IBM Institute for Business Value

Digital reinvention

Trust, transparency and technology in the insurance world of tomorrow

IBM Institute for Business Value

IBM Global Business Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior executives around critical public and private sector issues. This executive report is based on an in-depth study by the Institute's research team. It is part of an ongoing commitment by IBM Global Business Services to provide analysis and viewpoints that help companies realize business value. You may contact the authors or send an e-mail to iibv@us.ibm.com for more information. Additional studies from the IBM Institute for Business Value can be found at ibm.com/iibv

By Christian Bieck, Anthony Marshall and Sandip Patel

Becoming a digital insurer

Becoming a digital insurer is the aspiration of many insurers globally. The newest digital technologies – among them social media, mobility, analytics and cloud – keep changing how people and organizations interact. These digital forces enable unprecedented levels of connectedness, and so investment in customer centricity is a must. However, transformation that is already underway will soon intensify, resulting in an even farther-going paradigm shift from customer-centricity toward an everyone-to-everyone (E2E) economy. New IBM research shows that most insurers are not ready to navigate these new environments. If they want to succeed, they need to create experiences and business models that are orchestrated, symbiotic, contextual and cognitive.

What is a "digital insurer"? How can becoming one help carriers get closer to customers? These are questions many companies are asking themselves. In what seems like the blink of an eye, emerging technologies and social media have created major economic, societal and business shifts. Yet insurers are struggling to keep up. In a 2006 IBM Institute for Business Value executive report entitled "Insurance 2020: Innovating beyond old models" we wrote that "both the history and temperament of the industry constrain the realms of potential changes for this industry."[1] As digitally enabled technologies empower and connect individuals more easily and regularly with businesses and each other, a constrained realm of changes is not good enough anymore. Insurers have to act soon.

Today's uber-connected individuals seek 24/7 access and organizational transparency, as well as greater personal influence and participation. This is a trend not well understood in insurance: while 54 percent of C-Suite executives overall credit customers with direct influence on their business strategy, only 39 percent of insurance executives acknowledge this customer impact.[2]

The culmination of these forces spawns *disruption*, and insurers, consequently, are not well prepared strategically: more than 60 percent of insurance CEOs told us they still lack both an integrated physical and mobile strategy, as well as a cohesive strategy for social business.[3]

And yet, digital technologies ultimately will drive drastic changes in the economy: value chains will fragment, industries will converge and new ecosystems will emerge. Although in the insurance industry this will be tempered by regulation, privacy considerations and the fundamental nature of risk, insurers cannot escape the changing mechanics of value creation and allocation.

So, what will this future of continual digital disruption entail? How will new convergent technologies impact organizations and industries? What can organizations start doing today to prepare for a vastly different business environment? In particular, which investments, priorities and actions can set the stage for success during turbulent and ongoing change?

The 2013 IBM Digital Reinvention Study considers the answers to such questions. To better understand the deepening impact of digital technologies on today's organizations, the IBM Institute for Business Value surveyed approximately 1,100 business and government executives and 5,000 consumers. We also conducted in-depth interviews with 30 leading futurists in more than 10 countries. To gather new insights and capture ongoing trends from the insurance industry, we surveyed an additional 17,600 consumers in 24 countries about specific insurance matters.

Our analysis of study findings shows that as economic changes persist, the interactions between organizations and individuals also keep changing – and this change is rampant. In fact, the global economy was characterized as highly organization-centered for most of the Twentieth Century. Its current state – individual-centricity – emerged around 1990, but this will soon evolve toward an everyone-to-everyone (E2E) model of engagement. These E2E environments will be orchestrated, symbiotic, contexual and cognitive.

To prepare for the challenges and opportunities of an E2E model, successful insurers will need to think disruptively, challenge established norms and blur organizational boundaries. They must open up to external influences, expand partnering and accelerate their digital investments. This executive report offers practical ways to prepare for that fast-approaching and radically different tomorrow.

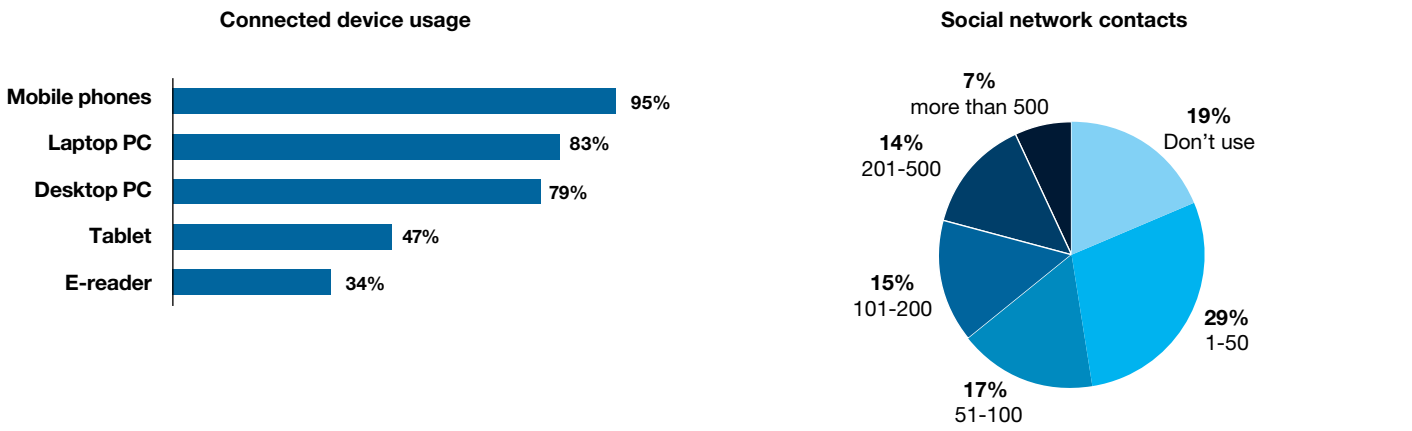
The everyone-to-everyone (E2E) model of engagement will be orchestrated, symbiotic, contexual and cognitive.

The digital challenge

The insurance industry is facing a challenging business environment. In a slow-moving economic recovery – high unemployment rates and sustained low interest rates persist in many advanced economies – insurance return on investment (ROI) suffers and demand for new coverage is slow. Even though inflation-adjusted premiums rose globally by a moderate 2.4 percent in 2012, mainly due to improvements in the developing markets, insurance penetration – the ratio of insurance premiums to GDP – dropped by 0.1 points to 6.5 percent. Profitability, meanwhile, according to Swiss Re Sigma "remains subdued due to the protracted low interest rate environment. On the non-life side, underwriting results improved moderately."[4]

Add to this the transitioning customer. In a previous study, we predicted the insurance customer of the future would be active and informed and would want to do business with insurers in a non-traditional way by the year 2020.[5] That prediction came true early, as digitization is already and rapidly changing the nature of how individuals and organizations interact. The result has been the development of an individual-centered economy. Individuals are more connected, empowered and vocal, leading to rising expectations about information access, connectivity and transparency.

Consumers are ubiquitously connected. Our consumer survey showed saturation in the use of mobile phones (95 percent) and rapid adoption of new technologies such as tablets (47 percent) and e-readers (34 percent). Eighty-one percent of our insurance respondents participate in social networking, like Facebook, Qzone or Mixi, an increase by 10 percentage points since 2012 (Figure 1).



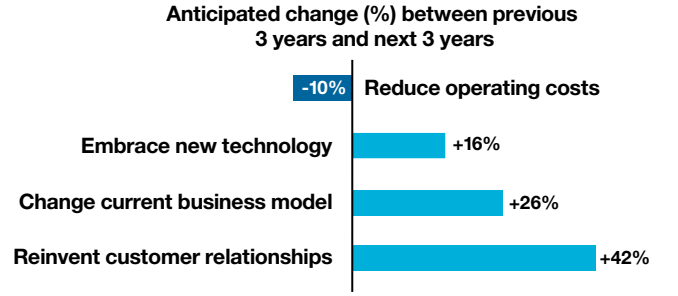
Source: Institute for Business Value survey data 2013, left n=5,111; right n=12,467

Figure 1: Modern consumers are ubiquitously connected.

The ability to stay connected through a variety of devices has increased consumer influence over organizations. While consumer influence on business strategy is relatively low in insurance, more than half of the insurance executives interviewed in the IBM Global C-suite Study expect consumers to gain more power and influence over their businesses in the future.[6]

Organizations are adapting new business models and leveraging digital capabilities to enable new consumer experiences. Our C-suite Study also shows that the intense focus of the past three years on reducing operating costs is shifting to a renewed interest in growth and transformation, especially as it relates to consumer experiences and interactions (see Figure 2).[7]

While insurers demonstrate they are willing to listen to their customers, the industry is strongly focused on organization-centered ways of thinking. Organization-centricity refers to organizations that tend to be producer-driven, dominated by large enterprises, with high barriers to entry. For insurance, much of the organization-centricity stems from tight regulatory requirements. Established distribution networks have also created constraints on dynamic efficiencies.



Source: IBM Global C-suite Study, CEO question: "What are the top priorities in your business strategy?" n=50 in the insurance industry.

Figure 2: New business strategies are emerging.

As technological capabilities evolved and began fundamentally changing consumer expectations, the organization-centered economy has evolved into today's *individual-centered economy* (see Figure 3). The individual-centered economy is characterized by product differentiation and individualized market segmentation targeted at deriving value for the consumer. Strong emphasis is placed on design and marketing, and organizations listen to create relevant, customized experiences that provide value for consumers.

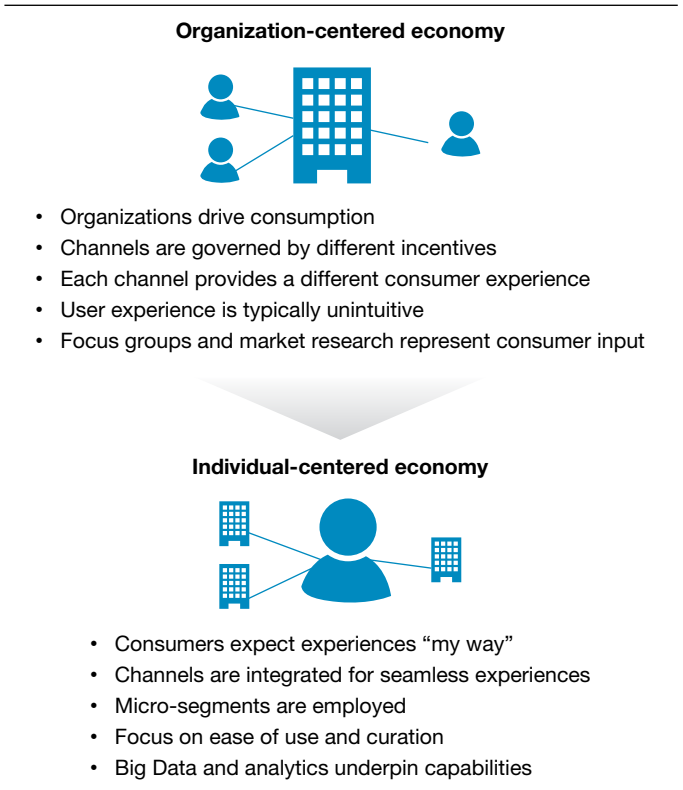
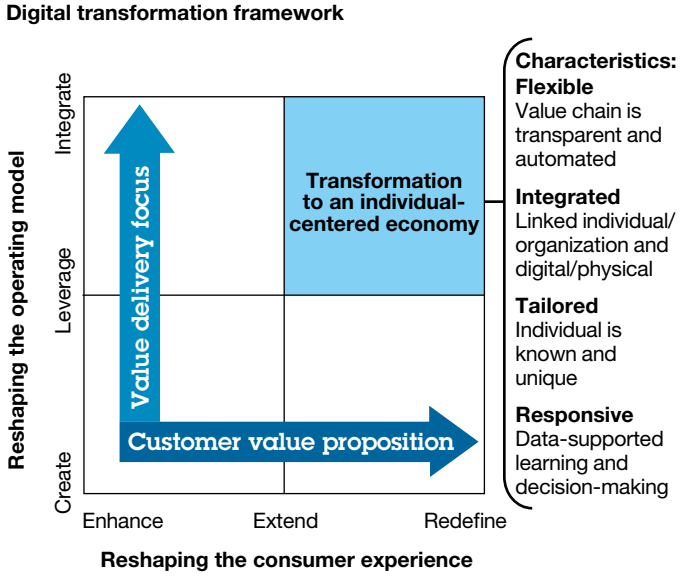


Figure 3: The attributes of an individual-centered economy: keeping the focus on creating customer experiences that are rewarding.

Insurers have been struggling to keep up with the shift to an individual-centered economy. In the individual-centered economy, four *elements of digital transformation* are critical: being flexible, integrated, tailored and responsive (see Figure 4).

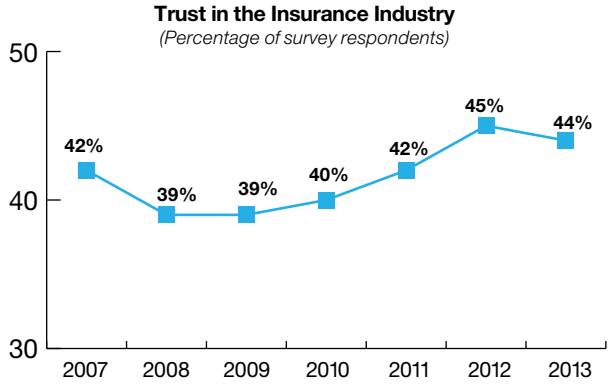


Source: IBM Institute for Business Value analysis; "Digital transformation: Creating new business models where digital meets physical." IBM Institute for Business Value.

Figure 4: Digital transformation produces customer experiences that support what individuals need or want.

Consistent and compelling customer experiences can enable insurers to build customer value, generate loyalty and regain trust.

Digital transformation is long overdue for insurers. Customer loyalty seems to be decreasing – the number of survey respondents that said they switched their insurers at least once in the past two years increased from 32.6 percent in 2012 to 36.9 percent in 2013. The reason for that may well be low trust in the industry; trust has remained well below 50 percent for the past six years (Figure 5). By providing customer experiences that are consistent and compelling, insurers can build new customer value, generate loyalty and regain trust.[8]

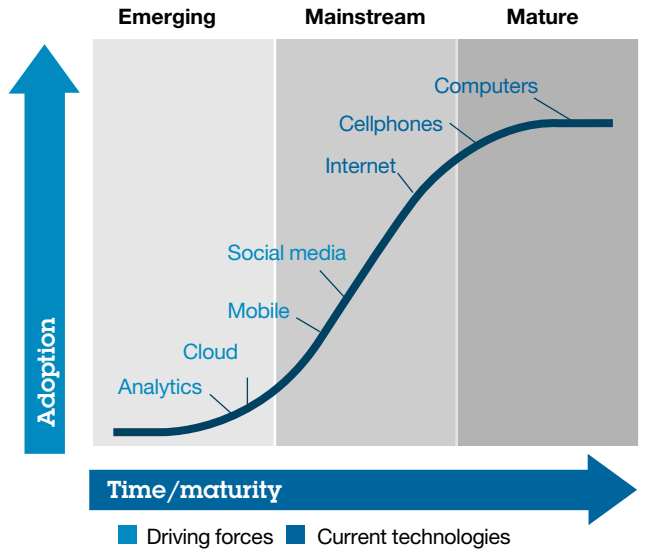


Source: IBM Institute for Business Value survey data 2007-2013

Figure 5: Trust in the insurance industry remains low.

Forces of disruption

Today, technological change is both rapid and pervasive. Newer technologies develop and mature much faster and more profoundly than ever (see Figure 6).



Source: IBM Institute for Business Value analysis.

Figure 6: We are at the beginning of a new technological lifecycle: social, mobile, analytics and cloud technologies.

Social media explosion

Even as they transform the meaning of control and privacy, collaboration and information sharing are spurring new models of value creation. "Social" is becoming revenue-generating, evolving from a novel sharing platform into a business model. For example, Friendsurance is an insurance-broker platform that uses the social model to have friends share the risk for simple property coverages.[9]

Mobile revolution

Mobility and miniaturization are transforming consumer experiences via new capabilities, such as the increasing use of location-based services to enable initiatives like global positioning systems (GPS) and targeted retail promotions.

New payment ecosystems let the mobile wallet turn dollars digital. Mobile apps like Metromile or Drivewaysoftware measure driving behavior and allow usage-based insurance models.[10]

Analytics

Advanced analytics enable deeper business intelligence and consumer insight. Big data can be tapped to produce information and insight that ranges from descriptive to predictive. Internal and external data sources can now be integrated and services can be highly personalized based on consumer data. Insurers can predict weather and other catastrophes with a high degree of accuracy, allowing early mitigation efforts.

Cloud enablement

Cloud enablement allows for new models of interaction with individuals and organizations, and will help facilitate cross-platform data analytics. Cloud provides the fuel for development of the new ecosystems that will characterize the future. It provides the ability and agility to deploy across borders and at better affordability. Examples include subscription access to enterprise applications, cross-platform, on-demand content and computing without boundaries.

As consumers become more empowered over the data collected about them, they may allow access only in return for value.

Technology and regulation as innovation drivers

The long-term impacts of today's new technologies promise to be dramatic. C-suite executives across all industries tell us they already recognize this. In 2012 and again in 2013, CEOs named technology factors as the single most important external force impacting their organizations – more so than market factors, macro-economic factors and people skills.[11]

The picture changes for insurance executives. Insurers acknowledge the growing importance of technology – it came in at number 3, moving up compared to 2010 and 2012 – but regulation has consistently been named as the most influential external factor. Regulation is seen as an inhibitor of change in the insurance industry. Regulation governs what and how insurers can sell, at what prices, and what they can do with the data they collect. Regulation provides both a drag on innovation and protection from innovation. It insulates the industry from outside competition by imposing financial and business requirements on potential new entrants.

In a 2010 study, "Solving the innovation puzzle: A framework for consistent innovation in banking and insurance," we described the haphazard way in which insurers innovate – mainly through internally driven, incremental improvements, without clear structure or strategy.[12] We also described how regulation can be used as an innovation trigger, by anticipating, understanding and using the rules in the best possible way.

Rules and regulations are not implemented in a vacuum. Their goal is to make sure providers follow good business practices, which protect end customers. When consumers adopt technology, in ways that fundamentally changes their behaviors, we can reasonably expect regulation to adapt and change, at least in the long term – and insurers need to stand ready for these changes. Future privacy regulation, for example, will give consumers full power over the data that is collected about them. As a consequence, consumers may decide to provide access to their personal data only if value is returned.

Understanding what customers want

When innovative thinking is inhibited, organizations are far less likely to prepare for the environment ahead. Most insurance CEOs (62 percent) report that their organizations still do not have an integrated physical and mobile strategy. And just 33 percent of CEOs believe their mobile strategy enables them to conduct business regardless of location.[13]

What consumers are telling insurers is that their digital strategy should combine the traditional with the future. As described in the 2012 IBM Insurance Study, in 2013 a majority of consumers continues to favor personal interaction points when buying insurance (73 percent).[14] There is a very small shift toward web-based buying (an increase of 1 percentage point).

While the younger generation – the millennial, i.e., ages 30 and younger – still wants advice and prefers recommendations and interaction with experts and peers, they also seek convenience and innovation. If their needs are not met, they are prone to more quickly switch to insurers who provide the value they want (see Figure 7).

Interactions between insurers and consumers become even stronger when attitudes and behaviors are combined into psychographic types. Figure 8 shows the six types we used in our 2010 insurance study "Powerful interaction points: Saying goodbye to the channel."[15] While the distribution has only shifted slightly from 2010 to 2013, changes become dramatic when we compare by generation. Only one-quarter of young people today possess attitudes of traditional insurance customers (the loyal quality seeker) or first-generation Internet customers (the price-oriented minimalist). This contrasts with 40 percent for those 50 years and older. Young people reflect characteristics of more demanding and complex customer types. The customer of the future is:

- Less concerned about price alone
- Advice-seeking
- Looking for interaction with others when shopping for insurance
- Focusing on omni-channel
- Open to new products and ideas.

They want it all, and they want it simple, convenient, and both personal and digital.

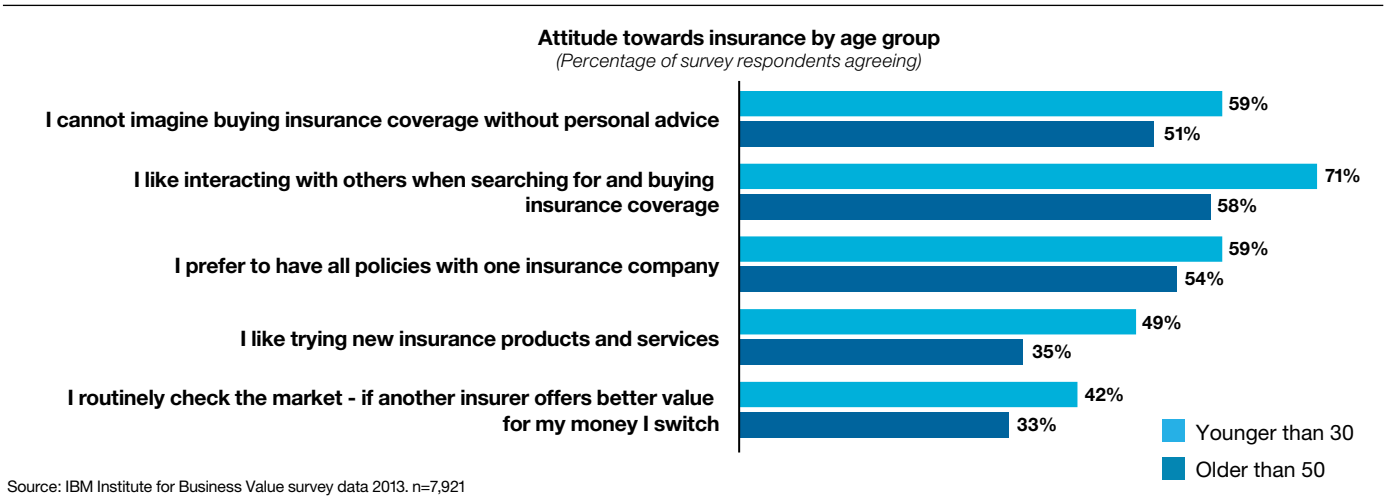


Figure 7: Millenials want advice, convenience and value

Attitude Cluster	Security-oriented individualist	Demanding support-seeker	Loyal quality-seeker	Price-oriented minimalist	Support-seeking skeptic	Informed optimizer
Key theme	"I know what I want and organize myself"	"I need personal advice"	"I trust my insurer and remain a loyal customer"	"I do not like insurers – make it cheap and stay away"	"I need advice but prefer to keep my distance from insurers"	"I take time to research to find the best"
Preferred interactionpoints for searching *	Web	All personal	Tied agents and peers	Web	Peers	All with tendency toward newer technologies
Preferred interactionpoints for purchase *	All	All personal	Tied agents	All Web Telephone	All personal	All with tendency toward newer technologies
Percent of generation older than 50	16%	11%	20%	21%	20%	12%
Percent of generation younger than 30	16%	16%	16%	10%	26%	16%

* Note: row shows relative preference
Source: IBM Institute for Business Value survey data 2013. n=7,921; IBM Institute for Busiess analysis

Figure 8: The customer of the future is non-traditional.

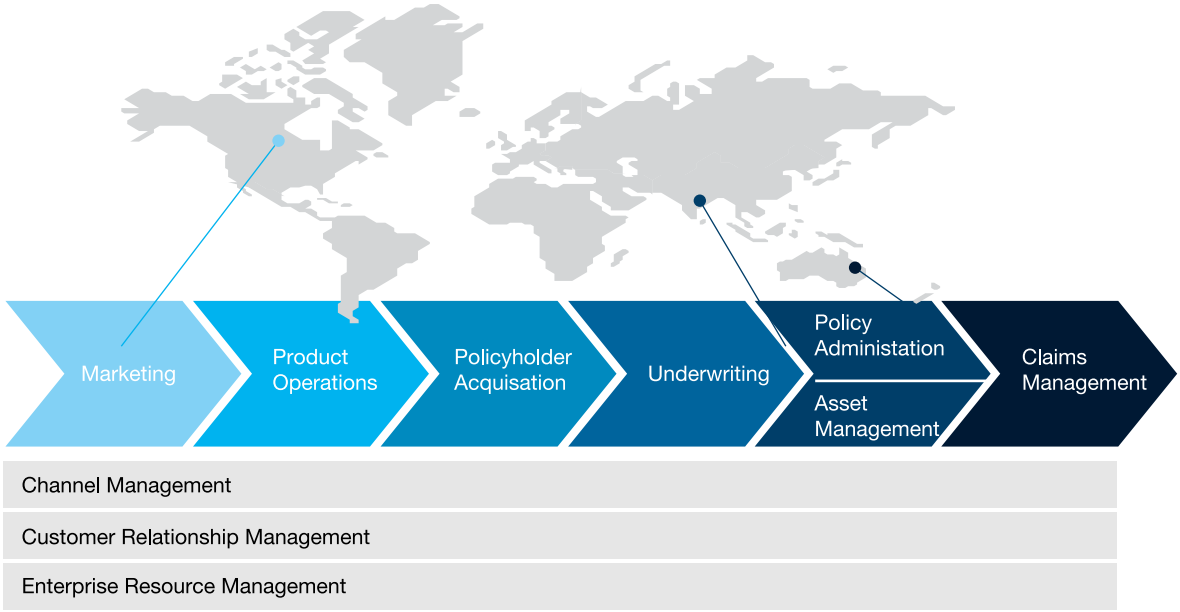
A vastly different future

The promise of compelling customer experiences can finally be realized through the intersection of physical and digital. As industries converge, new ecosystems that cut across multiple organizations, functions and industries will emerge.

Value chains will virtualize and fragment

New technologies are making value chains more transparent and easier to decompose (see Figure 9).[16] Looking at other industries, in the past, value chain disruptions often involved replacing whole value chains or big chunks of value chains, such as replacing traditional banking processes with Internet-based, virtual banking. The next generation value chain disruption will involve contesting more specific elements or functions within value chains.

For insurance, the pace of value chain fragmentation will largely be determined by regulation. Insurers work with sensitive private data, which generally cannot move across value chains. For example, section 203 of the German penal code prohibits life, health and accident insurers from "revealing" private data without consent, establishing tight limits to those data leaving the company boundaries. Still, consent is much more likely to be forthcoming if consumers see value in sharing data. For example, 50 percent of our survey respondents are willing to share driving data in a usage-based auto insurance model, 45 percent say they would share health data to calculate individual health-based premiums.



Source: IBM Institute for Business Value analysis

Figure 9: Value chains will virtualize for insurance.

Industries will converge and new ecosystems will emerge

As organizations specialize more, they will begin pursuing dual strategies: they will focus on core business activities in their primary industries, but at the same time seek growth opportunities across other industries. As they capture new opportunities, industries will tend to converge, with competition expanding around specific, common value-chain functions.

Convergence in the insurance industry might well also be motivated by consumer expectations. Millennials are ten percentage points more willing to go with a provider that offers a wide coverage bundle, e.g., life and health combined. (74.6 percent for 30 and under versus 65.8 percent for 50 and older.) The trend is even stronger looking across financial services: 72.3 percent of Millennials would like to buy banking and insurance services from a single company, compared to 58.9 percent of the older generation.

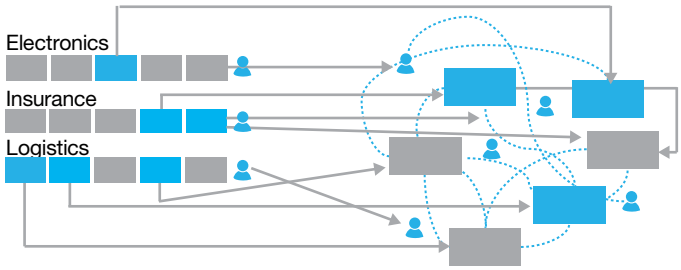
In addition to functional specialization, value-chain fragmentation and industry convergence, the future will also be characterized by the formation of new ecosystems or value nets (see Figure 10). Ecosystems will typically cut across multiple organizations, functions and industries, providing a foundation for new, seamless consumer experiences and camouflaging functional complexity.

In Figure 10, transported goods are tracked on container or individual level in real time; this could be large-scale industrial containers or mid- to high-value individual goods. Insurers could provide risk assessments and risk mitigation services, such as security consulting and route planning based on actuarial data. Electronics organizations could provide tracking devices, the logistics industry the actual transportation service.

Ecosystems will tend to be very dynamic, able to deliver far more complex experiences or activities than single – or even convergent – value chains.

In traditional value chains, organizations optimize value with a "cost-plus-return" model, where organizations at each stage in the chain optimize value creation. Total value reflects the aggregation of value created at each step in the chain. Organizations typically interact with the prior function and the next function in the chain, but have little sense of the overall market context.

Industries will converge and ecosystems emerge



Source: IBM Institute for Business Value analysis.

Figure 10: **Industries will converge and ecosystems will emerge.**

Interactivity in the future will be symbiotic – virtually everyone and everything will be mutually dependent.

But in ecosystems, organizations realize value through the engagement with the system as a whole, where "value" is defined by participants' willingness to pay for access to the ecosystem. Once access occurs, specific transactions may occur within the ecosystem. Total value created reflects the value of access to and engagement within the system as a whole. Mechanisms are required in order to share the value created for access among ecosystem members, whether through central allocation, orchestration or some other arrangement.

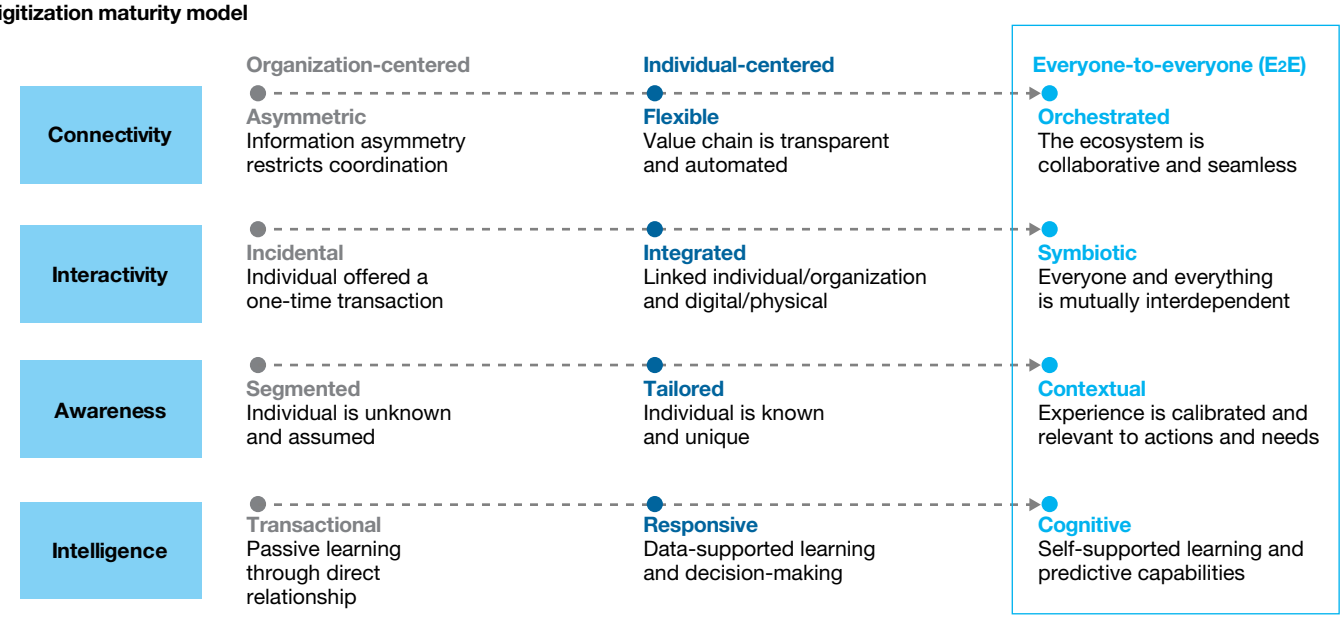
Insurers who recognize the emergence of a new ecosystem have the opportunity to become its epicenter; this will lead them to profit more and earlier and to create more stickiness both for themselves and the ecosystem as a whole.

Digital reinvention in an E2E economy

Just as the organization-centered economy gave way to the individual-centered economy, a new change is brewing. The maturation of social media, mobility, analytics and cloud are motivating the transition from an individual-centered to an everyone-to-everyone (E2E) economy.

E2E is characterized by hyper-connectedness and collaboration of consumers and organizations across the gamut of value chain activities: co-design, co-creation, co-production, co-marketing, co-distribution and co-funding. In this integrated system, consumers and organizations work together to create value, with transparency driving trust and effectiveness. Differences in economic maturity can be illustrated by considering four key dimensions: connectivity, interactivity, awareness and intelligence (see Figure 11).

Digitization maturity model



Source: IBM Institute for Business Value analysis.

Figure 11: **A comparison of "digitization maturity" for three economic models: organization-centered, individual-centered and E2E.**

The following questions can help organizations assess their own digital maturity in each dimension:

- ***Connectivity*** – How is the ecosystem coordinated and what are the driving forces?
- ***Interactivity*** – What is the depth of relationship between the individual and the organization?
- ***Awareness*** – What is the depth of market insight and is it reflected in the consumer experience?
- ***Intelligence*** – How is decision-making informed?

Connectivity

In an organization-driven economy, connectivity is best described as asymmetric. Information flows in one direction – from the organization to the consumer. Traditional insurance is an example of this, both because insurance costs are driven up by unknown risks that drive complexity and visibility is limited into operations of insurance providers, such as how premiums are determined.[17]

In the individual-centered economy, flexible connectivity prevails, thanks to a transparent and automated supply chain. An insurance-service hub that links payers and providers for healthcare and various property coverages automates and speeds up the claims process, increasing customer satisfaction and lowering insurers' costs.

In the future, connectivity will become orchestrated, within an ecosystem that is collaborative and integrated. For example, we can imagine non-traditional marketplaces, where disparate goods and services can be traded, with insurers covering the risks involved, including transportation of goods and their later usage, damage and potential liabilities involved.

Interactivity

In an organization-driven economy, interactivity is best described as incidental, where an individual is offered a one-time transaction. Interaction between organization and consumer only occurs because it is necessary for a transaction to be executed. Product-focused retailers are one example, operating with high turnover, low margin and low-value transactions. They maximize volume, with few resources dedicated to consumers.[18]

By comparison, the interactivity in an individual-centered economy is integrated, linking individuals with the organization, as well as linking the digital with the physical. An insurance example of this is flexible risk assessment and underwriting at the point of sale, obviating the need for most extra checks.

The future of interactivity will be symbiotic, in which virtually everyone and everything are mutually dependent. An epidermal electronic system is such an example. Electronic circuits that are like a "second skin" and are aware of a user's cognitive state can stimulate tissues for rehabilitation. Future applications are expected to blur the physical and digital and extend to include external limb control, sub-vocal communication and military uses.[19] Health insurers would be able to tap into the information available to provide instant feedback, promote health awareness and trigger emergency calls.

Awareness

In an organization-driven economy, awareness is segmented, with individuals being both unknown and assumed. Again, traditional insurance marketing illustrates this approach. Classical insurance products are undifferentiated, with only a small number of riders and deductions providing some individualization. Traditional consumer segmentations are used to promote products.

But in an individual-centered economy, awareness is tailored and each individual is known and unique. In usage-based insurance, the customer's actual risk is known. Payment is based on individual behaviors and locations.

The future of awareness will be contextual, with an experience that is calibrated and relevant to each individual consumer. An example of this is a projected future retail experience: retailers integrate data across multiple sources, combining location, behavior, servicing, social, virtualization, fulfillment and on-demand to create a "for-me-only" experience. The provider of the retail experience may, in fact, know the consumer better than the consumer knows him- or herself. The future contextual experience may even be capable of turning on when needed and off when it is not wanted.[20] Insurance would be included in this experience, as the system would know whether and when the customer wants risk mitigation or risk coverage.

Intelligence

In an organization-driven economy, intelligence is primarily transactional, which results in passive learning through direct relationship. Traditional telephony illustrates transactional intelligence since providers offer combinations of subscriptions and service packages that can be flexibly combined, but do not vary based on usage history or length of consumer relationship.[21]

By comparison, an individual-centered economy has responsive intelligence, featuring data-supported learning and decision making. A responsive insurance system could profile specific individual risk and thus offer individual risk mitigation and coverage plans.

In the future, intelligence will become cognitive, using probabilistic techniques that enable computer-based decision making. One example of this is Watson, IBM's new artificial intelligence. In medical applications, Watson will soon help diagnose conditions by leveraging its cognitive ability and ingested medical documentation, continuously learning from mistakes. In a recent test, Watson successfully diagnosed lung cancer 90 percent of the time, compared to 50 percent for human doctors.[22] Watson-type systems can also be leveraged for insurance, identifying patterns of behavior that affect health costs or are risk prone.

The new Digital Reinvention Framework

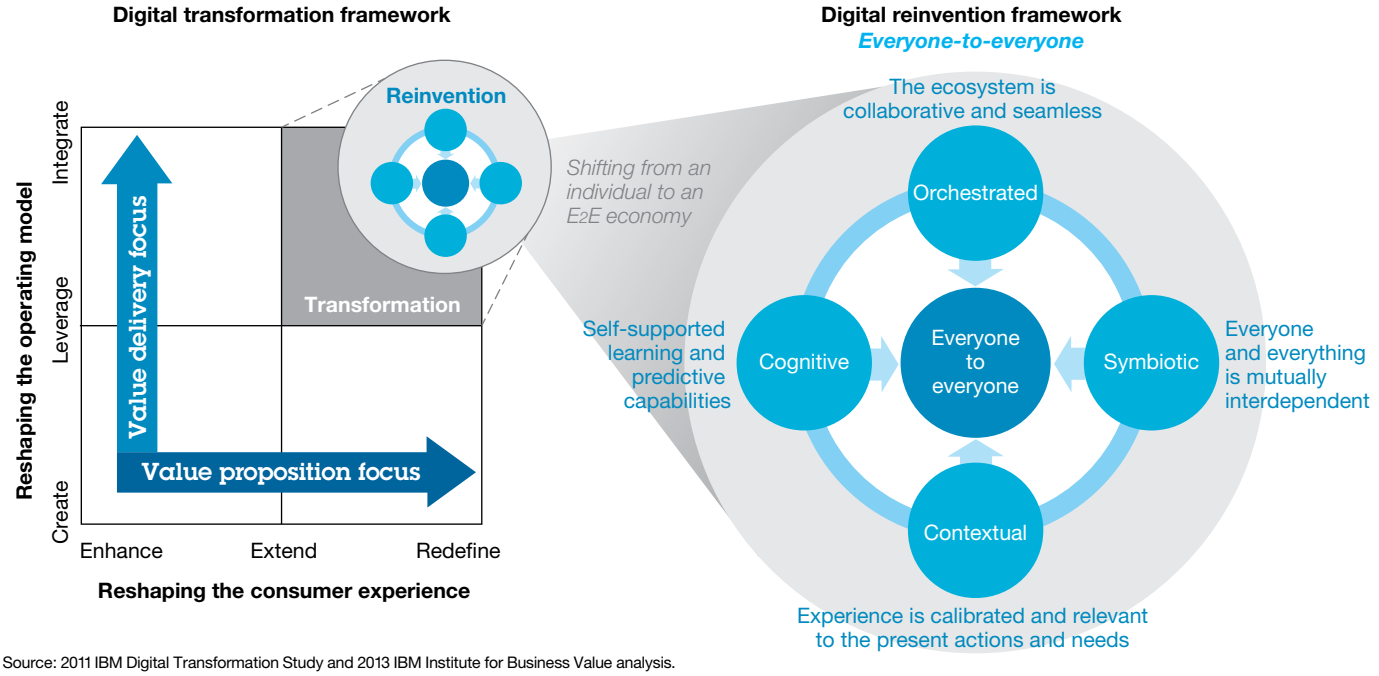
A new innovation layer – beyond the traditional definition of digital transformation – is emerging. Organizations should continue to invest in individual-centricity while recognizing it as just the first step toward intensified digital reinvention in the future.

With the shift to E2E, the traditional Digital Transformation Framework is replaced by the Digital Reinvention Framework (see Figure 12). It features orchestrated connectivity, symbiotic interactivity, contextual awareness and cognitive intelligence.

Becoming orchestrated, symbiotic, contextual and cognitive

Successful insurers will be open to the challenges ahead and rethink all aspects of their business. Above all, they must decide where to focus. The future will be very different from the present.

Rethink how and with which consumers and markets your organization interacts. Who are your customers? For a digital insurer, the answer is generally not the agent or broker. However, if it is, what does that mean for your end customer business? From a consumer perspective, customers want personal and financial security, not insurance. Are the boundaries of your enterprise and lines of business appropriate to this way of thinking?



Source: 2011 IBM Digital Transformation Study and 2013 IBM Institute for Business Value analysis.

Figure 12: The new Digital Reinvention Framework supports the E2E economy.

Next is the decision about how to focus. In the future, organizations will become even more specialized than they are today. Using a framework like a Smarter Insurance framework will be helpful in thinking of the right focus areas. Using these types of tools can address issues such as risk mitigation (via instrumentation), insurance as a service (via interconnection) or risk planning (via intelligence).

The other facet of determining where to go is building new capabilities. Successful digital insurers will address:

- ***Organization:*** a highly permeable non-siloed structure that allows flow of skills and ideas
- ***Systems:*** integrated, flexible and adaptable
- ***Processes:*** back-to-back with high automation and well-defined points of entry and exit
- ***Data and analytics:*** the right information at the right place and point in time.

Open up to external influences

Turbocharge market insight. For many organizations, market insight has struggled to keep up with new technologies around social media and big data. Yet market insight will play an ever-more important role in the E2E economy. Analytics like the psychographic segmentation shown earlier are indispensable to a best-in-class customer experience. Insurers tend to have lots of information about the customer spread throughout the organization itself and its intermediary networks. Gather and utilize this information. To get customer facing intermediaries and partners to participate in information sharing, data and analytics need to be open and transparent across the organization

The most successful organizations of the future are likely to be those that partner with the right organizations in the right ways.

Embrace millennials. Managers will need to look at their businesses differently. Markets are unlikely to incrementally evolve as they once did. Organizations will be much more susceptible to disruption coming from both inside and outside their historical industry parameters. Millennials are much more likely to anticipate the power of new technologies and experiences. Build processes that channel insights directly from the future customer to permeate the C-suite.

Internalize consumer influence. Invite consumers and intermediaries to participate in ideation, project evaluation and development processes, as well as in fundamental business strategy development. For the customer of the future, it is important to have a real say in key business decisions – for which you will need processes. Increase decision making permeability and rethink key initiatives as consumer collaborations.

Connect to new ecosystems and partners

Conceptualize ecosystem parameters. In the future, organizations will operate in ecosystems of converging products, services and industries. Stand-alone insurance is still necessary, but with fewer players and mainly as a niche in the ecosystem. While the role of insurance will likely always revolve around risk assumption and risk mitigation, become proficient in understanding new ecosystems as they emerge. Identify and assess new sources of value; look for opportunities to become the epicenter of an emerging new ecosystem.

Build systemic connectivity. Application programming interfaces (APIs) and Cloud are the tissue connecting ecosystems of individuals. The influence of APIs and Cloud go far beyond the IT department. If handled right, they can empower dynamic new business models, consumer interactions and organizational flexibility. To position strategically for the future, combine technology strategy with business strategy. Compel IT to work with the business and the business to work with IT. Test what is possible with new technologies and anticipate the unexpected by maintaining technical and operational flexibility.

Establish ecosystem partners. In the future, the most successful organizations are likely to be those who partner with the right organizations in the right ways. No single organization can hope to do everything required in new ecosystems. But partnering with anyone will introduce a risk and confusion. Successful organizations will understand their capabilities and how to realize synergies with ecosystem partners. Find partners who can further your objectives and decide how you want to partner. Prioritize those that do things that are not easily replicable. Partner with world class organizations, even if they happen to be small. Explicitly align objectives both informally and contractually.

Invest in digital mobilization across the organization

Appoint digital torchbearers. Succeeding in the E2E economy will require fundamental rethinking of markets, consumers and products and services. It is likely that some business units and employees will struggle with understanding new imperatives and the change required. Appoint specific individuals to be digital torchbearers. In circumstances where the C-suite struggles to embrace new imperatives, consider appointing a Chief Digital Officer. Mandate these individuals with influencing strategy and educating other executives. Give them real authority, including a say in approving new projects and other investments.

Secure functional/business unit buy-in. Insurance lines of business tend to become siloed and self-focused, IT to become technology-centered, both losing sight of overall strategic goals. Yet digital reinvention will require IT and the business to work together like never before. The same is true for the classical distribution channel organization and management. Digitization applies as foundation under all customer interactions. Show the benefits of information sharing and usage early; implement measurement that rewards information sharing across lines and channels.

Pursue continuous innovation and experimentation. Most insurers are currently rethinking consumer imperatives and struggle with building compelling consumer experiences. Invest in consumer centricity with knowledge and sensitivity to what will emerge beyond. Keep it flexible to adapt as the economy shifts from an individual-centric to an E2E paradigm. Pursue experimentation, and apply to the business if successful. In implementation, prioritize simple ideas that drive value and convenience for customers, and ensure consistency across lines of business.

Seize the future through digital reinvention

Until the turn of the century, the most powerful impacts of new technologies have taken years to emerge. Today, we're experiencing the transformative impacts of social media, mobile technology, analytics and cloud at a highly-accelerated pace. Digital disruption has begun: it marks the start of a new technological lifecycle requiring the reinvention of markets, strategy – and value itself.

Insurers must start reinventing themselves to remain competitive. To prepare for a radically different tomorrow, those who aim to prosper under digital disruption should define strategy in terms of how best to open up to external influences, connect to new ecosystems and partners, and drive digital mobilization across the organization.

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