

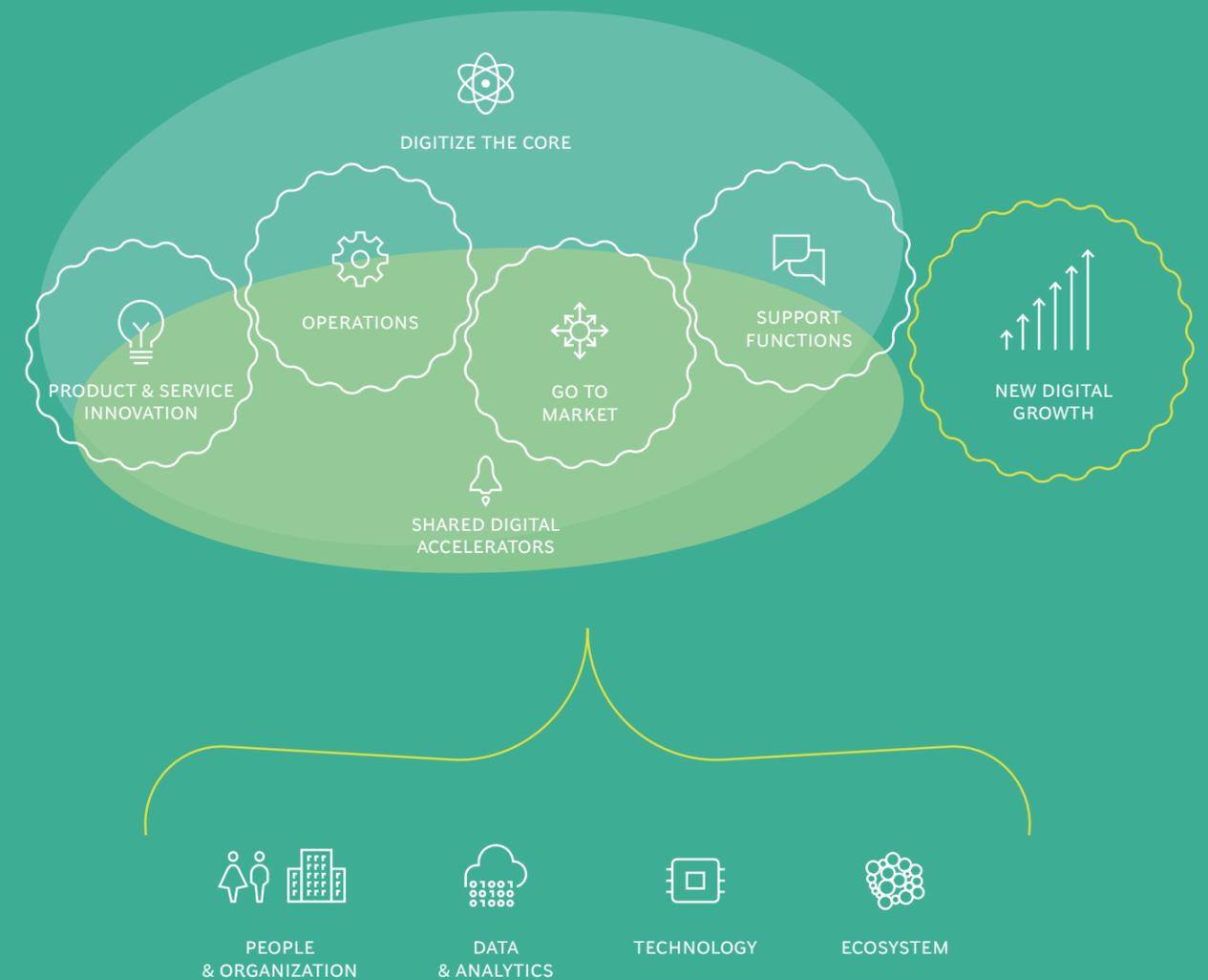
Beyond The Hype

Digital transformation
in the insurance industry

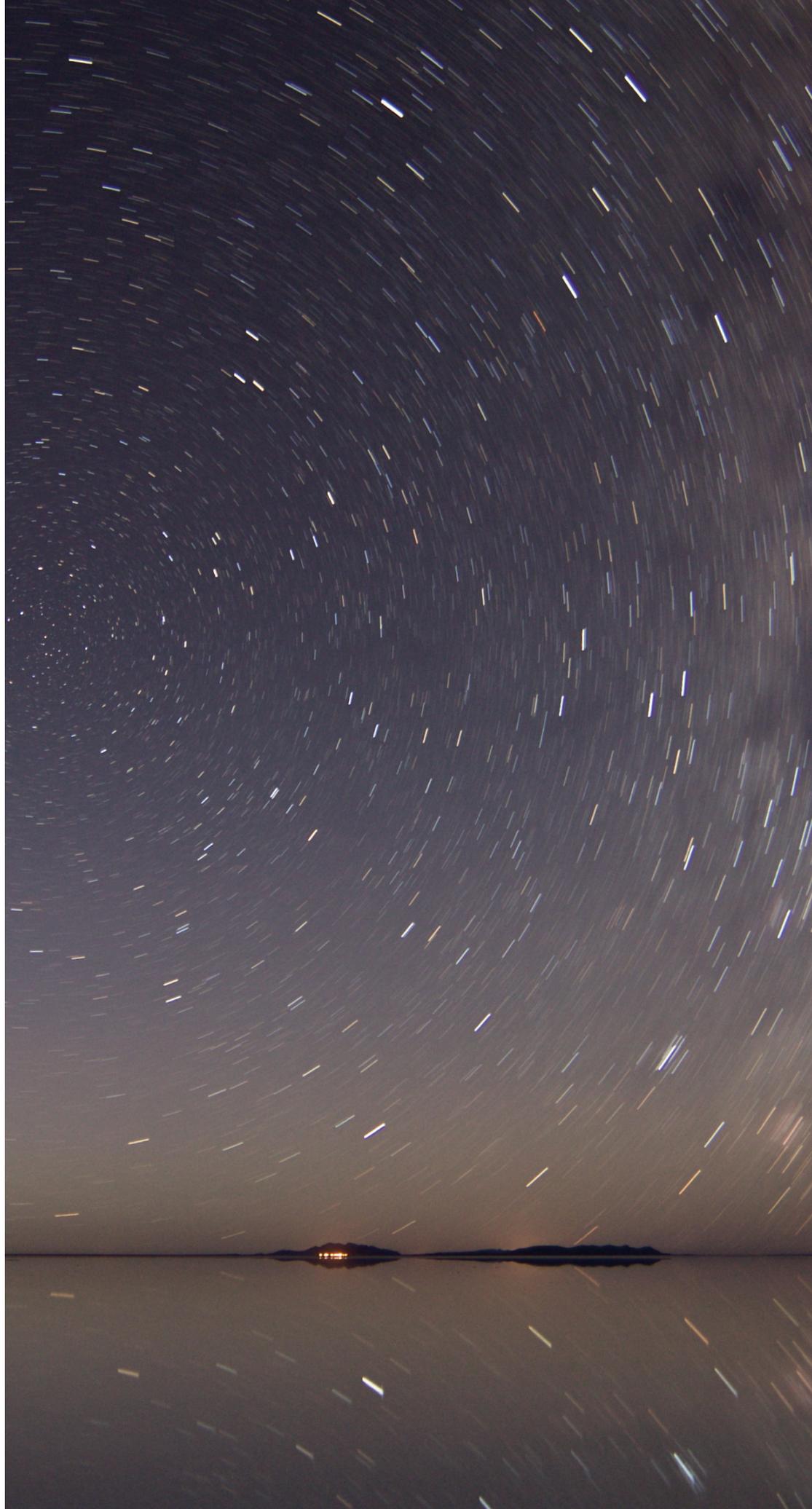
A short guide from
The Boston Consulting Group

BCG's Digital Framework:

Business strategy driven by digital



HYPE



hype

ηλιρ | *noun*

- 1 **exaggerated** publicity; hoopla.
- 2 an ingenious or **questionable** assertion, method, etc., used in advertising, promotion, or publicity to intensify the effect.
- 3 a **swindle**, deception, or trick.

There's a lot of
hype about

DIGITAL

TRANSFORMATION

Even so, the digital opportunity for insurers is very real. Consumers have embraced digital interactions as their preferred way to do business with companies of all kinds, including yours.

But digital transformation isn't about a hot new mobile device or the latest app. It's about using technology in innovative ways to achieve true customer focus across your entire organization. That's not hype; that's a core cultural principle.

The Boston Consulting Group brings exceptional resources and creativity to guide your organization through the digital transformation process.

DIGITAL TRANSFORMA- TION

digital transformation

'dɪdʒɪt(ə)l trɑnsfər'meɪʃ(ə)n | *noun*

- 1 The **realignment** of, or **new investment** in, technology and business models to more effectively engage customers at every touch point in the **customer experience lifecycle**.
- 2 A formal effort to **renovate business vision**, models, and investments for a **new digital economy**.

Defining your digital journey

BCG Insurance sweeps aside the hype that swirls around the digital topic, bringing global experience, insights, and clarity. We know that every insurer is different and that digital transformation is a process, not an event. We bring to bear our global experience in helping insurers assess the digital opportunity, and offer the strategic vision to guide them in deploying existing assets in new ways.

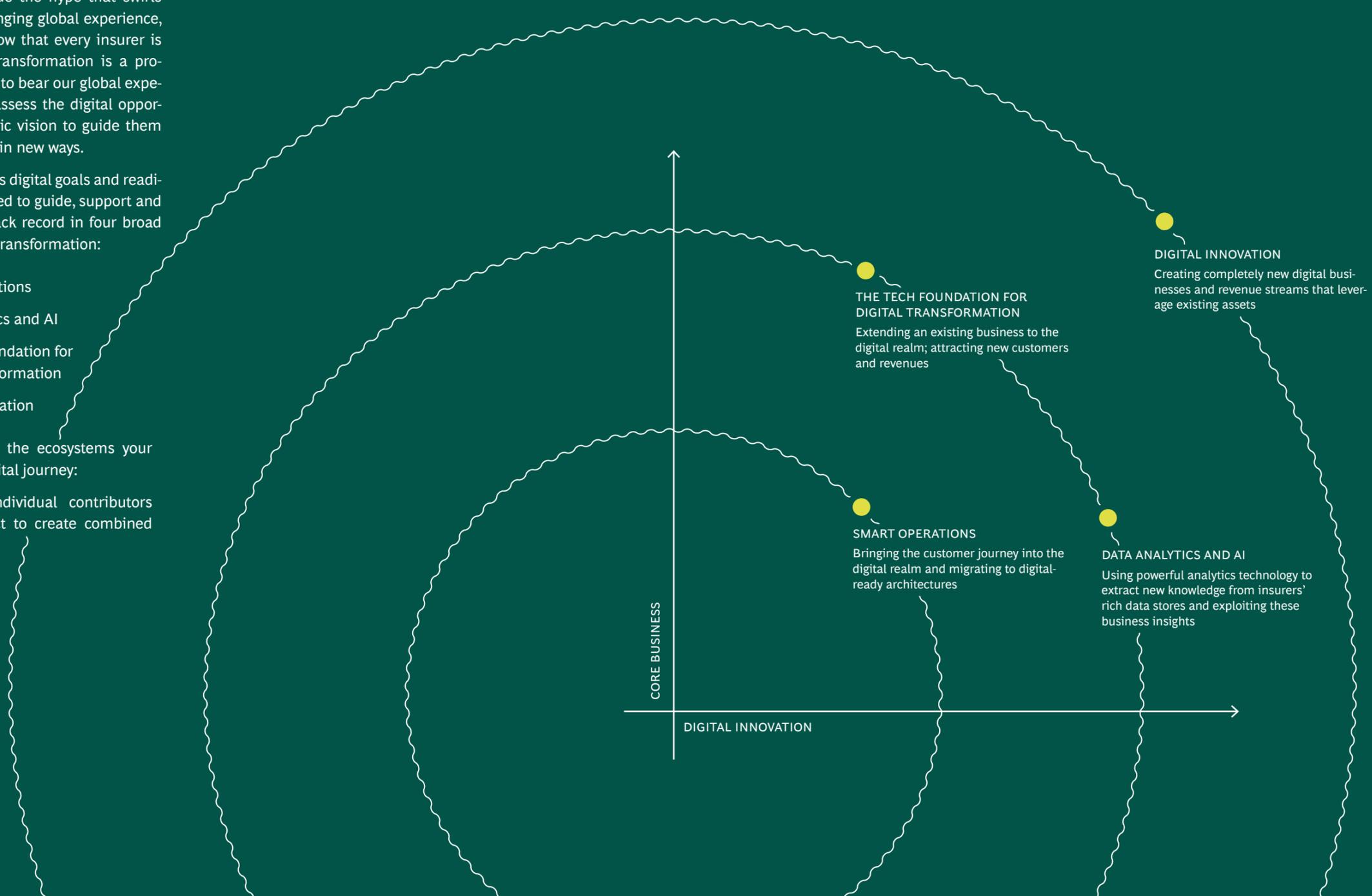
Whatever your organization's digital goals and readiness, BCG Insurance is poised to guide, support and assist. We have a strong track record in four broad strategies that drive digital transformation:

- Smart operations
- Data analytics and AI
- The tech foundation for digital transformation
- Digital innovation

We will also help you build the ecosystems your organization needs for its digital journey:

Networks of companies, individual contributors and institutions that interact to create combined services and mutual value.

The digital transformation landscape:



THE TECH FOUNDATION FOR DIGITAL TRANSFORMATION
 Extending an existing business to the digital realm; attracting new customers and revenues

DIGITAL INNOVATION
 Creating completely new digital businesses and revenue streams that leverage existing assets

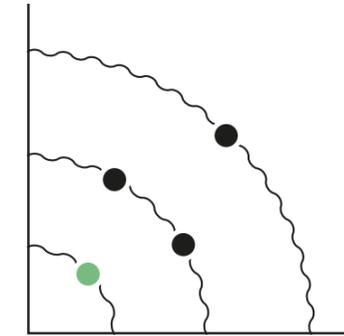
SMART OPERATIONS
 Bringing the customer journey into the digital realm and migrating to digital-ready architectures

DATA ANALYTICS AND AI
 Using powerful analytics technology to extract new knowledge from insurers' rich data stores and exploiting these business insights

CORE BUSINESS

DIGITAL INNOVATION

SMART OPERATIONS



Insurers' technology and data processing infrastructures are large and, more often than not, old. But digitalizing the core isn't so much about the long and expensive process as it is about digitalizing the customer journey: making myriad familiar interactions—from a change of address to checking on claim status—more accessible across multiple digital channels, including mobile.

Digitalizing the core also applies to the agents at the core of your business. As insurers evolve to an omnichannel model, the role of the agent changes, too. In this new world, agents move away from transactional activities toward a focus on professional advice. You'll need to support this shift, helping agents to integrate their activities with—and exploit—new digital channels such as social media, online leads, and 24/7 customer service apps.

BCG Insurance helps insurers fully understand the journey today's customers seek. And we go beyond what the typical digital agency offers by linking digital, business, and technology strategies in powerful and creative ways. We help you leverage your distribution network and extend legacy systems to deliver solutions to specific problems and customer needs.

For larger-scale renovation, BCG has a digital factory offering to help insurers fully digitalize their business.

New resources for customers on the move

European Union citizens are among the most mobile people on the planet. For one large German insurer, that reality translates into more than 1 million customer relocations each year, none of which were previously handled via digital channels. More than 70% of these manually processed relocation notifications were incomplete.

The insurer learned that customers considered “relocation” to be a change of address only, a misperception that often left them under-insured. The company looked to BCG Insurance to digitalize this core process and, in doing so, better align it with customers’ needs.

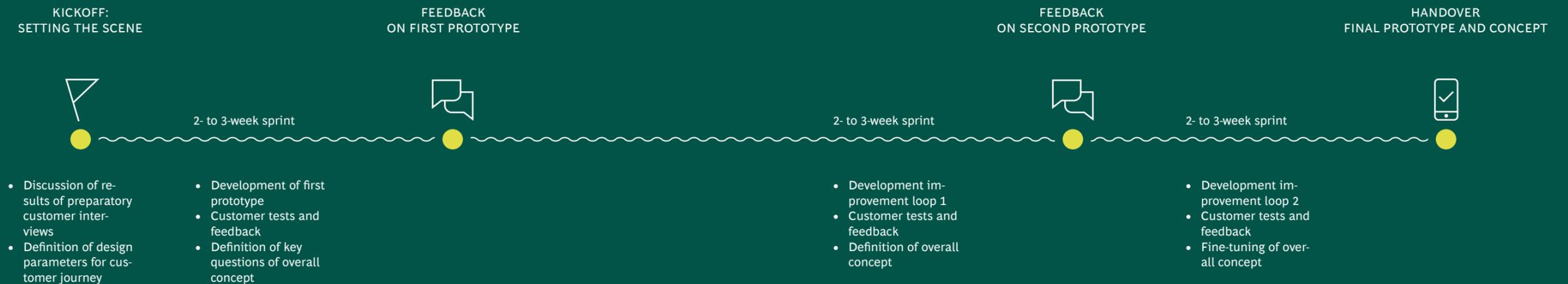
Using a rapid project methodology based on two-to-three week sprints, BCG worked closely with the insurer to understand pain points and friction in the customer relocation journey—and then rethink it.

Previously, relocation was defined by products, actuaries, and regulators, each viewed in a siloed way. BCG was able to redefine the relocation process and provide a convenient way to interact, review, and cross- and up-sell new products around it.

The German insurer introduced an app as a new way to interact with customers around relocation. BCG Insurance developed a prototype of the mobile app, empowering the insurers’ customers to handle EU moves from their smartphones, anytime.

The app is expected to dramatically improve the relocation journey, boosting completions by 60% across all contact channels and ensuring continuous coverage. The expected efficiencies will allow the company to redeploy 20% of the full-time employees previously assigned to relocation. In addition, BCG has identified opportunities to increase traffic to the insurer’s website by partnering with relocation-related businesses.

Sprinting to a digital relocation process:



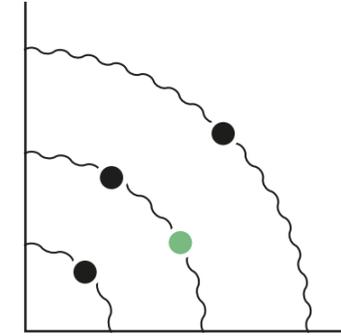
DATA ANALYTICS AND AI

Analytic innovation—predictive and prescriptive analytics of big data, artificial intelligence (AI), machine learning, and optimization—is conquering the world, and the insurance industry. And that’s a good thing. BCG Gamma can help you dramatically improve your business by applying analytic innovation to both traditional and disruptive business models.

Improving the core business

BCG Gamma is an independent organization within BCG that works with customers globally, cross-pollinating lessons learned from different practices. Your core insurance businesses can benefit from BCG Gamma’s expertise in:

- Antifraud
- Customer acquisition and cross-selling
- Churn
- Pricing
- Claims-payout optimization
- Investment management



Enabling new digital businesses

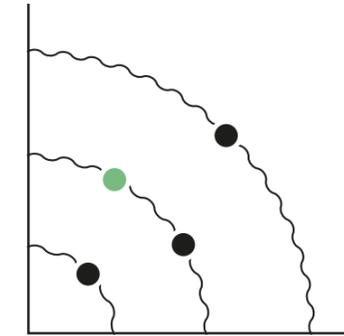
For today’s dynamic, disruptive businesses, BCG Gamma provides the analytic enablement that turns strategic concepts into commercially viable entities. Our expertise in the digital realm includes:

- **Business Viability Assessment.** Creating models to test the commercial viability of potential new ventures.
- **AI and Machine Learning.** Building self-learning models to continuously optimize a wide range of processes.
- **Personalization.** Determine the best offer on an individualized basis, incorporating customer, transactional, and contextual data.
- **Internet of Things (IoT).** Structuring analytic models to factor data from sensors, wearables, and other devices into risk models and study their downstream impact on pricing.

Through its resources in people and partners and its expertise in technology and data, BCG Gamma is helping insurers bring digital business concepts to life and to maximize their commercial viability.

THE TECH FOUNDATION FOR DIGITAL TRANSFORMATION

BCG has a strong track record in driving digital transformation, proven across more than 200 projects completed worldwide. Our success in delivering the digital architecture and cloud infrastructure that form the tech foundation for your company's transformation is built on four capabilities that are unique to BCG.



- **We develop digital in the context of your business.**

BCG looks at digital transformation in the context of the insurance business. We have deep experience in helping insurers develop the digital capabilities they need to gain a competitive edge, which are as myriad as the companies we serve.

Your needs may be best met by digitalizing customer journeys, core business processes, or a combination of both. It may be that full-blown digital disruption is the right strategy. BCG assesses all the options available to you with its unmatched qualifications of insurance industry expertise.

- **We deliver end-to-end capabilities.**

BCG's technology expertise supports the full spectrum of digital transformation. We'll partner with you across the entire tech journey.

- **We offer unbiased advice.**

BCG doesn't retain a downstream interest in client engagements. Unlike other firms that may benefit from delivering direct implementation support, our recommendations are based on your best interests. In making those recommendations, we employ the best practices contained in BCG's highly developed industry reference models, which incorporate our deep, global experience and digital expertise.

- **We help de-risk tech transformations.**

Large-scale tech initiatives in the insurance sector are fraught with risk; many are complete failures or don't deliver the anticipated benefit. BCG has a strong track record of de-risking complex legacy migrations and accelerating time-to-value. We are experts at sorting through complex business and tech environments, tailoring recommendations to de-risk any digital roadmap.



BCG Platinion:

A holistic perspective on IT architecture solutions

Whether you're renovating existing infrastructure, migrating to a new tech stack, or anywhere in between, BCG Platinion offers strategic assistance in managing the implementation process. A wholly owned IT subsidiary of BCG, Platinion specializes in IT architecture development and program management of IT transformations.

With more than 350 technology experts and IT architects, BCG Platinion is uniquely positioned to provide the holistic perspective insurance organizations need when embarking on any digital journey. BCG Platinion has deep experience in helping insurance companies realize significant results from new business platforms, application consolidations, and major system implementations.

BCG Platinion employs a wide range of proprietary and industry-leading tools including:

- BCG Digital Architecture Maturity Assessment. A comprehensive maturity assessment that addresses all of the building blocks of BCG's digital insurance reference framework.
- BCG Platinion Insurance Architecture Benchmark. An insurance-specific architecture benchmark with a broad set of key performance indicators (KPIs) such as cloud readiness and core system quality.
- BCG Simplify IT Quick Assessment. A two- to four-week survey-based assessment that evaluates IT function efficiency and maturity.
- CAST code diagnostics. A two-week code complexity analysis, in partnership with technology firm CAST.

How we work: BCG helps a life insurance company with its digital transformation

In 2016, a group benefits business of a large international life insurance company asked BCG to develop a digital strategy to enhance the customer experience, while modernizing and digitalizing core business operations. The group benefits business had a relatively high share in a mature, low-growth market, with recognized shortcomings in its member and sponsor experience, and customer service. The company had built a technology and operating platform with limited investment.

BCG was asked to develop a plan to address key questions:

- What are members' evolving expectations for experience?
- What are innovative ways the client can go to market and delight customers?
- What business and technology architecture will enable the client to lead in the future?

BCG analysed the competitive landscape, macro-trends, the client's starting point, and existing customer pain points. Through one-on-one interviews, ethnographic research, focus groups, and national surveys, BCG reimagined the target experience, transforming it from ordinary, to one that had customers humming with excitement.

Solidifying the strategy and executing the plan

In conjunction with our customer experience recommendations, BCG reviewed the current state of the group benefits business' technology architecture and analyzed modernization options. Our recommendations here addressed technology capabilities and architecture, as well as operating model implications.

We then solidified the strategy, providing a strong business case, a detailed roadmap, and an engaged team, infusing the organization with aspiration to innovate. BCG secured executive alignment and board support for the digitalization strategy.

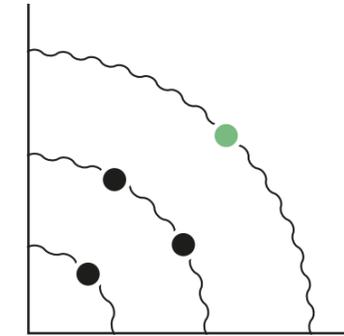
The group benefits business chose BCG to embark on a three-year journey to enhance customer

experience and improve the bottom line. The digital transformation was designed to increase digital offerings to members and sponsors, improve efficiency, and reinvigorate the organization's innovation efforts.

Migrating toward the future

Today, the group benefits business is on a path toward a next-generation digital architecture that leverages open and component-based concepts, a new user experience, cloud software technology, and a new, modular product engine. As part of the process, BCG is helping the organization adopt agile practices across this ambitious digital transformation program.

DIGITAL INNOVATION



As digital natives come of age, insurers are competing for these new customers—and not just among themselves. They are working to win mindshare away from myriad other mobile and online brands that have woven themselves into the fabric of digital natives' lives.

To break through the noise and assert their relevance, insurers are disrupting the playing field with new digital businesses that reinvent conventional insurance offerings—and delight customers. Digital innovation and speed to market win customers and create new revenue streams; in time, these disruptive businesses can be spun out as separate entities that will be the cornerstones for insurers' future success.

BCG Digital Ventures partners with insurers to uncover, incubate, scale, and back game-changing businesses and products. At the core of this organization is a unique team of entrepreneurs who have established more than 50 ventures with more than \$40 billion in enterprise value.

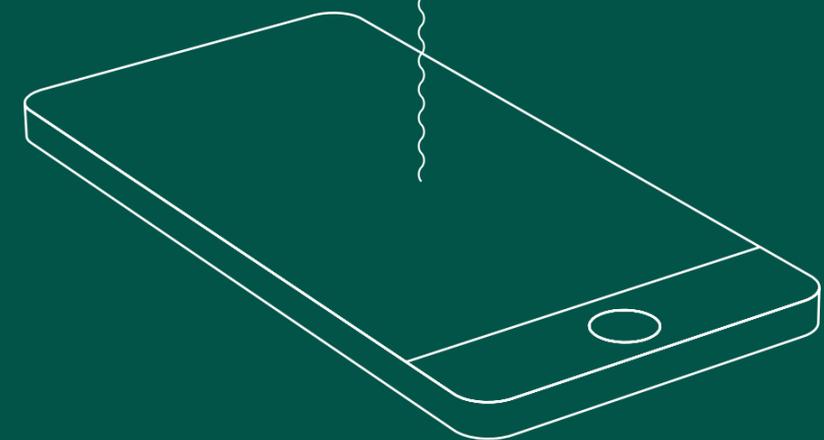
In addition, we have invested significantly to build a world-class, multidisciplinary team in digital hotbeds around the globe and developed a proven process for creating and monetizing innovation. Equally important, we have the know-how to execute within the insurance industry's complex regulatory, technological and global business environments.

A godsend in your pocket

Millions of minor car accidents occur each day, causing major amounts of stress. BCG Insurance and BCG Digital Ventures worked with a large US insurer to create an Accident Toolkit mobile app that puts everything customers need at their fingertips.

The toolkit calms shaken nerves, guiding customers through the steps to take after an accident. From a single screen, the app allows customers to:

- Call emergency services
- Collect and exchange accident info
- Store insurance & vehicle info
- Locate a nearby agent
- Take and store accident photos
- Use their phone as a flashlight
- Connect with towing services
- Start the claims process
- Find an approved repair facility



A digital-first health insurer takes flight

One of the world’s leading airlines, with a more than 60% share in its home market, came to BCG to extend its track record of continuous innovation into the digital realm. It’s most unique asset? A strong loyalty program with more than 100 partners, 11 million members, and frequent flier miles so valuable, they’re a currency unto themselves.

To achieve an ambitious growth agenda, the airline wanted to reignite an innovative culture to deliver breakout growth at startup speed. Working with BCG, the airline identified health insurance as an attractive market ripe for disruption; BCG pinpointed a strong opportunity for an offering that addressed consumer needs for:

Protection

Consumers don’t have peace of mind. Most insurance policies are too complicated and confusing. Newer, simplified insurance products are not personalized.

Action

Consumers don’t know how to respond to the data they get from wellness apps and devices, which lacks insight and is disconnected from action.

Rewards

Consumers feel insurers don’t reward them for behaviors that promote health and wellness.

Motivation

Consumers lose interest in wellness activities as they lack the motivation and support they need to get healthy and stay that way.

The Solution: A digital health insurer, centered on a wellness app, that offers personalized pricing and rewards positive behavior with frequent flier miles. Consumers receive awards for achieving daily, weekly, and long-term behavioral goals.

Soaring to a leadership position

By partnering with BCG and an established insurance provider, the airline greatly accelerated market entry, going from concept to launch in less than 12 months. In addition to quickly becoming the region’s most-downloaded app, the airline’s digital-first insurance company soared to dominance—it was the market’s fifth-largest insurer less than six months after launch.

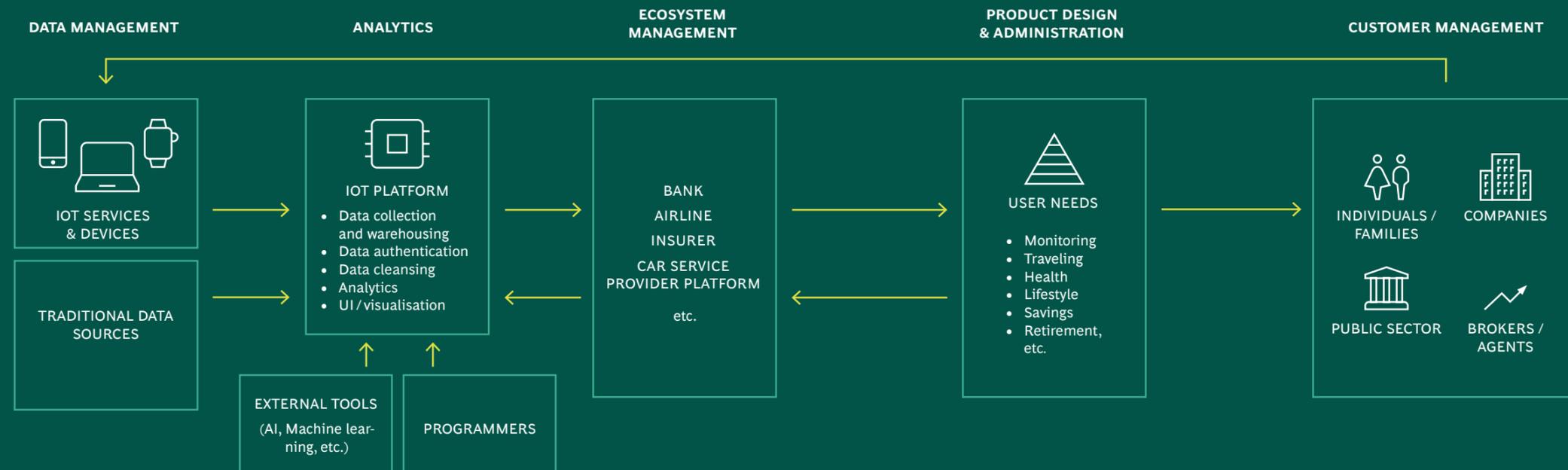
How BCG builds disruptive insurance businesses:



Building ecosystems to create competitive advantage

Transforming insurers into digital organizations is not an overnight pursuit. Nor is it one that is easily accomplished alone. BCG offers deep industry expertise a broad network of partners to help your company build the ecosystems it needs to successfully execute digital strategies. We can bring together the companies, individual contributors, institutions, and consumers that drive the success of your digital ventures.

A representative connected object ecosystem:



An ecosystem approach allows insurers to build unique competitive advantages along the value chain, closing the innovation gap between current resources and competitive digital offerings. BCG is expert in helping insurers build the three ecosystem models that drive today's innovation:

- *Segment of one distribution systems* that deliver personalized offers based on deep customer insight. In many cases, these are driven by the vast amounts of customer data collected by online retailers or startups, combined with insurers' data stores.
- *One stop shop ecosystems* that orchestrate a broad array of services around an integrated set of customer needs, such as *Everything I need to live a healthy life*.
- *Connected object ecosystems* that use IoT devices to offer real-time monitoring of key risk objects such as cars or homes. These models have the potential to significantly reduce risk exposure for insurers.

Across all these ecosystems, consumer expectations for innovation, rising technology adoption, and increased safety regulations are accelerating the insurance industry's embrace of new partnerships.

Center for Digital in Financial Services

Transforming your business with a multi-disciplinary team of experts in digitalization

The Vision

BCG's Center for Digital in financial services (CDFS) is designed to directly, in a hands-on manner, showcase how Financial Services companies can become fully digital organizations.

The Center will serve as a hub to bring together the complete spectrum of distinct competencies that are needed to build a scalable and resilient digital ecosystem.

Global Reach

We will have several CDFS venues worldwide, the first opening in New York in fall 2017. Other locations will include Bangalore, Berlin, and Silicon Valley.

These venues will create a highly collaborative environment in which BCG works side-by-side with financial services companies to explore, experiment, and learn various topics that relate to end-to-end digital transformation.

These topics include end-to-end digital journey transformation, personalized financial products backed by big-data analytics, back-end process improvement with robotics, and the embracing of agile development principles.

