss “the art of the possible”.

In the CIO's view, this adds new dimensions to his role. He has to ensure that his team of IT leaders is aware of new technologies and enabling solutions. He also now gives regular technology updates to the board and the Group Executive Committee, presenting a plan on how to respond to these new technologies: frameworks, pilot programmes and then the broad rollout of successful technologies groupwide.

As regards Research and Development, Zurich still requires business cases for all its IT investments. But they have deliberately set aside some resources for “experimenting” in the topics of mobility, cloud, ‘big data’, and supporting analytics. Zurich's view is that it needs to learn what can actually drive real business value in these areas—because this is not clear today.

LV=

LV= needed to find a way to increase their utilisation of the online channel, moving away from the focus on the call centre. However, as they added more volume to the website, they found that their legacy systems were not able to handle the load, leading to costly remedial work and delays to the customer. Rather than bolting a web browser onto the top of the old legacy systems, they chose a complete overhaul of their web architecture. They added a new rules-based quote system and put in an SOA-based presentation layer solution from Edge IPK, called edgeConnect, after an eight-month development project. For LV=, it was important the solution truly deliver a layer of abstraction from the mainframe.²⁸

In addition to bridging to the quote engine, the edgeConnect front-end interfaces with various service systems, which has delivered better integration across the Web, the call centre, and live chat channels. Now LV='s online experience is more logical and has fewer problems, leading to a 500% growth in their online channel. They have also reversed their channel mix, from 80% call centre and 20% online to the other way around.

²⁷ “Zurich: The Department of Yes or the Evolving Role of a CIO,” Digital Transformation Review #4, Capgemini Consulting, May 2013. <http://ebooks.capgemini-consulting.com/Digital-Transformation-Review-4/>

²⁸ “Forever Young: Keeping Legacy Systems Breathing,” Michael P. Voelker, PropertyCasualty360.com, November 16, 2009. <http://www.propertycasualty360.com/2009/11/16/forever-young->

4.7. Data and Analytics

What it's about

This capability is about having the appropriate data and analytical capability to achieve the insurer's business objectives.

What good looks like

The digital insurer:

- Makes maximum use of internal and external data sets, both structured and unstructured, to make business-related decisions
- Has data that is rich, reliable and consistent across every BU
- Is capable of detecting signals and patterns
- Is organized to help expedite enterprise wide adoption of analytics
- Has the skills to do advanced analytics, both in the technical side and in the business side

Leading examples of current practice

Tesco

In 1995 Tesco introduced their Tesco Clubcard, with a vision that really understanding their customers was the key to customer loyalty and satisfaction. Shortly thereafter they overtook Sainsbury to become number one retailer in the U.K. market—and they have stayed there ever since. The loyalty card scheme means that Tesco tracks the shopping habits of 13 million British families. And that data has been subject to increasingly sophisticated analytics through Tesco's partner DunnHumby. Indeed, analysis of that database guides all key business decisions.²⁹

The loyalty scheme allows for many benefits, one of which is targeted communication. There are over four million variations of its quarterly customer mailing to ensure that its discounts and offers are tailored specifically for the customer.

DunnHumby translated the insight from the analysis of shopping patterns into actionable marketing and retailing programmes which encouraged customer satisfaction and loyalty to Tesco. The Tesco's scheme gives it an immediate advantage over competitors in key areas such as: Consumer trends; Targeted communications; Accurately measured promotions; "Basket building"; Defence against competitor activity; Negotiation power; Cross selling; Seasonal peaks.

Zurich Insurance

Zurich has been focusing significant efforts on customer data, specifically driving customer and business value from the use of customer and prospect data, having brought in a senior database marketer from Sky.³⁰

²⁹ European Case Studies from Marketing Management: First European Edition; Kotler, Keller, Brady, Goodman and Hansen; Pearson, 2009. http://wps.pearsoned.co.uk/ema_uk_he_kotler_euromm_1/120/30934/7919271.cw/index.html and Tesco & Dunnhumby Case Study, The Loyalty Guide 5, Wise Research Limited, 2012. <http://www.slideshare.net/dunnhumby/the-loyalty-guide-5-tesco-dunnhumby-case-study>

³⁰ 'When you find someone passionate about data, keep hold of them,' Lucy Handley, Marketing Week, 11 October. <http://www.marketingweek.co.uk/strategies-and-tactics/when-you-find-someone-passionate-about-data-keep-hold-of-them/4004141.article> and "Zurich insight chief Simon Kaffel on grads and data skills," Marketing Week, 24 Jan 2014, <http://www.marketingweek.co.uk/disciplines/data/-/crm/-/loyalty/video-zurich-insight-chief-simon-kaffel-on-grads-and-data-skills/4009231.article>

Zurich has data assets around the globe but has had no consistent approach to using them. It had been very much focused on delivering products for its customers. There is now a shift towards looking at who Zurich's customers are and how they can tailor our offer to them, and towards driving the understanding of customers' behaviour and attitudes.

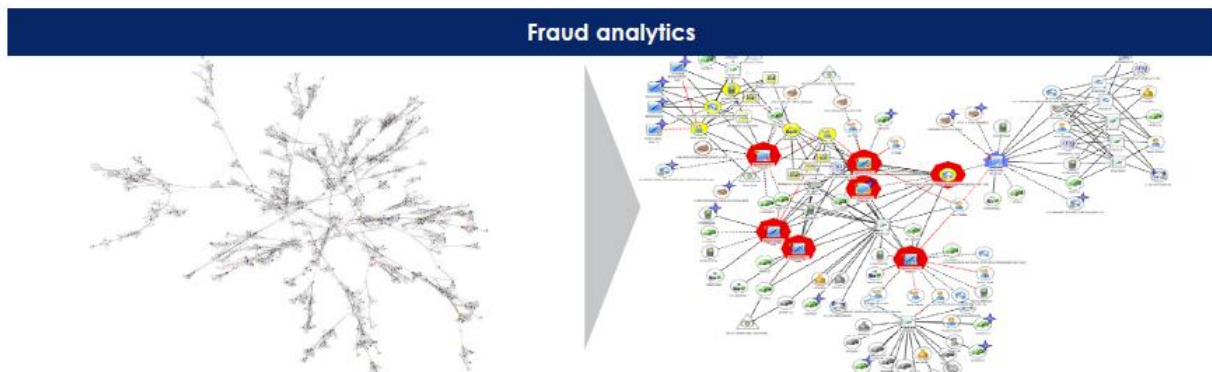
The role of their Global Head of Data and Analysis is to look at a full range of capabilities—from what data Zurich is capturing, through making sure it is the right data to drive the value they need, through to ensuring they are storing it in the right way and looking at how it is used in the end.

Zurich's Global Head of Data and Analysis describes the change in approach as follows: "I have a chief executive who is now talking to chief marketing officers about data quality and management. We've got people who would normally talk about brands and advertising talking about databases and campaign management software. There is very much a shift towards customer-centric data management."

Direct Line

Direct Line was a pioneer in pricing analytics, but is currently noted for its work on fraud analytics at the point of claim. It has one of the most advanced implementations of Detica NetReveal which was shortlisted for Insurance Times's "Technology Innovation of the Year – Fraud" award.

Exhibit 12: Direct Line fraud analytics



Source: Direct Line Group, Results for the first half 2013, 2 August 2013. <http://www.directlinegroup.com/investors/results-and-presentations/2013.aspx>

The solution uses sophisticated predictive analytics to reveal actual, or high potential, fraud cases. It draws on multiple data sources, including social networks, in order to spot relationship patterns and highlight them to investigators.

Author

Alan Walker

Senior Vice President
Global Lead, Digital Insurance Advisory
Capgemini Consulting
Tel.: +44 (0) 7774 210510
alan.walker@capgemini.com
Twitter: @AlanOnFS



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