Welcome to Today's Web Seminar
Since 2004, Andrew Mazer has worked as site editor and senior writer on numerous technology topics, including virtualization, storage, consolidation, cloud computing and optimizing IT infrastructures. In addition to writing case studies, white papers and feature stories, he has designed many surveys and written reports on wide-ranging themes such as data management, enterprise content management, and optimizing IT performance.
Mike Fitzgerald, Senior Analyst, Celent

Mike Fitzgerald is a senior analyst with Celent's Insurance practice based in Cary, North Carolina. His career includes leadership positions in property/casualty automation, operations management and insurance product development. Mike's research focuses on innovation, billing, business process and operations, social media, and distribution management.

Mike brings extensive industry experience to the analyst role. Prior to joining Celent, he was vice president of enterprise underwriting solutions at Zurich North America, where he led the evaluation of technology alternatives to support a new underwriting product development process. He held a number of positions at Royal & Sun Alliance, including a field operations regional executive role. His technology implementation experience includes the installation and maintenance of billing, automobile policy administration, and workers compensation automation. In the 1990s, Mike led an initiative which delivered one of the first global online technical underwriting and claims learning platforms in the industry.
Tom King, Sr Director, Pega

Mr. King is a Sr. Director for Pega’s Insurance Industry Business Unit. In this role, Mr. King works with Pega clients to identify the issues the client is facing and works with the client to facilitate solutions. Additionally, Mr. King plays a role in setting the direction of Pega’s insurance market and development/partnership efforts.

Mr. King has 25+ years of experience in the insurance industry, both as an insurer and as a consultant to the industry. Much of his career has been dedicated to helping insurers leverage technology in conjunction with defining business strategy and addressing issues facing the industry.

Having started his career as an actuary and a licensed broker coupled with operations experience and creating corporate strategy, Mr. King brings a well rounded view of the industry to bear on solving issues for insurers. An interesting example of addressing this linkage between developing IT capabilities and the insurance industry is the role Mr. King played in developing Internet and Network Computing products. Mr. King worked with domestic and international insurers, brokers and technology companies to define the coverage issues that insurers would be facing as a result of the new risks arising out of internet and network computing.
Personalize or Perish
The rise of the digital consumer

Mike Fitzgerald
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Session outline

1. Digital Defined
2. Busting Myths
3. Making Digital Happen
The term ‘Digital’ has become part of everyday language for the insurance industry

“We don’t recognize or use the term ‘digital’ internally”

Source: Celent, 2015. Insurers. N=186
Digital confusion

“Replacing paper by electronic documents”

“Taking advantage of technology opportunities that directly affect the way the company interacts with its stakeholders mostly relating to web, mobile and “Big” data”

“Migrate from paper based communication with clients to fully electronic communications, reduce papers in back office to minimum.”

“Delivering on the STP promise”

“Engaging clients in a way that we have never been able to before, using data that we’ve not had up until now”

“Not much. Not a big channel for us, mostly just marketing”

“Primarily eBusiness, multi-channel and the adoption of mobile and social.”

“A vehicle for transforming our culture”

“Interactive, multi device, direct to consumer”

“Staying ahead. Guarding against new direct start-ups.”

Source: Celent IT Priorities Survey 2014, Insurance
What is digital?

Automation which allows formerly complex tasks to be mastered, then reproduced and distributed at no cost.

The Second Machine Age by Erik Brynjolfsson and Andrew McAfee – MIT press
Digital is a continuum

**Not Digital**
- Paper based insurance sales
- Core Systems of record
- Automated rating

**Adopting Digital**
- Sales websites: direct to consumer or agent based
- Online policy servicing
- Digital marketing
- Electronic messaging with partners

**Basic Digital**
- Usage and telemetry based insurance
- Online comparison: “digital agents” or “robo-advisers”
- Integrated partner eco-systems
- Low touch

**Advanced Digital**
- One touch sales
- Zero paper
- Zero-touch claims fulfillment

**Extreme Digital**
- Digital Enablement
- Digital Innovation

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Digital as a force for disruption

‘Digital’ is a major force for disruption in the industry, changing the nature of both the proposition and distribution

Source: Celent, 2015. N=186
What Do Consumers Want? – Busting Consumer Myths
Myth #1: Young people want to do all their insurance online

Simple Transactions

Complex Transactions

Myth #2: Digital savvy consumers want to do all their insurance online

- 64% use GPS to find destination
- 56% conduct own research into health conditions online
- 53% use online banking tools on a mobile device (cellphone, tablet)
- 51% update personal page on social media (e.g. Facebook, LinkedIn)
- 48% purchase clothing online
- 47% read books or other materials on a mobile device
- 44% use PayPal or another payment service to purchase something
- 42% stream TV shows (Apple TV, Chrome TV, or other)
- 29% use Bluetooth to connect two electronic devices
- 27% communicate with someone via video chat (e.g. Skype)
- 26% use doctor’s portal to access medical records
- 14% generate policy quotes for insurance using online tools
- 10% use a FitBit or other wearable health monitoring device
- 8% none of these
- 5% of these
Illustrative example of how service preference differs with digital savviness

Myth #3: Insurers know what consumers want

**An insurer’s perspective....**

- Ability to provide competitive products and competitive prices: 90%
- Ability to provide engaging self-service via a web browser: 74%
- Able to provide a personalized offer, tailored to the individual firm or person: 65%
- Ability to provide engaging self-service via tablet: 62%
- Financial stability / security: 61%
- Ability to provide a “human touch” over the phone or webchat: 59%
- Ability to provide engaging self-service via mobile or smartwatch: 55%
- Ability to provide a “human touch” in person at their home or at a branch: 48%
- Reputation or history in product innovation: 31%
- Reputation or history in service/technology innovation: 27%

**A consumer’s perspective...**

- Financial stability / security: 71%
- Ability to provide competitive products and competitive prices: 64%
- Able to provide a personalized offer, tailored to the individual firm or person: 58%
- Ability to provide a “human touch” in person at their home or at a branch: 57%
- Reputation or history in product innovation: 46%
- Reputation or history in service/technology innovation: 46%
- Ability to provide engaging self-service via a web browser: 43%
- Ability to provide a “human touch” over the phone or webchat: 38%
- Ability to provide engaging self-service via tablet: 28%
- Ability to provide engaging self-service via mobile or smartwatch: 27%

Source: Celent, 2015. Insurers, N=186. Consumers (US, UK, Italy, France, Germany), N=1,731
Making Digital Happen
Where insurers are prioritizing digital investment today?
Most are still focused on enablement

- Technology renewal / Legacy modernisation
- Making the new business process all or mostly digital
- Making policyholder service process all or mostly digital
- Business process automation (STP)
- Using analytics and rules to automate decisions
- Using encryption and digital signatures to remove paperwork
- Mobility for policyholders/claimants
- Integrating with business partners (e.g. repair shops, medical)
- Mobility for agents/brokers
- Delivering the omni-channel experience
- Using social media for marketing, sales
- Mobility for internal staff
- Enhancing payment capabilities (e.g. digital transfer, bitcoin)
- Creating the virtual firm (i.e. cloud-based, asset-less, low FTE)
- Using sensors to aid underwriting decisions / risk advice
- Using sensors and other methods to meter coverage (UBI)
- Using cognitive capabilities (AI) to provide a ‘virtual assistant’
- Using social media for underwriting or servicing
- Use of remotely operated vehicles (e.g. drones)

Source: Celent - Digital Insurer Survey, 2015. (N=186)
An insurer’s typical proposition approach

- We adapt our digital proposition based upon the needs of different product lines.
- We adapt our digital proposition based upon consumer confidence in technology.
- We regularly experiment with new technology and techniques to improve our digital effectiveness.
- We adapt our digital proposition based upon consumer confidence in their financial affairs.
- We apply the same approach that we use for retail customers as we do with our channel partners and commercial/corporate customers.
- We adjust our digital proposition based upon familiarity and longevity of the consumer with us.
- We adapt our digital proposition based upon wealth and/or social class.

Source: Celent - Digital Insurer Survey, 2015. (N=186)
What is your preferred method of execution?

- Build using internal capabilities: 8% - Least Likely, 17% - 2, 37% - 3, 30% - 4, 9% - 5 - Most Likely
- Partner with external firms to shape / scope the vision, but build internally: 10% - Least Likely, 17% - 2, 21% - 3, 39% - 4, 13% - 5 - Most Likely
- Single-source partner with external firms to execute the initiatives: 13% - Least Likely, 30% - 2, 26% - 3, 26% - 4, 5% - 5 - Most Likely
- Multi-source partners (best-of-breed) to execute the initiative: 6% - Least Likely, 25% - 2, 19% - 3, 35% - 4, 15% - 5 - Most Likely

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“How do you rate the following challenges facing a ‘digital’ implementation?”

- Organisational readiness / Internal culture
- Integration complexity (across channels, front-to-back office)
- Legacy infrastructure
- Integration complexity (external partners and new data services)
- Silo’d internal back-office / product systems
- Silo’d internal front-office / channel systems
- Immaturity of solutions
- Immaturity of solution providers
- Customer readiness to engage digitally

Source: Celent - Digital Insurer Survey, 2015. (N=186)
Reflections

1. The industry remains under pressure to reinvent itself

2. Consumers are demanding a more digital experience
   … but not without a human element

3. Most insurer activity is focused on digital enablement today
   … will digital innovation follow?

4. Segmentation of customers is important for measuring success in the adoption of digital channels
Personalize or Perish: The Rise of the Digital Customer
WHO’S PEGA?
Pega - The Leader and Growing

9 YEARS OF STEADY GROWTH

- Founded in 1983 without venture capital
- Over 3,200 employees worldwide
- Tens-of-thousands of certified professionals

NON-GAAP REVENUE

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*GUIDANCE
About Pega: the market leading platform for application development

Pega Insurance Applications

MARKETING
• Pega Marketing for Insurance

SALES & ONBOARDING
• Pega Sales Automation for Insurance

CUSTOMER SERVICE
• Pega Customer Service for Insurance

OPERATIONS
• Pega Underwriting for Insurance
• Pega Claims for Insurance
New Pega research quoted today:

Available at:
https://www.pega.com/future-of-finance
Clients and producers are expecting a high level of personalization today

Channel Impact

Experience impact

Agent Impact
Channel Impact
There will never be “one” channel

How do consumers want to be engaged?

Source: Celent — Digital Consumer and Insurer Survey, 2015
Users are expecting an omni-channel user experience
Deliver coherent user experiences regardless of channel and distribution model

Customer Experience (CX):
Multi-channel is not the same Omni-Channel

• Similar experience across all channels & devices
• Interactions should be transferable across channels seamlessly
• Multiple interaction tools can be layered together (chat, phone, cobrowse)
• Single development effort
• Only 4% of insurers provide Omni-Channel today*
  • 89% expect to provide an Omni-Channel experience by 2020*

Source: Pega’s “Future of Insurance and Financial Services”
Experience impact
Insurers see the value of using data to drive relationships

- 80% agree that within five years, pre-emptive risk management will become core to the insurance value proposition.

- 93% agree that finding innovative ways to provide value-added services to customers based on data-driven insight will be crucial to long-term success.

- 80% believe most insurers will regularly provide personalized risk information to their customers by 2020.

When do you expect your organization will use data from the following sources to build a profile of its customers?

- Wearable Devices
- Connected Cars
- Smart home hubs
- Connected white goods

Source: Pega’s “Future of Insurance and Financial Services”
Optimizing Value For Each Customer
Understand context and anticipate customer needs

- Real-time event detection
- Combine context with predictive & automated learning
- Drive most relevant interactions using omni-channel engagement
- Optimize customer relationship and journey metrics
- Balance business objectives with customer experiences
How to operationalize insight

Insight
- Third-party Predictive models
  - ★★★
- Offline Predictive models
- Adaptive models
- Big Data Sources

Strategy
- Next-Best-Action Strategies
- Event Strategies

Deployment
- Decision Hub
- Data Flow

Delivery
- Adjusted Process
- Dynamic Cases
- Coordinated Communication

Control
- Monitoring, simulation and control
94% say legacy systems are the main constraint on meeting customer demand for full self-service.

Source: Pega’s “Future of Insurance and Financial Services”
What a CSR’s environment looks like today…

Focus is on navigating silos & manual work environment - not the client!

CURRENT CUSTOMER EXPERIENCE AND PROCESS

MEGAN NAVIGATES MANUALLY

Qualification
- Account
- Reservation
- Notes
- CRM

Assignment
- Authority
- Priority
- Offers
- Referrals

Service cases
- Multiple policy systems
- Multiple supporting systems
- Manual documentation
- Regulatory requirements
- Manual post call activities

Fulfillment
- Guidelines
- Assignments
- SLA’s
- Collaboration
Eliminate fragmented processing with a customer service layer

"I can focus on the callers needs, without having to worry about which system I'm in. Being able to fulfill their requirements makes my job so much easier and the client's happier."

Customer Service Layer

Data and process orchestration

FETCH UPON REFERENCE  INTELLIGENT CACHING  BACKGROUND RETRIEVAL

SYSTEMS OF RECORD AND BIG DATA

PAS  BILLING  CLAIMS
However, service is bigger than the CSR ……

Omni-channel Access

Customer Service Layer

Data and process orchestration

SYSTEMS OF RECORD AND BIG DATA
Overcoming legacy hurdles

Automated and improved customer service experience.

Increased Net Promoter Score by 40 pts.
Reduced Average Handle Time by 25%.

“Pega automation has played an essential part in establishing our new Direct to Consumer business…”

David Beattie
Managing Director, Aegon
Agent Impact
How does “digital” affect agent relationships?
Distribution channels are in flux
Superior service improves relationships with agents and establish relationships with insureds...

..... And clients are driving the interaction, tools and service demands

Yesterday
- Call Center
- On line self service
- Mail/fax

Today
- Omni-Channal
- Chat
- Co-browse
- Mobile
- Account level processing

Tomorrow
- Full personalization
- Advisory services
- Connected devices
- Blockchain
Agents, Policyholders and Customers expect more. Deliver a satisfying, efficient and accurate service experience.

- Insurance service cases
- Omni-channel UX
- Co-browse
- Social engagement
- Intelligent Next-Best-Action guidance
- Knowledge management
To Learn More

- Pega.com/insurance

- Customer success stories:  
  [http://www.pega.com/customers](http://www.pega.com/customers)

- Future of Insurance and Financial Services:  
Questions?

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