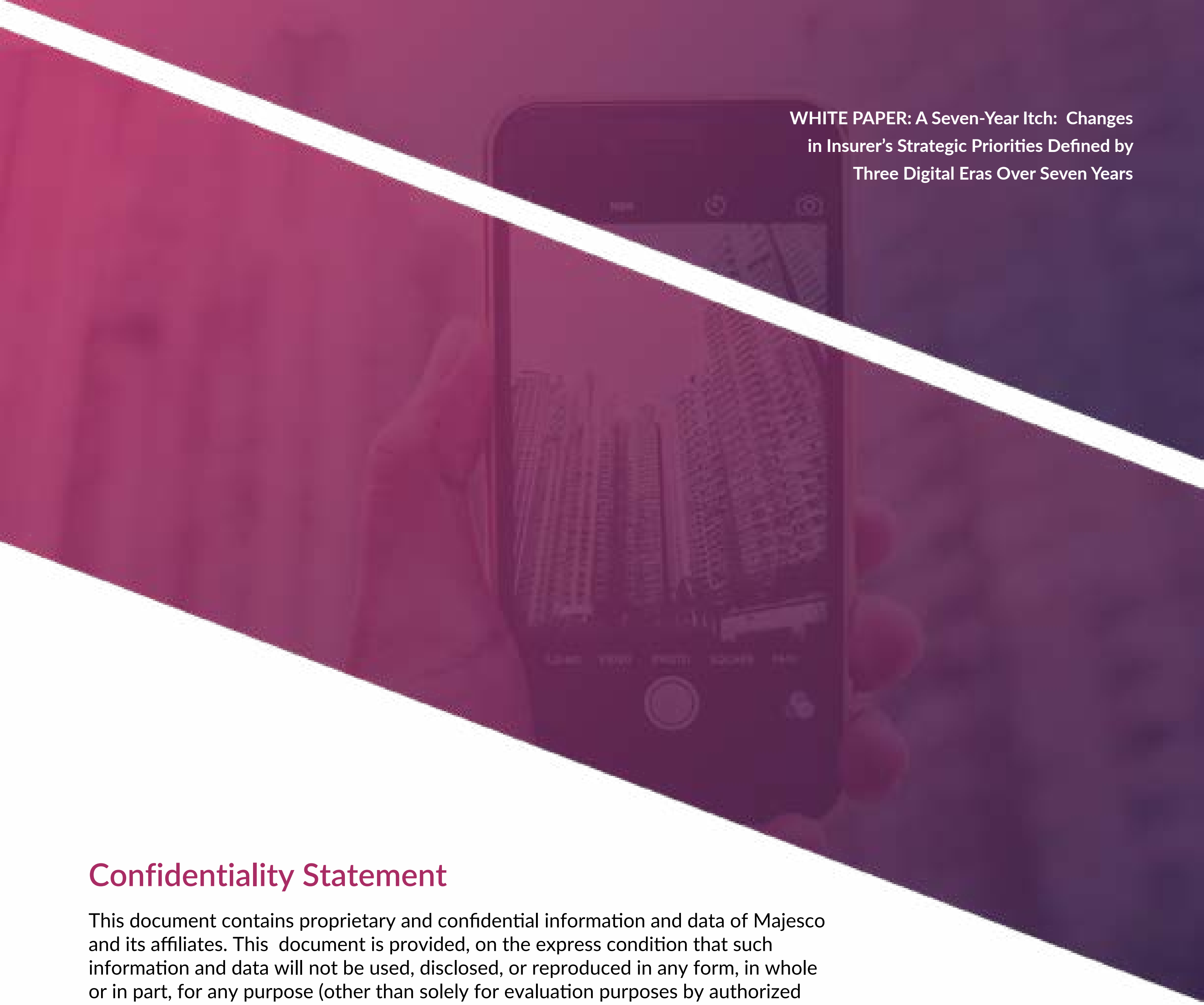
A MAJESCO WHITE PAPER

The Future of Insurance Starts Here

A Seven-Year Itch: Changes in Insurers' Strategic Priorities Defined by Three Digital Eras Over Seven Years

APRIL 2022

www.majesco.com



Confidentiality Statement

This document contains proprietary and confidential information and data of Majesco and its affiliates. This document is provided, on the express condition that such information and data will not be used, disclosed, or reproduced in any form, in whole or in part, for any purpose (other than solely for evaluation purposes by authorized representatives with a need to know), without the express written approval of Majesco. The right to use, disclose, and reproduce such information and data shall be governed by the service agreement between the client and Majesco.

Warnings and Disclaimer

The information provided is on an "as-is" basis. Every effort has been made to make this book as complete and as accurate as possible, but no warranty or fitness is implied. The authors and the publisher shall have neither liability nor responsibility to any person or entity with respect to any loss or damages arising from the information contained in this book. Screenshots and data used within are for illustration purposes and may vary from the actual application.

MAJESCO

CONTENTS

MAJESCO

A Seven-Year Itch: Changes in Insurer's Strategic Priorities Defined by Three Digital Eras Over Seven Years

Executive Summary

The seven-year itch. It was made famous in the Marilyn Monroe movie. But the underlying concept about a seven-year itch is ***change***.

For decades, the creation and evolution of insurance markets, products, channels, technology, and customers unfolded at a slow and steady pace. It took months if not years to launch a new product. Core business technology was replaced only every 20-30 years and the projects took many years and multi-millions to implement. Customers were the Baby Boomers and Gen X who followed similar life stages and had similar needs and expectations. Companies managed and lived with slow transformation because everyone was in a similar position.

But change picked up in a disruptive way by the mid-2010's with the emergence of new technologies and InsurTech. The pace changed. The market changed. Technology changed. Competition changed.

And change changed.

New and constantly changing risks, customer behaviors and expectations, technology-driven capabilities, sources of data, channels, partners, influx of capital to the market for InsurTech and M&A, and a pandemic added fuel to change, resulting in three different eras of change in a short seven-year period.

Seven years ago, we began the strategic priorities research. We wanted to focus on the challenges facing insurers and their current and planned strategic initiatives for growing their businesses. Looking back at the beginning to this year's results, the impact of these three distinct eras becomes clear.

- *Digital Disruption Era* - In 2015 and the first era, InsurTech was new and booming, causing some hesitance and a wait-and-see attitude in the industry regarding technology and business investments.
- *Digital Transformation Era* - A couple of years later the second era began with the industry's outlook shifting and optimistic, driving a wave of technology and business model digital transformation.
- *Digital Acceleration Era* - We are now entering the third era due to COVID disruption and adaptation, reflecting strong signs of resurgence and resilience by insurers.

Throughout these seven years, the rising importance and adoption of advances such as platform technologies, APIs, microservices, digital capabilities, new/non-traditional data sources and advanced analytics capabilities are now crucial to industry leadership. Market trends like the gig/sharing economy and the rise of ecosystems and partnerships, and much more, are driving innovations in new products, services, and distribution channels.

However, the different levels of awareness of these developments and the strategic responses to them have in many cases redefined industry players into three categories: Leaders, Followers and Laggards. Gaps between them remain, but the size of the gaps continue to change. Yet one thing has remained the same … Leaders continue to accelerate the pace that sets them apart from Followers and Laggards.

Is your company a Leader, Follower or Laggard in the future of insurance? How do companies position themselves as Leaders and strong innovators? How do they strengthen their operations to achieve strong business results? What differentiates Leaders from Followers and Laggards?

This report, based on the results of the survey, answers these questions and more and provides a view into the three eras over the last seven years that have reshaped companies and insurers for the future of insurance.

"The future of insurance is picking up steam and continuing to evolve, driving strategic discussions on how insurers will prepare and manage the changes needed in their business models, products, channels, and technology."

State of the Business

The insurance industry's outlook for 2022 is one of continued growth due to the economic recovery, the increased awareness of the need for insurance, and the emergence of a new dominant buyer in Millennials and Gen Z, who have vastly different insurance needs and expectations than the previous generations for whom insurance products, channels, and business models were built. At the same time, there is a continued battle with COVID, fight for talent, regulation demands, increased inflation, focus on sustainability (ESG), new or increased risks, greater awareness of climate change challenges, and intense cat events for the industry.

As a result, the future of insurance is picking up steam and continuing to evolve, driving strategic discussions on how insurers will prepare and manage the changes needed in their business models, products, channels, and technology. Technology debt, from legacy or non-cloud core, digital, data and analytics, loss control or distribution hinder the industry's ability to improve operations, let alone innovate, while also straining profitability, customer acquisition and retention, and distribution relationships.

Emphasizing this perspective, insurers across the industry noted in their survey responses that growth remained the top focus of their business activities and performance over the past year, driven by changing or introducing new products (58% impact) and expanding channels (24% impact). This focus was further highlighted with the reallocation of resources to change how they do business, which will be reflected further in future business results. The strong correlation between changing/new business models and growth (r=0.65) indicates deeper structural changes to traditional ways of doing business and investment in the future of the business.

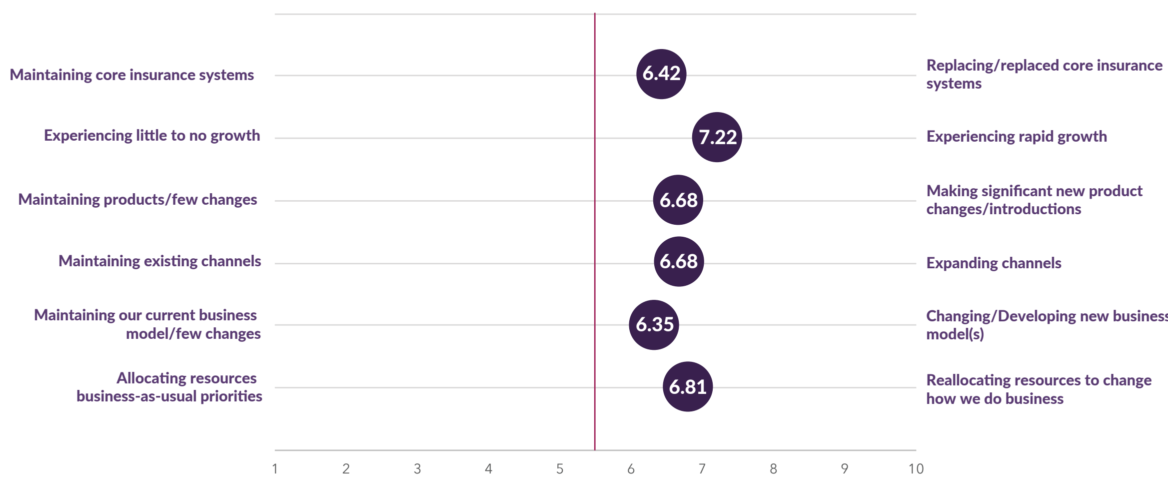


FIG. 1 *The state of insurers' strategic activities in the past year*

Seven-Year Trends Define Three Digital Eras

Looking at the previous year's business activities and performance and our last seven years of those survey results, the trends reflect the three digital eras defined in the executive summary.

In the Digital Disruption Era, we saw a decline in the average assessments of company performance and strategic activities. This quickly led to the realization that legacy systems were holding insurers back and limiting their ability to compete with the new InsurTech business models, products, channels, and technology capabilities, resulting in a refocus on replacing legacy during the Digital Transformation Era. As legacy began to be replaced, channel expansion, new business models and new product development began to rise and converge. They dropped significantly in 2020 as the full effect of the pandemic was felt. But as we now enter the Digital Acceleration Era, they are all rising again, reflecting the demand for digital capabilities by customers due to the experiences of the pandemic.

As we accelerate our digital transformation, insurers are once again experiencing rapid growth as the top strategic factor, signaling that insurers are successfully adapting to the new conditions created by the pandemic, and have turned them into growth opportunities.

"As we accelerate our digital transformation, insurers are once again experiencing rapid growth as the top strategic factor, signaling that insurers are successfully adapting to the new conditions created by the pandemic, and have turned them into growth opportunities."

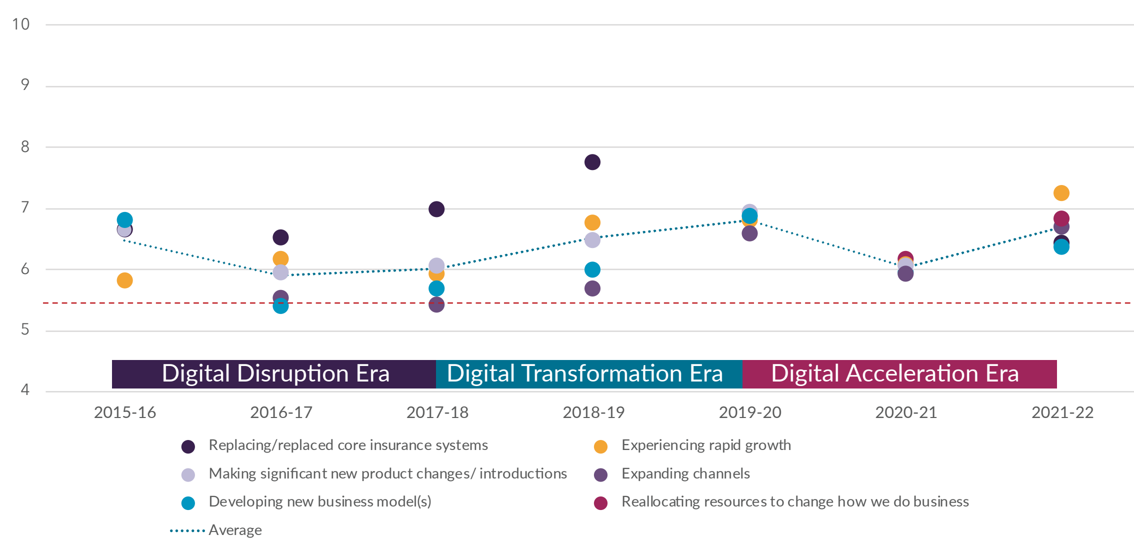


FIG. 2 *Seven-year trends in the state of insurers' strategic activities in the past year*

Leaders, Followers, Laggards

This years' survey data continues to distinguish between insurance Leaders, Followers and Laggards based on their strategic outlooks. Surprisingly, Laggards made significant progress in closing their gap from 64% to only 20% as compared to Leaders last year, reflecting an increased focus on digital transformation acceleration due to the pandemic. However, Laggards still have sizable gaps of 25% - 30% in reallocating resources to change how they do business, channel expansion, or offering new products and developing new business models.

In contrast, Followers remain treading water with a 13% gap to Leaders compared to 12% last year. Two of the Followers' biggest weaknesses, reallocating resources, and channel expansion are consistent with Laggards. These two factors are crucial for future growth, recognizing that customers' rapidly changing needs and expectations will demand insurers to adapt to new products, business models and channels to meet them on their terms.

"Large insurers outpaced smaller insurers in growth and expansion of channels by 7% and 9%, respectively."

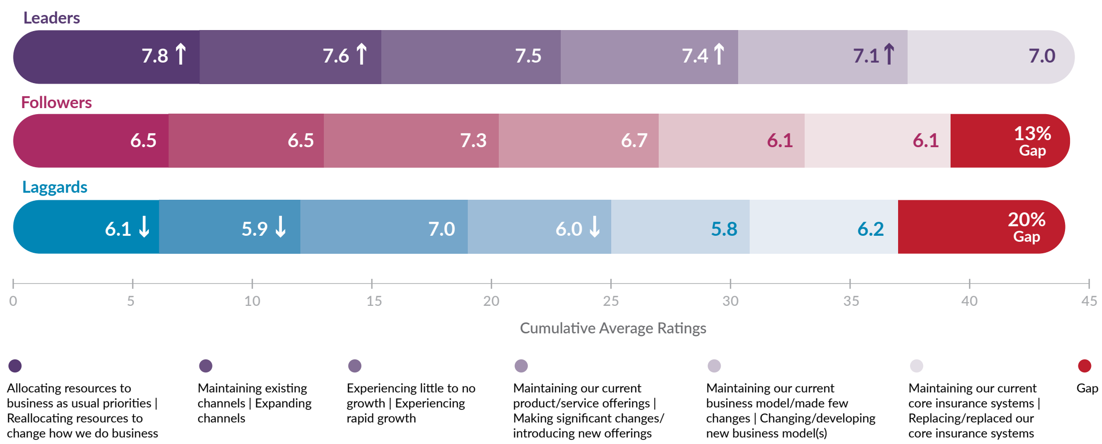


FIG. 3 *The state of insurers' strategic activities in the past year by Leaders, Followers & Laggards segments*

Evaluating the results by insurer tiers, breaking them into large (tier 1-2) and mid-small (3-5), yields interesting insights on key differences in performance and strategic outlooks. Small insurers make up 75% of the Laggards. Leaders and Followers are more equally represented by the small-mid and large tiers. Large insurers outpaced smaller insurers in growth and expansion of channels by 7% and 9%, respectively. While not substantial, over time these gaps have a multiplier effect on long-term results.

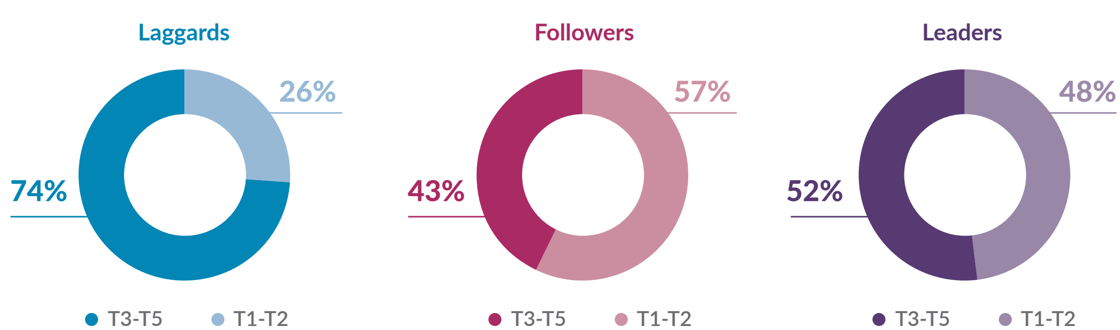


FIG. 4 *Company size composition of Leaders, Followers and Laggards segments*

Challenges Facing Insurers

"Finding the right balance between managing today's business while creating the future business is more important than ever and key in the AM Best Innovation Rating, let alone in maintaining a competitive market position."

Insurers have made technology investments over the years, but most have been incremental and with limited overall impact. In fact, insurers' annual investment in technology continues to remain relatively stable at an average around 3%-4% of DWP annually as reported by various industry analysts. Unfortunately, this investment approach is not sufficient to differentiate themselves from the competition as the industry experiences tectonic shifts in market demographics, customer needs and expectations, rapid adoption of technology, and shifting market boundaries. The digital future is today, and high performance is expected of the industry.

Given the pace and multi-faceted nature of digital transformation, insurers must truthfully assess and shift their business strategy and investments to adapt to the multitude of changes – changing customer demographics and behaviors, an expanding distribution channel environment, regulatory innovation requirements, maturing technologies and changing market boundaries with new competitors – either directly or through partnerships entering the market. Finding the right balance between managing today's business while creating the future business is more important than ever and key in the AM Best Innovation Rating, let alone in maintaining a competitive market position.

Internal Challenges

The internal challenges trends for insurers reflect intuitive responses to the prominent issues and challenges they faced during each of the three eras, often influenced or magnified by external challenges.

Seven-Year Trends

The Digital Disruption era, with the rise of InsurTech, saw a rise in internal challenges which undoubtedly contributed to the declining assessments of the previous years' strategic activities and performance. Many insurers stopped projects due to the unknown impact of InsurTech, nearly paralyzed by their concerns.

As we shifted to the Digital Transformation era, concerns about budget and legacy systems began to wane due to increased replacement and investment. As those concerns declined, data/analytics capabilities, data security, digital capabilities, and talent rose, driving the average concern level for internal challenges to its peak level in 2018.

"As we end this era, a new work reality has set in. The ability to attract and retain talent vaulted to the top internal concern, another symptom of the Great Resignation and Great Retirement movements created by the pandemic."

On the cusp of the COVID and the Digital Acceleration era in late 2019, insurers were increasingly confident about internal challenges, consistent with the positive assessments of their companies' performance and strategic activities.

Surprisingly, after the first year of the pandemic, average levels of concern dropped even further, weighed down by low concerns about the post-COVID work environment and an aging workforce. Instead, innovation, digital capabilities, and legacy systems replacement once again rose to the top, driven by the pandemic-accelerated need to become digital-first businesses. As we end this era, a new work reality has set in. The ability to attract and retain talent vaulted to the top internal concern, another symptom of the Great Resignation and Great Retirement movements created by the pandemic. Finding and keeping talent with digital and data / analytics skills is increasingly critical as they are foundational to building and growing their new digital-first businesses.

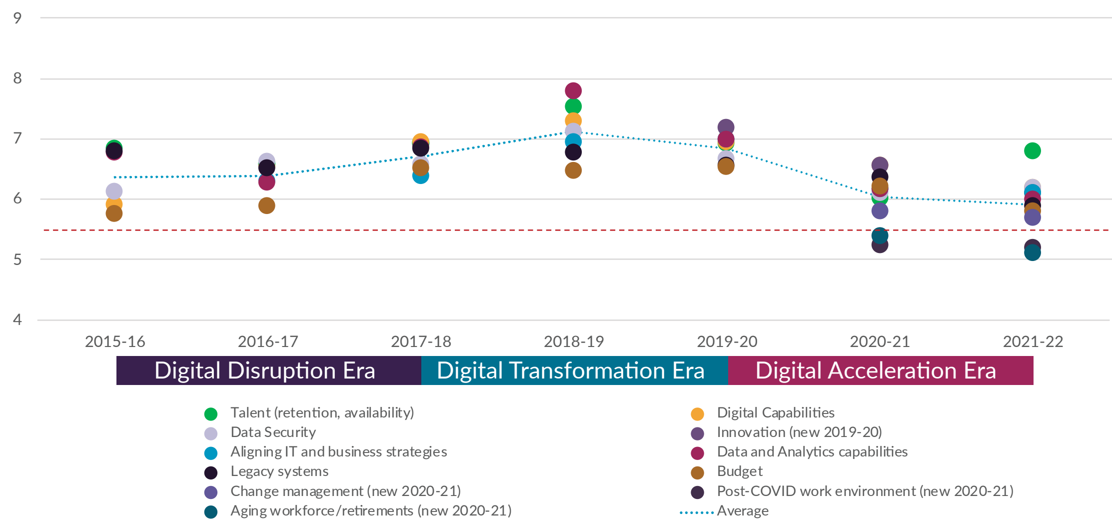


FIG. 5 *Seven-year trends in concerns about internal challenges*

"Consistent with their focus, Leaders demonstrate the highest levels of awareness and concern about their own internal strengths and weaknesses, reflected in overall gaps of 15% with Followers and 24% with Laggards."

Leaders, Followers, Laggards

Consistent with their focus, Leaders demonstrate the highest levels of awareness and concern about their own internal strengths and weaknesses, reflected in overall gaps of 15% with Followers and 24% with Laggards. The largest gaps between Leaders and both Followers and Laggards are data security (45%, 22%), data and analytics capabilities (35%, 24%), and legacy systems (28%, 27%).

Furthermore, large insurers reflect significantly higher awareness and concern about speed to market (+10%), data and analytics capabilities (+9%), legacy systems (+14%), and aging workforce/retirements (+10%) as compared to mid-small insurers. Larger insurers typically have access to greater resources – capital and people, but mid-small insurers have less complexity, giving them an edge to close this gap.

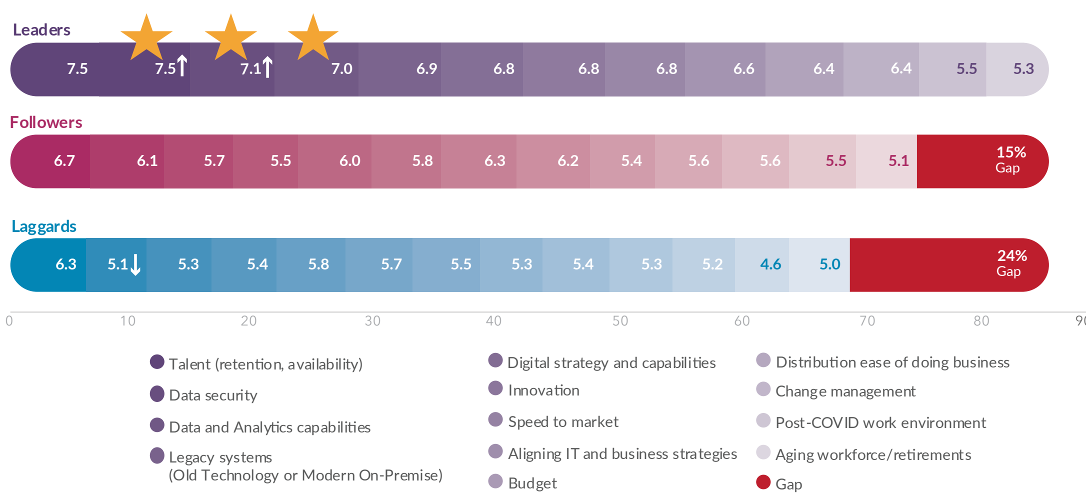


FIG. 6 *Concerns about internal challenges by Leaders, Followers and Laggards segments*

Of particular concern are the factors that drive doing business differently – digital strategy (19%, 15%), innovation (20%, 18%), aligning IT and business strategies (26%, 10%), distribution ease of doing business (22%, 15%) and change management (24%, 14%) – all in higher double-digit gaps that, given the pace of change, will expand and put Laggards and Followers at a significant disadvantage.

External Challenges

"This suggests insurers are more concerned about their own internal capabilities to rise to these challenges than about new competitors doing so (an inside-out view instead of an outside-in view)."

External challenges trends for insurers reflect the continuous, rapid pace of change and constantly changing market and business assumptions that insurers faced during each of the three eras.

Seven-Year Trends

Despite the rise of InsurTech during the Digital Disruption era, insurers' concern about the competition – both inside and outside the industry – has not caused alarm bells. These two challenges have ranked near the bottom in each of the three eras during the last seven years. Even the very specific attribute, "InsurTech," which was added in 2016, has remained in the bottom half of all external concerns.

Instead, insurers' concerns have focused on changing market dynamics reflected in the pace of change, emerging technologies, and changing customer expectations. This suggests insurers are more concerned about their own internal capabilities to rise to these challenges than about new competitors doing so (an inside-out view instead of an outside-in view). Similar to the lowest rated concerns, these three remained the top 3-4 issues over the seven years of the research. The lack of addressing the internal challenges will continue to exacerbate these external challenges – putting insurers at a consistent disadvantage to other competitors.

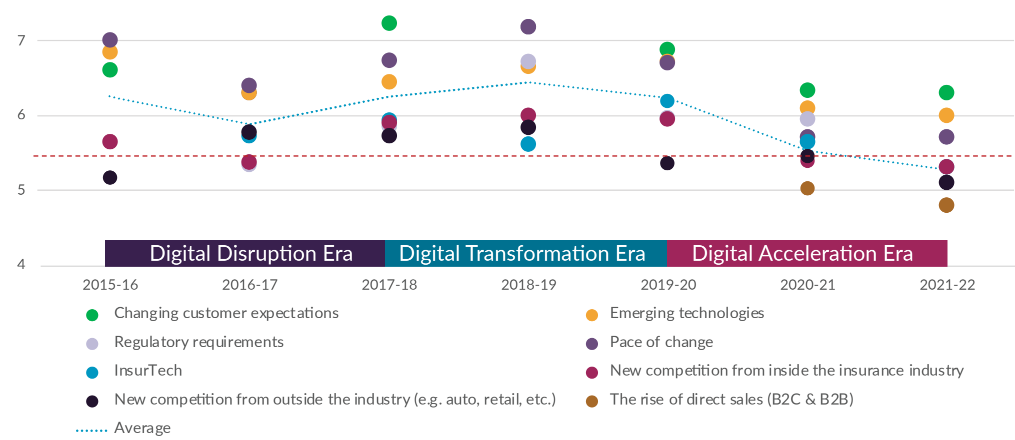


FIG. 7 *Seven-year trends in concerns about external challenges*

Leaders, Followers, Laggards

Overall gaps between Leaders, Followers and Laggards relative to external challenges are nearly identical to the internal challenges gaps. However, the differences between them highlight a view that Leaders are more forward-thinking and visionary while Followers and Laggards are still stuck in today's paradigm.

In particular, Laggards are explicitly behind Leaders across a greater number of concerns, including pace of change (35%), rise of direct sales (35%), embedded insurance (24%), exchanges (34%), growing interest in new/innovative insurance products (31%), and adoption of new/emerging technologies (29%). In contrast, Followers are most vulnerable on the rise of direct sales (23%), rise of embedded insurance (19%) and new competition from outside the industry (22%). For both Laggards and Followers, the lag in new products, channels and competitors highlights a major blind spot in the changing customer and market dynamics that will have significant retention and growth implications over the coming years, putting them at a competitive disadvantage.

"For both Laggards and Followers, the lag in new products, channels and competitors highlights a major blind spot in the changing customer and market dynamics that will have significant retention and growth implications over the coming years, putting them at a competitive disadvantage."

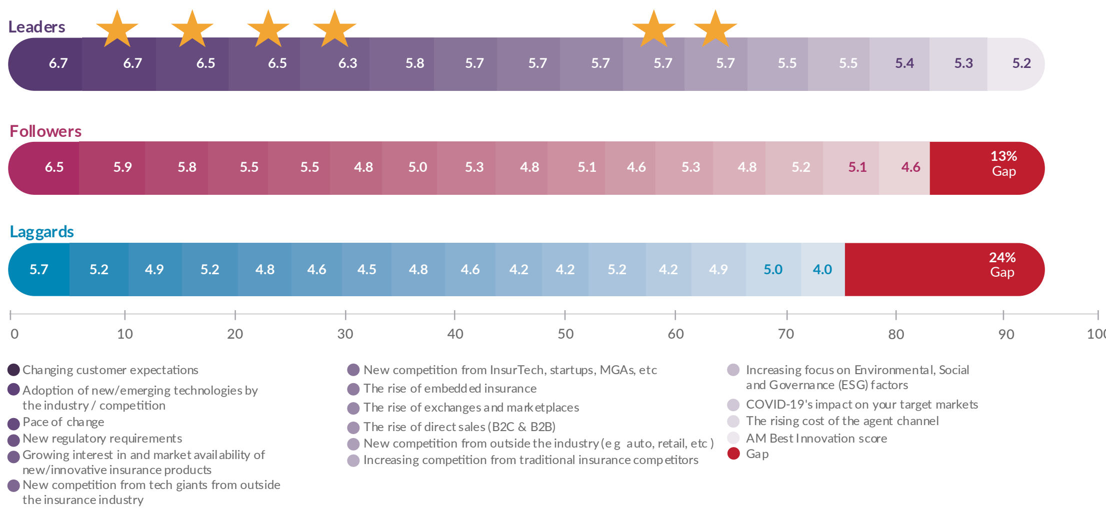


FIG. 8 *Concerns about external challenges by Leaders, Followers and Laggards segments*

Larger insurers are significantly more aware of and focused on a greater number of the external challenges as compared to the mid-smaller insurers. While size has an advantage due to the breadth and depth of larger insurers, that does not need to be the case. Mid-Smaller insurers can equally keep themselves abreast of customer and market dynamics, but they must make more concerted efforts to actively engage outside their organizations with others who are engaged with innovation, InsurTech, other industries, and more. An outside-in perspective is increasingly important in a rapidly shifting marketplace.

Market Trends

Market trends are central to both internal and external challenges because they are challenging the status quo.

Growth without sacrificing profitability is challenging, new risks are continuing to emerge, climate and social unrest are impacting and complicating risk profiles, distribution expectations are truly multi-channel and expanding, and customers increasingly expect personalized products and expanding value-added services. In particular, technology continues its relentless advance and an emerging new ecosystem of players who are threatening traditional market assumptions of who, where, what and how insurance products are sold, bought, and serviced.

Business Trends

We have tracked ten business trends impacting insurance that started or emerged over the seven years of the research. Of the ten, only four have consistently been in the Planning and Piloting stage with the others struggling at or around the Considering phase.

Planning/Piloting

- Cyber risk/data security
- Value-Added Services
- New insurance business models
- New, non-traditional data sources for pricing and underwriting

Considering

- Telematic Insurance
- Sharing/Gig Economy
- On-demand insurance
- Embedded insurance
- Microinsurance
- Parametric insurance

"The planning and piloting process needs to be bolder in thinking, and action, to experiment with these major market trends that will significantly shift DWP, customer acquisition of Millennials and Gen Z, customer loyalty of all generations and ultimately business success."

The planning and piloting process needs to be bolder in thinking, and action, to experiment with these major market trends that will significantly shift DWP, customer acquisition of Millennials and Gen Z, customer loyalty of all generations and ultimately business success. Just consider the following:

- In our 2022 SMB research, nearly 30% of all businesses changed their business models and adopted digital technologies due to the pandemic, reflecting potential new risk and insurance needs.
- Embedded insurance is estimated to be over $700 billion by 2030, representing 25% of the market.[1]
- Usage based insurance is estimated to hit $125 billion by 2027.[2]
- Use of connected devices by customers – both individuals and businesses – increased by 30%-40% from 2019 to 2021 which will influence new product expectations.

Changes in customer behaviors and expectations, driven and reinforced by new capabilities unleashed by technology, demand new products, new services, and new business models to meet what is expected today and in the future.

Leaders, Followers, Laggards

Leaders, Followers and Laggards follow a similar pattern for the business trends, but Leaders pull significantly ahead in five key customer-influenced product trends: Sharing/Gig Economy, on-demand insurance, embedded insurance, microinsurance, and parametric insurance. And for telematic insurance, while Followers are relatively in line with Leaders, Laggards are well behind.

Leaders' higher attention (25% - 35%) on new insurance business models and non-traditional data sources underpins their drive to create new products and services to meet customers' changing needs and expectations, leaving the Followers and Laggards perilously behind. Their lack of attention to changing customer needs, particularly for Millennials and Gen Z, as highlighted in our consumer and SMB research, could result in lost DWP as customers shift to these products.

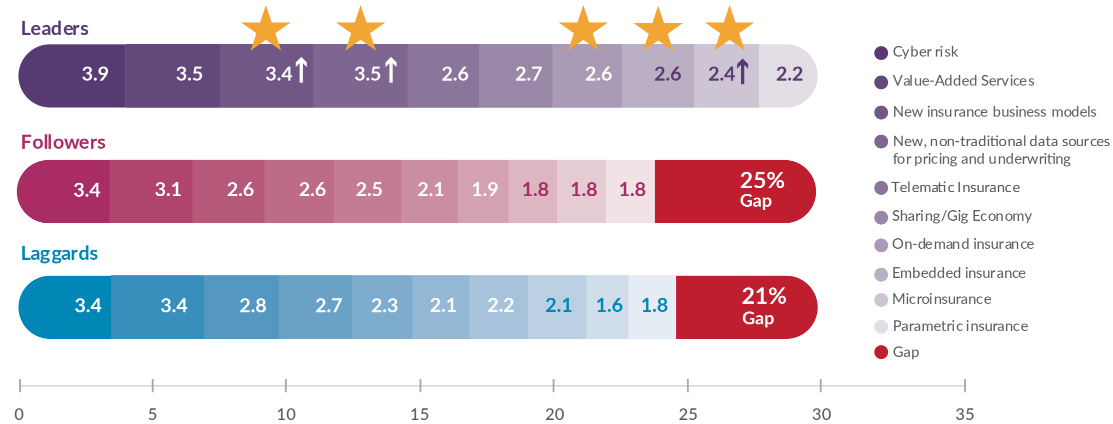


FIG. 9 *Response to business trends by Leaders, Followers and Laggards segments*

DWP Tiers

Interestingly, both large and mid-small insurers follow a similar focus for these market trends. While large insurers had slightly higher ratings for most, they jumped significantly for three data-intensive areas: cyber risk; new, non-traditional sources of data; and telematic insurance. These areas, combined with their stronger internal focus on data and analytics capabilities (seen earlier), reflect larger companies' increasingly strong focus on data for use across the value chain – from pricing and rating to underwriting and claims – again, meeting the changing customer needs and expectations.

Technology Trends

"Yet, despite the evidence of new technology solutions becoming table stakes, many insurers remain behind the curve when it comes to leveraging the benefits of new technology due to significant legacy systems and lack of progress in new business models to better leverage these technologies."

After tracking three categories of technologies, the pace of experimentation and adoption of each specific technology is aligning to either table stakes, approaching table stakes or still emerging, as highlighted in Table 1 below. Yet, despite the evidence of new technology solutions becoming table stakes, many insurers remain behind the curve when it comes to leveraging the benefits of new technology due to significant legacy systems and lack of progress in new business models to better leverage these technologies.

From the front-office to the back-office, SaaS platforms are reshaping the business focus from policy to customer, from process to experience, from static to dynamic pricing, from point in time underwriting to continuous underwriting, from historical view of data to predictive and prescriptive data, from traditional products to new, innovative products, and so much more. And insurers' ability to create and grow an ecosystem of partners to deliver increased value to the customer relationship gives insurers the power to deepen and differentiate customer loyalty.

When it comes to the specific technologies that power the insurance platform, mobile, Cloud/SaaS, Digital Experience Platforms, APIs, and AI/Machine Learning are now in the table stakes phase. Microservices and Low Code/No Code Platforms have advanced from the early adoption stage and are rapidly approaching table stakes. Three Customer Engagement technologies are also table stakes – Digital Payments, Social and Chatbots – each with increases driven by the rapid acceleration of digital due to growing customer expectations and self-service capabilities accelerated by the pandemic.

The combination of these critical technologies enables insurers to adapt quickly to new market opportunities, provide new experiences, and leverage new insights to change the insurance business model and processes, driving speed, agility, and innovation.

	Platform Technologies	Customer Engagement	Technologies for Products & Services
TABLE STAKES	Cloud/SaaS Mobile Digital Experience Platform Open APIs/Gateway AI/Machine Learning	Social Digital Payments Chatbots	Digital Loss Control Solutions Telematics RPA
APPROACHING TABLE STAKES	Low Code/No Code Platform Microservices		IoT Devices
STILL EMERGING		Gaming Capabilities	Computer Vision Drones Blockchain Virtual/Augmented Reality Semi/Autonomous Vehicles Cryptocurrency

TABLE 1 *Technology adoption categories*

"As these technologies approach or move to table stakes status, insurers who are still struggling with legacy will find themselves further behind, to the point where it may be difficult to compete."

The technologies still emerging have potential opportunities to accelerate their adoption, particularly given the increased comfort in touchless or digital capabilities for claims where drones and augmented reality can make a difference; with educating customers on insurance through gaming or augmented reality; with the increased interest in semi/autonomous cars demonstrated by Tesla's continued strong performance and with traditional automotive companies offering new options; and finally with the rise in cryptocurrency demonstrated by the significant rise in SMBs accepting it and consumers using it, as shown from our recent research.

As these technologies approach or move to table stakes status, insurers who are still struggling with legacy will find themselves further behind, to the point where it may be difficult to compete.

Leaders, Followers, Laggards

Given the now table stakes importance of platform technologies, it is encouraging that Laggards' and Followers' gaps to Leaders are within just five percentage points of each other. However, the composition of their respective gaps is slightly different.

Unfortunately, Laggards are consistently behind Leaders, averaging a 25% gap across all seven platform technologies, but with a large gap of 32% for digital experience platforms. Followers have more variation with 8%-16% gaps in three platform technologies including mobile, Cloud/SaaS and open APIs, which are foundational. However, they have significant gaps of 25%-30% to Leaders in microservices (30%), digital experience platform (29%), Low Code/No Code platform (27%) and AI/ML (25%) – all of which are crucial in creating new customer experiences, leveraging data, and creating greater flexibility for the business.

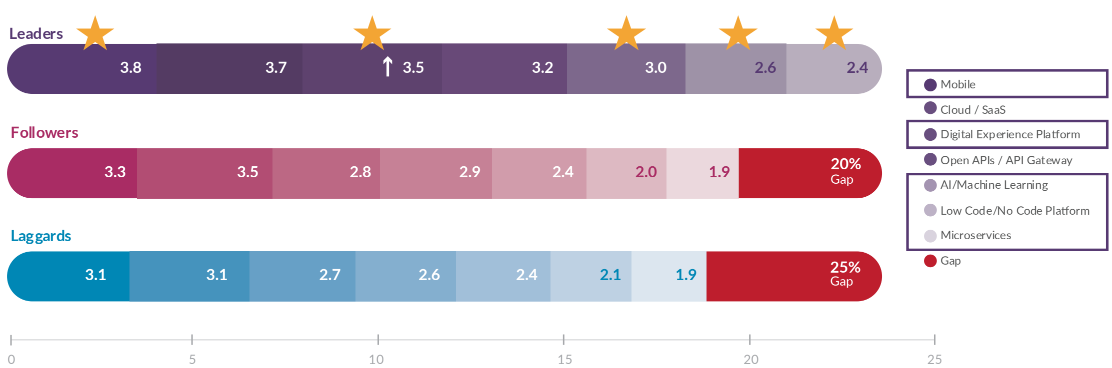


FIG. 10 *Response to platform technology trends by Leaders, Followers and Laggards segments*

"With improvements in technology and customer experience, coupled with a reduction in barriers for digital engagement, digital for everything across the entire value chain will continue to accelerate."

When looking at customer engagement technologies, the gap sizes of Followers and Laggards to Leaders mirror the platform technologies gaps, at 25% and 19%, respectively. The gaps across three of the four Customer Engagement technologies are within three points of each other, highlighting lack of focus on creating new customer experiences as compared to Leaders.

However, digital payments deviate from the others, with Followers having only an 8% gap as compared to Leaders. But Laggards continue to remain behind as shown with all the Customer Engagement technologies with a 20% gap.

With improvements in technology and customer experience, coupled with a reduction in barriers for digital engagement, digital for everything across the entire value chain will continue to accelerate. Insurers must increase their priority on legacy transformation, providing digital, self-service capabilities throughout the lifecycle from sales and underwriting to service and claims, to enhance the customer experience. On a fundamental level, digital is crucial to growth but also for bolstering trust, loyalty, and retention.

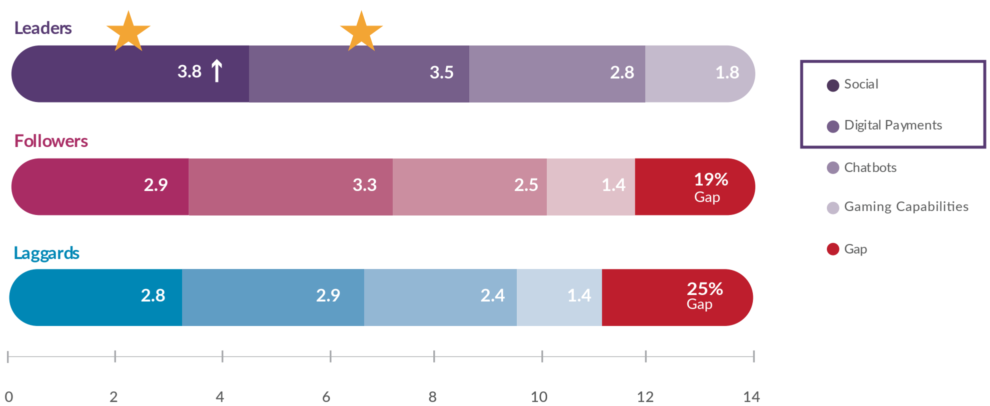


FIG. 11 *Response to customer engagement technology trends by Leaders, Followers and Laggards segments*

"One of the most important gaps in terms of size, and in importance to the changing nature of the insurance business, is with IoT devices, showing 42% and 47% gaps for Laggards and Followers."

Regarding Products and Services technologies, Laggards and Followers have nearly equal gaps to Leaders. One of the most important gaps in terms of size, and in importance to the changing nature of the insurance business, is with IoT devices, showing 42% and 47% gaps for Laggards and Followers. With the significant increases over the last two years in the use of connected devices in vehicles, homes, commercial buildings and on people's wrists as shown in our consumer and SMB research, Laggards and Followers are not aligned to customer needs and expectations.

Whether used for personalized, improved pricing and underwriting or creating incredible opportunities for new risk prevention/mitigation services and new customer experiences, the use of the data from these devices is rapidly emerging as a mainstream customer expectation. The lack of meeting this expectation puts those insurers at risk of losing customers, revenue, and market leadership.

Interestingly, for several other technologies, Followers are surprisingly behind both Leaders and Laggards (though by only a few points), including digital loss control, drones, semi/autonomous vehicles, virtual/augmented reality, and computer vision. Regardless, both Followers and Leaders once again are well behind Leaders from 30%-48%, highlighting significant gaps in adapting to a broader set of technologies embraced by customers.

MAJESCO

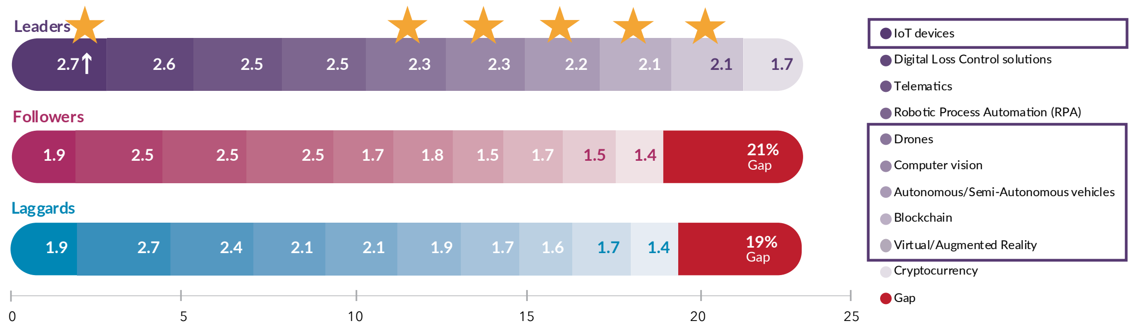


FIG. 12 *Response to product and service technology trends by Leaders, Followers and Laggards segments*

DWP Tiers

"Large companies lead mid-small companies by significant margins in nearly half (10 of 22) of the technologies across the three categories."

Large companies lead mid-small companies by significant margins in nearly half (10 of 22) of the technologies across the three categories as seen in Figure 13. Specifically, large companies lead in five of the Platform Technologies, with the most significant gaps in microservices (31%) and digital experience platform (30%). When looking at Products and Services and Customer Experience technologies, large companies' most significant leads are in robotic process automation (29%), IoT devices (21%), Telematics (19%), and chatbots (22%) – once again reflecting a focus on new, innovative products and customer experiences to capture a new generation of buyers who are highly interested in digital-related offerings.

FIG. 13 *Response to technology trends by company size segments*

Partnerships & Ecosystems

Given the nature of partner ecosystems, insurers can assume multiple roles, from ***owner*** of the unifying platform to ***orchestrator*** of the products and services, or ***provider*** of products and services. What they achieve will depend on their ability to enter the market while it is still an uncrowded "white space." Of course, this requires leadership with an appetite for taking informed risk, ability to move quickly, capacity to build partnerships within and outside of insurance, and strong technology capabilities.

"What is clear is that the expansion of partner ecosystems will separate leaders from the pack – putting them at a significant competitive advantage."

What is clear is that the expansion of partner ecosystems will separate leaders from the pack – putting them at a significant competitive advantage. As we have seen with customer expectations, market boundaries are no longer relevant. Customers want to buy when and where and from whom they want. Technology is fueling customer expectations, altering, and expanding the traditional markets and channels through which insurance is sold, including automotive, transportation businesses, big tech and more. This creates greater value for insurers and brokers due to new revenue streams and access to a broader market through the multiplier effect.

Looking at the results on an overall industry basis, there are few changes in the degree of activity for partnerships and ecosystems, remaining just below the "table stakes" level of planning/piloting. This continued "treading water" position increasingly creates lost opportunities to reach new or underserved markets, let alone establish key partnerships before others to position for market leadership.

Failure to recognize the criticality of aggressively establishing partnerships and an ecosystem ***now*** is a major blind spot.

However, what is clear from our multi-year research is that the expansion of partner ecosystems is beginning to separate the leaders from the pack. The gaps between Leaders, Followers and Laggards in embracing these activities is considerable at 19% and 27%, respectively.

The three largest and most consequential gaps for Followers and Laggards are the use of APIs to extend offerings (24%), establishing an ecosystem of partners using APIs (28%, 31%), and embedding/selling offerings with other companies (25%, 32%). Laggards place themselves at a further disadvantage with significant gaps for white-labeling product(s) to be sold by another company (39%) and setting up product(s) on a partner platform with revenue sharing (36%).

*"Failure to recognize the criticality of aggressively establishing partnerships and an ecosystem **now** is a major blind spot."*

These gaps put Followers and Laggards at an increasing disadvantage with customers who are seeking to buy insurance from a wider array of entities as shown in our consumer and SMB research, with Millennials and Gen Z nearly all open to these channels 50% or more. The impact is loss of customers and revenue, leading to declining market relevance.

Interestingly, there are more similarities in these partnership activities when comparing the DWP segments, suggesting that size does not have an advantage for partnerships and ecosystems. Instead, execution is the difference. A couple of differences to note are that large insurers are stronger in using APIs (average gap of 20%) and in partnering with other companies to embed their insurance products (8% gap). Access and use of APIs is foundational to effective partnerships and ecosystems, often limited by legacy technologies.

MAJESCO

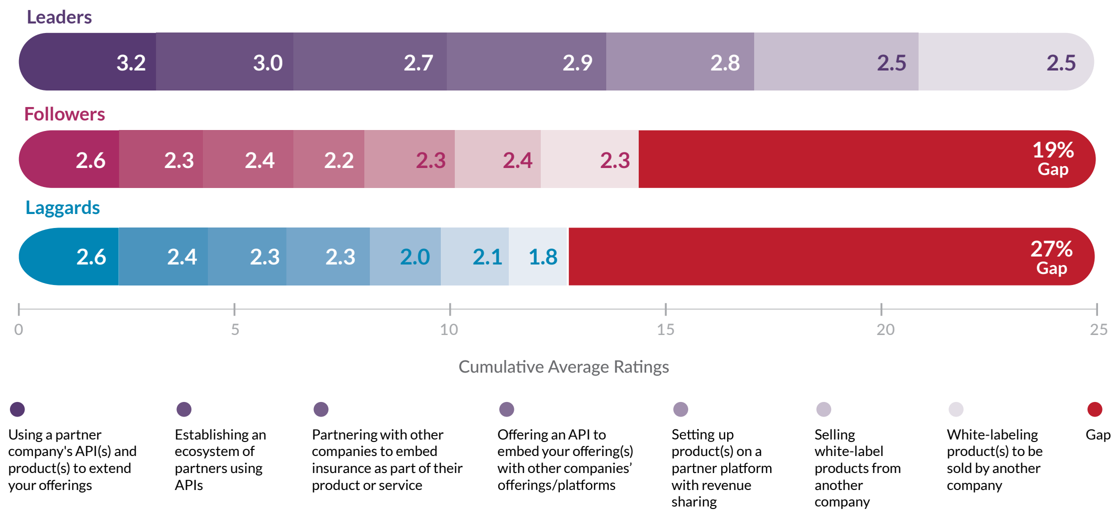


FIG. 14 *Levels of activity in establishing partnerships and ecosystems by Leaders, Followers and Laggards segments*

Data & Analytics

Data and analytics capabilities are poised to be a game-changer for insurance. Coupled with new and real-time data, advanced analytics and AI and machine learning, insurers can have a significant impact across the entire insurance value chain. From optimizing business processes to enhanced decision making, pricing, marketing, customer experiences, automated underwriting, claims management and more, data and analytics are poised to help reimagine the insurance business model, products, and entire value chain. The use of real-time data and analytics will help insurers stay on top of rapidly changing conditions and provide insight to new services and constant product refinement to meet changing needs and stay competitive in the market.

"Data and analytics capabilities are poised to be a game-changer for insurance. Coupled with new and real-time data, advanced analytics and AI and machine learning, insurers can have a significant impact across the entire insurance value chain."

This year, we took a deeper dive into data and analytics capabilities insurers are developing, the different data sources they are using, and the business areas they are focusing their efforts on given the significant influence and impact it is and will have on insurance. With the ever-increasing volumes of new, non-traditional data from IoT devices, geo-spatial, weather, unstructured sources, and more, leading insurers are realizing the importance of leveraging this data to stay ahead of competitors in the race to meet rapidly changing customer needs and expectations.

Data and Analytics Capabilities Priorities

Data and analytics have consistently been one of the top internal challenges and as this year's results highlight, the gaps between Leaders, Followers and Laggards and large vs. mid-small segments reflect a new breed of market leaders emerging.

Overall, across all segments the first level of data maturity, consisting of operational reporting, business intelligence (BI) reporting, and the move to advanced analytics with predictive analytics, are firmly established capabilities. This is not surprising given this has been the focus over the last decade or more. However, the maturity shift to emerging analytics with machine learning and natural language processing is at or near table stakes status, reflecting the continued data maturity of the industry.

"For both maturity levels, these gaps suggest the lack of continued investment in these capabilities and challenges of legacy systems to effectively use the data."

However, Leaders' data maturity lead is emphasized with the sizable gaps compared to Followers and Laggards. Surprisingly, the gaps in baseline maturity capabilities of BI reporting (24%, 33%) are significant. Predictive analytics (21%, 24%) also shows large gaps. For both maturity levels, these gaps suggest the lack of continued investment in these capabilities and challenges of legacy systems to effectively use the data. Given the gaps for the first two phases of maturity, it is not surprising that the largest gaps are in machine learning (36% each).

When looking at the differences between large and mid-small insurers, sizable gaps emerge. Large insurers remain well ahead of the mid-small insurers in advanced analytics, with predictive analytics (19%), and in emerging analytics, with machine learning (24%) and natural language processing (20%). This sets large insurers apart as data redefines a new generation of market leaders.

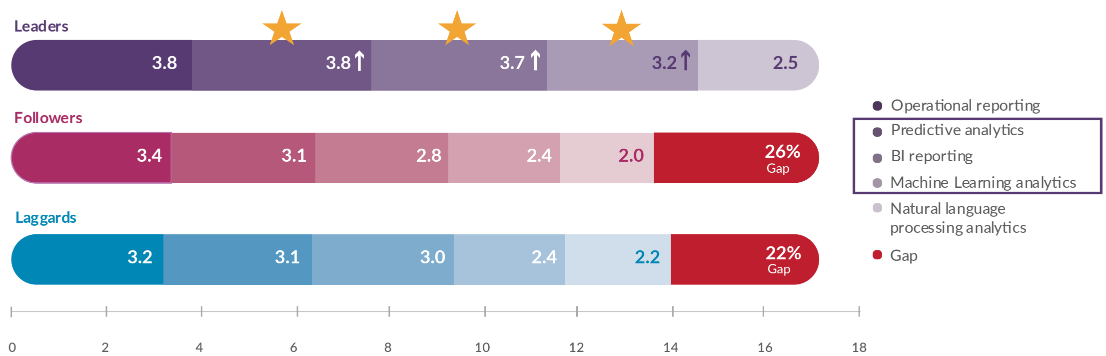


FIG. 15 *Levels of activity in building data and analytics capabilities by Leaders, Followers and Laggards segments*

Data and Analytics Functional Priorities

"Insurance has always been a data-driven business, but access to new data sources with AI/ML is redefining the industry."

When looking at the use of data and analytics across the value chain, four different phases of use are reflected: table stakes, approaching table stakes, emerging, and incubating, based on their levels of usage, as highlighted in Figure 16 below.

Established table stakes areas reflect those that have traditionally leveraged data and analytics including underwriting, pricing, and claims as well as customer experience, service, and retention. Functional areas approaching table stakes include risk exposure analysis, risk appetite, agent effectiveness and workflow/productivity.

Insurance has always been a data-driven business, but access to new data sources with AI/ML is redefining the industry. Today's increased catastrophes, market environment, and pressure on profitability demand a greater focus on preventable losses and better outcomes through underwriting profitability, proactive risk mitigation to minimize or eliminate claims, and enhanced customer experiences.

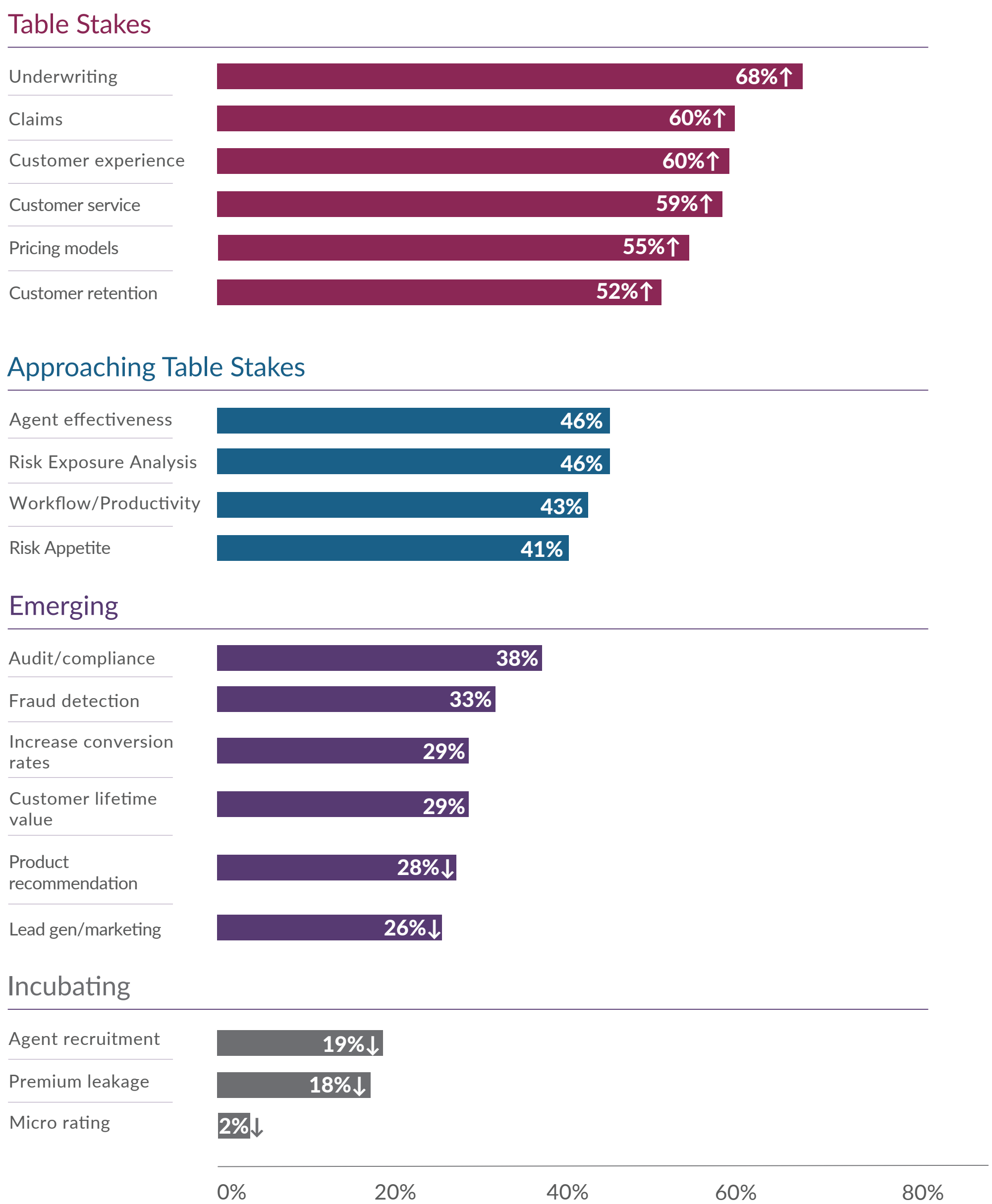


FIG. 16 *Data and analytics functional priorities*

When looking at the difference between Leaders versus Followers and Laggards, the gaps are similar at 21%, but are driven by different relative weaknesses and strengths. Laggards' greatest gaps are risk appetite (25%), customer lifetime value (17%) and agent recruitment (17%), but they lead Leaders and Followers for Audit/compliance (13%, 19%). Interestingly Followers are weakest in claims (40%), customer experience (26%), and risk appetite (16%), all crucial areas to drive overall profitability.

Large companies led by double-digits in 15 of the 19 areas over the mid-small companies. Customer lifetime value (17%), customer retention (16%), agent recruitment (16%), underwriting (12%), product recommendation (11%) and premium leakage (10%) all show strong gaps that heavily influence product and overall profitability for insurers.

The old adage of "control what you can control" is now front and center for insurers as they look at new risk management strategies as a crucial component of their underwriting and customer service strategy. They are increasingly focusing their time and resources on how they can better assess risk and prevent losses to improve underwriting profitability and customer experiences.

"The old adage of "control what you can control" is now front and center for insurers as they look at new risk management strategies as a crucial component of their underwriting and customer service strategy."

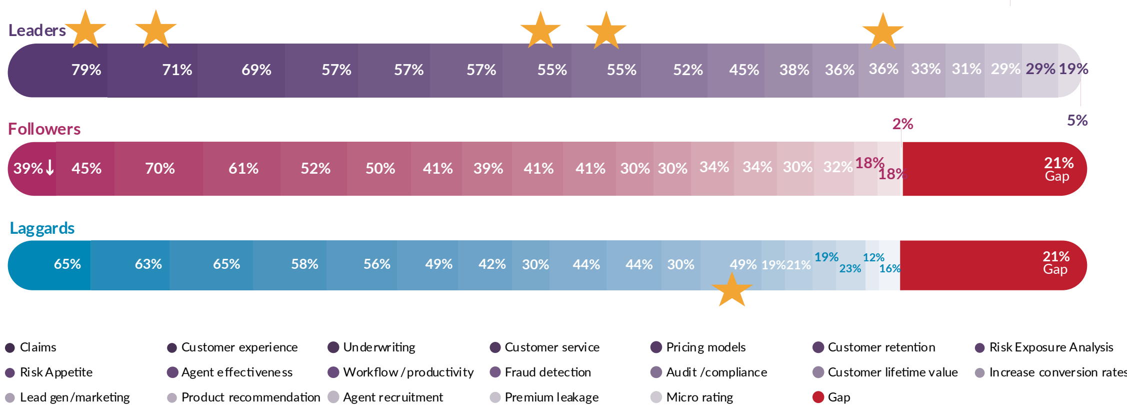


FIG. 17 *Data and analytics functional priorities by Leaders, Followers and Laggards segments*

Data Sources Priorities

Similar to the functional areas where insurers are focusing their data and analytics efforts, the **sources of data** used are categorized into table stakes, approaching table stakes, emerging, and incubating, based on usage levels. Overall results highlight that insurers are expanding the data sources from customer data to unstructured data such as loss runs and loss control reports to new digital data sources from devices, video, geospatial and more.

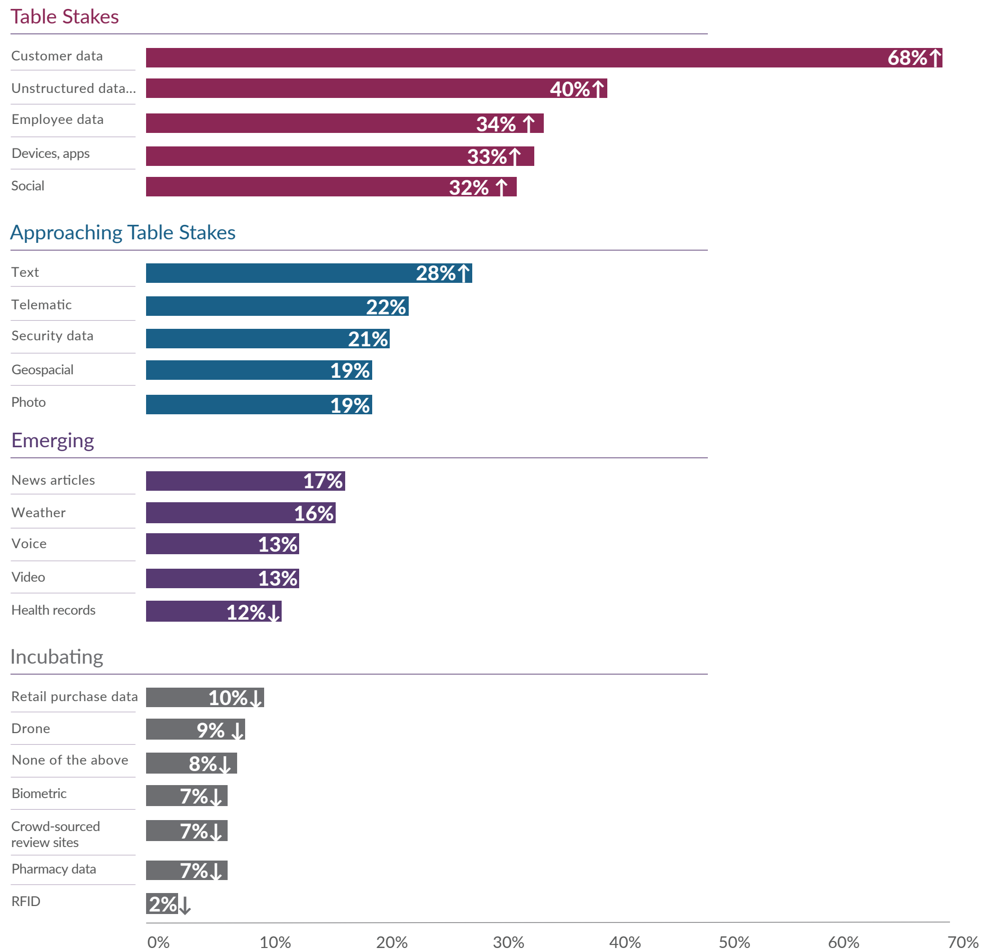


FIG. 18 *Data sources priorities*

"Overall results highlight that insurers are expanding the data sources from customer data to unstructured data such as loss runs and loss control reports to new digital data sources from devices, video, geospatial and more."

When comparing Leaders to Followers and Laggards in the use of these data sources, significant gaps of 23% and 32%, respectively, emerge. Followers' and Laggards' most noteworthy gaps are in three areas: unstructured data (27%, 18%), social (13%, 20%), and text (17%, 27%). All except one of these data sources was used by at least 12% of insurers in the Leaders segment, which is a testament to their willingness to experiment with different data in their quest to optimize operations and stay ahead of the competition.

Risk management, underwriting, and loss control all involve gathering and using data needed for AI/ML models to accurately assess and identify risk and manage and reduce risks by providing differentiated customer service. In particular, the increased focus on loss control has resulted in increased volume, variety, and velocity of structured and unstructured data sources. Loss control has moved from surveys with questions, checklists, and photos, to leveraging real-time data from smart devices, video, images of labels and more, through risk engineering firms, customer self-surveys, and video-guided surveys. Insurers can use the richer data captured with advanced AI/ML for improved risk assessment, appetite analysis, underwriting, and pricing.

Surprisingly, large and mid-small insurers indicated similar levels of usage for 15 of the 22 data sources. However, mid-small insurers reported higher usage of text (32% vs 23%) and news articles (22% vs 11%) while large insurers indicated higher usage of devices/apps (38% vs 30%), weather (23% vs 11%), health records (18% vs 7%), drones (14% vs 4%), and biometric (13% vs 3%).

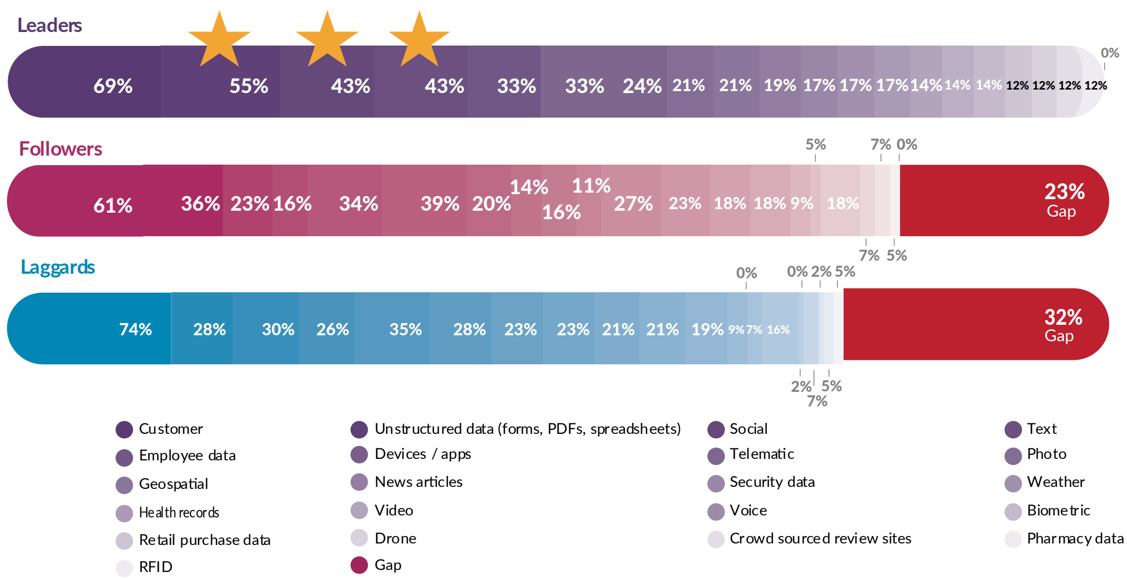


FIG. 19 *Data sources priorities by Leaders, Followers and Laggards segments*

"In today's new insurance age, data is the fuel for innovation. New technologies, demographics, and behaviors are driving the explosion of data and will power the growth of new businesses and industries over the next 10 years."

Advanced AI/ML enables insurers to analyze data in real-time to drive intelligent decision-making. By identifying hazards and providing recommendations as data is collected, insurers and vendors can now create more value by proactively addressing issues and providing recommendations in real-time.

In today's new insurance age, data is the fuel for innovation. New technologies, demographics, and behaviors are driving the explosion of data and will power the growth of new businesses and industries over the next 10 years. Many of these businesses will grow within completely new industry types, setting the stage for new insurance market expansion, products, and services.

Strategic Initiatives

Success in moving forward to a new digital age of insurance requires a two-speed strategy: ***Speed of Operations***, which focuses on making efficient and effective focused improvements to the current, traditional business model with mature systems and processes; and ***Speed of Innovation***, which focuses on creating agile, fast and new business models that explore, test and grow new products, services, channels, and market opportunities.

"Companies must ***modernize and optimize*** *to achieve Speed of Operations and then* ***create a new business*** *and operating model leveraging next-gen technology to achieve Speed of Innovation."*

Speed of Operations is about keeping the current business healthy and competitive, to engage, nurture and grow the existing business, customer base, and fund creation of a new business in Speed of Innovation through efficiencies in the existing business. Specifically, companies must **modernize and optimize** to achieve Speed of Operations and then **create a new business** and operating model leveraging next-gen technology to achieve Speed of Innovation.

As reflected in Figure 20, the Modernize and Optimize strategic initiatives are a well-established priority across insurers at 60%-80%. Regarding Creating a New Business, it is still a mixed bag in priorities of 45%-60% for the majority, except for innovation, developing new, innovation products, and integrating new technologies to new products and services.

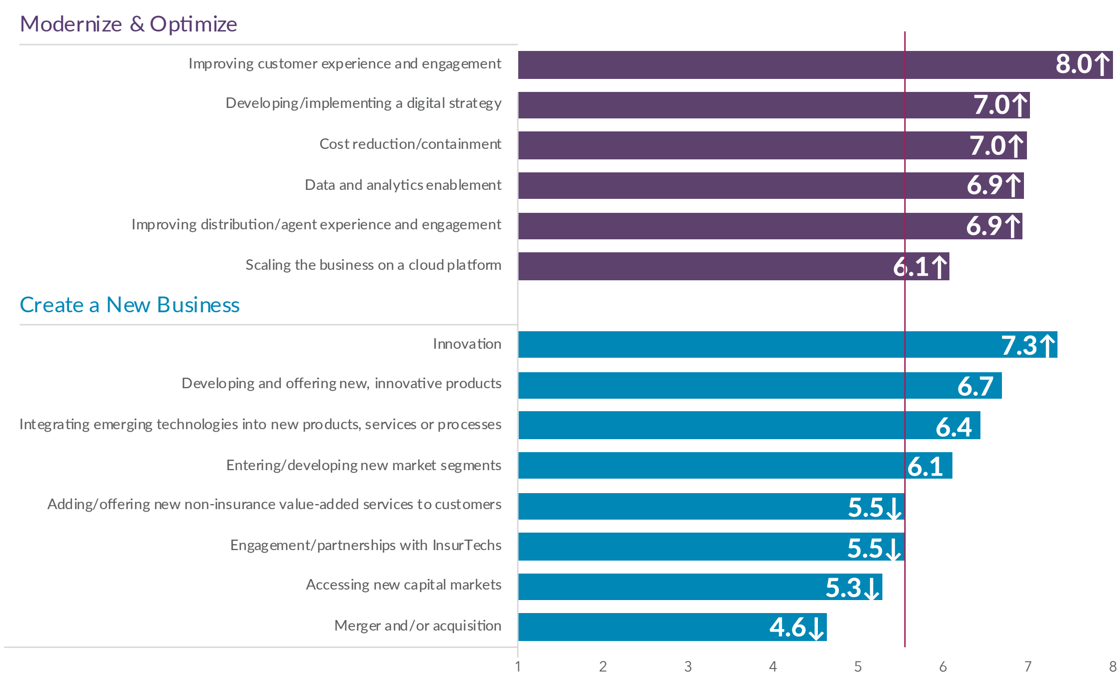


FIG. 20 *Priorities of Modernize and Optimize and Create a New Business strategic initiatives*

Intriguingly, the priorities of many of these initiatives correlate strongly with the level of concern expressed by insurers for internal and external challenges seen earlier in the report. As highlighted in Figure 21, the higher rated challenges have a higher rated strategic initiative priority, and vice-versa (note: the labels on the chart are the strategic initiatives). The highest rated challenge of changing customer expectations correlates to the highest rated strategic initiative priority, improving customer experience and engagement.

Interestingly, concern about the external challenge, rising competition from Insurtech and MGAs, has been declining since its peak in 2019-20. Likewise, engaging/partnering with InsurTechs is among the lowest-priority strategic initiatives in this year's survey. These divergent views highlight a blind spot for insurers as partnerships redefine market leaders.

"Innovation has moved from an operational to a strategic imperative to ensure market leadership by outpacing competitors and challenging disruptors to ensure long-term survival and success."

Encouragingly, innovation, which is highly rated as an internal challenge, is also highly rated as a strategic initiative, reflecting alignment between knowing and doing. In addition, insurers' survey results show a majority are in the planning/piloting phase of responding to the AM Best innovation criteria for operational innovation and strategic innovation. This is an improvement from previous years.

Innovation initiatives must be laser-focused on creating competitive advantages that respond to the rapidly shifting marketplace and adoption of digital technology. We have lost our sense of space and time and we need innovations to help us reconstruct new models that are less fixed and more relevant to today's and tomorrow's lifestyles and technologies.

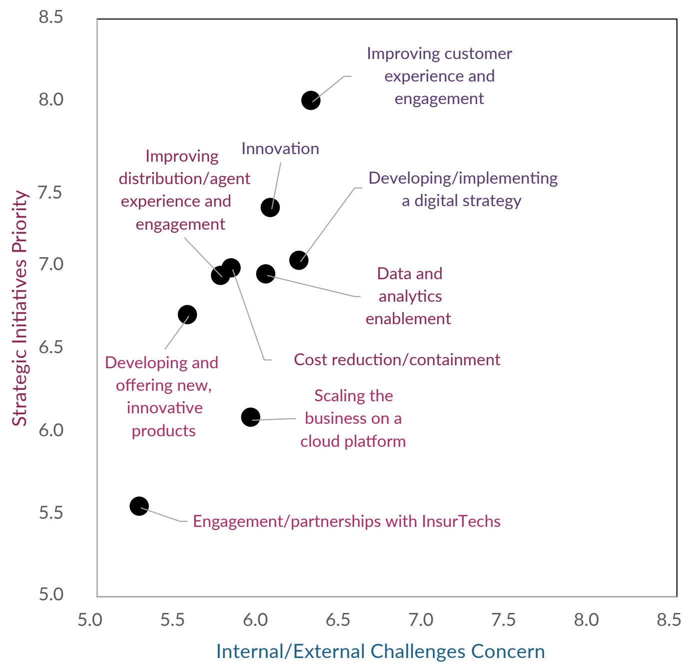


FIG. 21 *Correlation between internal and external challenges and strategic initiatives*

Innovators have had to learn and grow without an official rule book or instruction manual. Innovation has moved from an operational to a strategic imperative to ensure market leadership by outpacing competitors and challenging disruptors to ensure long-term survival and success. This has created a market space where innovation blazes new trails and leads, instead of being asked by operations to "follow and innovate along this path we already know."

Seven-Year Trends

*"The adoption of cloud has accelerated over the last 4-5 years to represent well over 80% of the industry either on or moving to the cloud. It is no longer a question of when … **it is a given.**"*

Priorities for Modernize and Optimize initiatives have consistently been higher than initiatives to Create a New Business, as reflected by the vertical scales in Figures 22 and 23 below. Specifically, improving customer experience and engagement continues to be the highest priority initiative since 2016-17, even with a very slight decline since its peak in 2018-19, as the industry entered a pullback period during the onset of the pandemic. Furthermore, the overall average of the Modernize and Optimize initiatives has declined since the onset of the pandemic, reflecting either recognition these initiatives are in implementation or that other priorities due to the pandemic have taken front and center.

The focus on scaling the business on a cloud platform is a great example. Based on various industry analyst reports, the adoption of cloud has accelerated over the last 4-5 years to represent well over 80% of the industry either on or moving to the cloud. It is no longer a question of when … ***it is a given***.

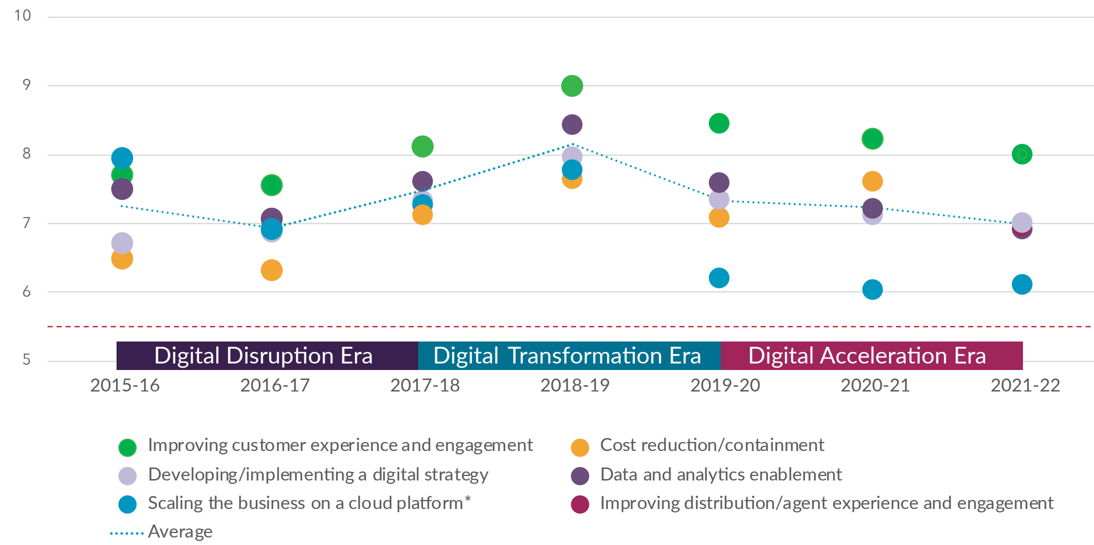


FIG. 22 *Seven-year trends in Modernize and Optimize strategic initiative priorities*

"The status quo is no longer an option and insurers are increasingly recognizing this with a focus on building their future business."

In contrast, the overall average priority for Create a New Business initiatives continues to increase, even if only slightly. Four initiatives have had the highest priorities in each of the past two surveys: innovation; developing new, innovative products; integrating emerging technologies into products; and entering/developing new market segments. These suggest the industry is embracing the need to re-think and re-invent the insurance business to meet the rapidly changing market, competitive landscape and fundamental changes in customers' risk needs and expectations that have evolved from the emergence of InsurTech, rapidly changing risk environment and the implication of the pandemic.

The status quo is no longer an option and insurers are increasingly recognizing this with a focus on building their future business.

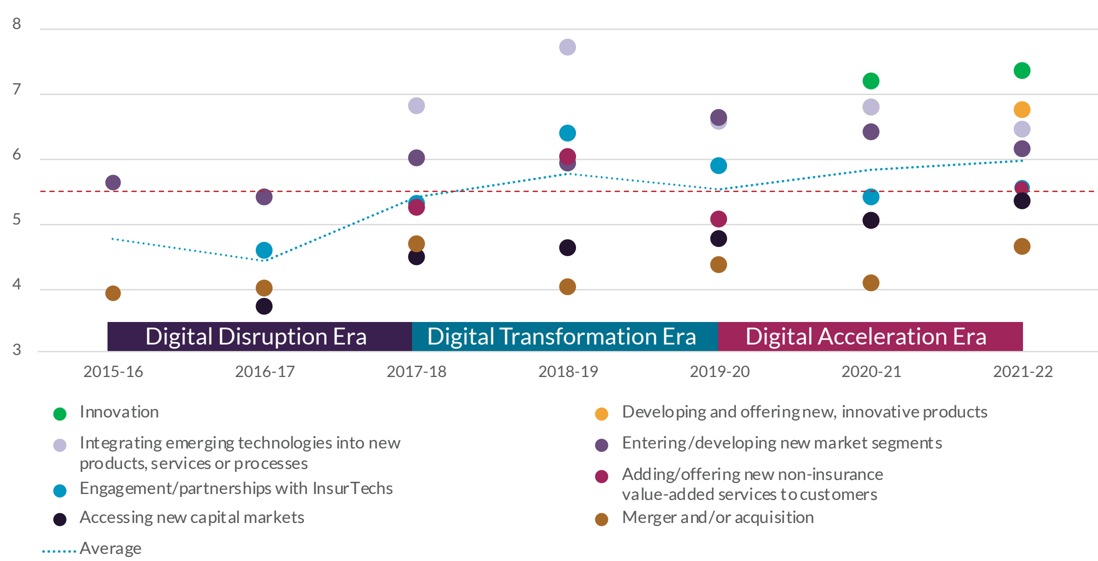


FIG. 23 *Seven-year trends in Create a New Business strategic initiative priorities*

Leaders, Followers, Laggards

*"Many insurers are in a must-move situation **now** – particularly Laggards and Followers. They must gain back competitive ground in the digital race for the customer and all roads that make sense ... lead to cloud adoption."*

Laggards' second largest gap to Leaders in this year's survey is within their strategic initiative priorities (32%). Specifically, Laggards' gap in the Modernize and Optimize initiatives was 25%, with the most serious gap in scaling the business on a cloud platform, at 41%. Additional concerning gaps that highlight a disconnect between market trends and response to them are developing a digital strategy (26%), data/analytics enablement (24%) and improving distribution/agent experience (24%).

For Followers, the overall gap to Leaders in strategic priorities is in line with their average deficit of 20% across all categories. The one troubling gap of 30% is scaling the business on a cloud platform. While great strides have been made, too many insurers are still operating with legacy, on-premise solutions, putting them at risk as Laggards and Followers compared to their competition.

Cloud use for insurers makes its case even without cybersecurity included. Many insurers are in a must-move situation **now** – particularly Laggards and Followers. They must gain back competitive ground in the digital race for the customer and all roads that make sense ... lead to cloud adoption. Moving to the cloud forces the organization to whip its data and processes into shape enough to migrate, then the cloud takes over. The simple process of preparation is a beneficial exercise. Every aspect of cloud migration makes an excellent case for doing it now.

Regarding Create a New Business, Laggards fare much worse with a larger average gap of 41%. The most alarming gaps include entering/developing new market segments (46%), developing new, innovative products (45%), integrating emerging technologies into new products (35%), and innovation (30%) – all areas that are crucial to meet the new risk needs, customer demands and new markets that offer significant growth opportunities. Inability or lack of focusing on these areas creates both operational and strategic risk for insurers that will hinder their growth, profitability, and relevance.

While Followers are in slightly better shape overall, they also face troubling shortfalls in key areas including integrating emerging technologies into new products (32%), entering/developing new market segments (21%), as well as adding/offering new non-insurance value-added services (25%).

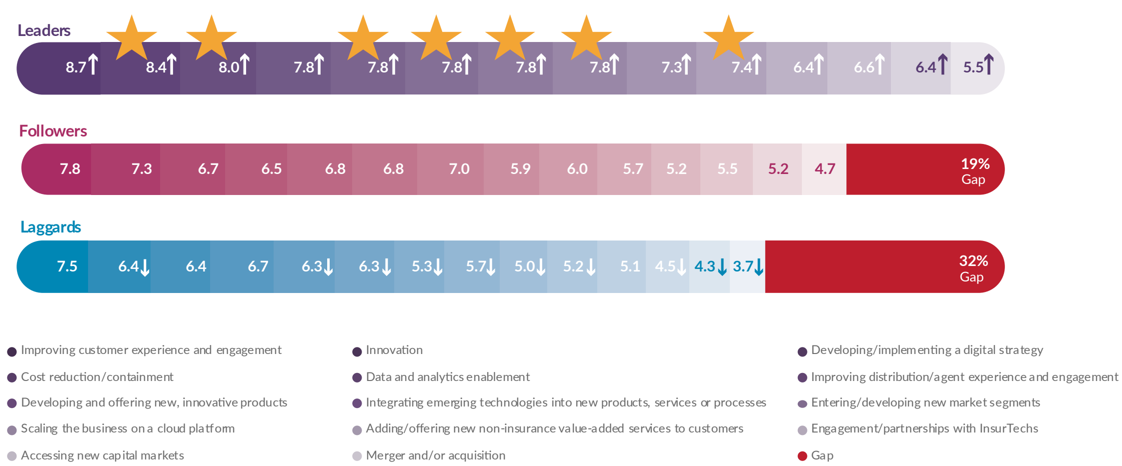


FIG. 24 *Strategic initiative priorities by Leaders, Followers and Laggards segments*

As insurers begin to consider the implications of major market and paradigm shifts, we would encourage them to think of new benchmarks as opportunities to modernize and optimize their existing business, while enabling them to experiment and innovate to build their future of insurance at speed and scale. ***This is the core of strategic alignment***.

The gaps between the large and mid-small insurers are relatively small for Modernize and Optimize initiatives. The differences emerge in Create a New Business initiatives. In particular, five double-digit gaps are the most worrisome as they reflect new realities of the changing market landscape for insurance for which the mid-small insurers are less prepared:

- Developing and offering new, innovative products: 14%
- Entering/developing new market segments: 17%
- Engagement/partnerships with InsurTechs: 13%
- Accessing new capital markets: 17%
- Merger and/or acquisition: 20%

"The contrast between the gaps highlights the deeper focus large insurers have in re-thinking and transforming their business to meet the demands of a new market landscape."

The contrast between the gaps highlights the deeper focus large insurers have in re-thinking and transforming their business to meet the demands of a new market landscape as compared to the mid-small insurers yet fixated on today's business by concentrating on table stakes capabilities.

Today's insurance industry marketplace is characterized by constant disruption, new risks, increasing competition and shifting market and customer demands. Innovation is increasingly critical to the future, long-term success of insurers. This lack of pace for innovation and change has unintended consequences for those who do not prepare for the future.

Successful management of the existing business and reinvention of the future business requires making a bet—one that can overcome the drag of the old way of doing things. Making that bet requires leadership, confidence and expertise that focuses on the right initiatives from knowing, planning to executing on them.

Outlook for the Future

Change and disruption are constants in today's world, but they continue to gain intensity and breadth across the industry. Insurers will continue to face bottom line challenges due to rising inflation, low interest rates, increased regulation, plus increased risks from the pandemic, cyber and climate shifts that are already making an impact. These myriad issues joined with the tectonic forces of customers, technology and shifting market boundaries that we have discussed are driving foundational change to the insurance industry.

"Insurance companies must reinvent themselves and deliver customized products and highly personalized services to meet new expectations from customers and keep in step with new digital leaders."

The year 2022 is already feeding us game-changing scenarios that will accelerate change and create significant opportunities for those prepared to meet the demands of a new generation of dominant buyers, changing risks and rapid adoption of technology by customers. The rapid adoption of digital technologies for shopping, payments and banking by home-bound customers has led to an upset in the balance of power between entrenched incumbents and new challengers in InsurTech and FinTech. Like the compressed and accelerated changes in customer behaviors, the magnitude of the shifts in market power seen during the pandemic are accelerating.

Customers are driving the digital shift, creating for insurers an "outside-in" view, where they must move from a transaction focus to one based on creating holistic, compelling experiences. Insurance companies must reinvent themselves and deliver customized products and highly personalized services to meet new expectations from customers and keep in step with new digital leaders.

The viability of the insurance industry is vitally connected to these customers. If we lose touch with them, both current and future, we lose business.

So, what are insurers' outlooks for the future?

"It is even more insightful to compare insurers' ratings of their strategic activities from the past year to the next three years. An unwavering takeaway of this comparison is that optimism rules."

Consistent with insurers' evaluation of their performance last year, they have high expectations for rapid growth over the next three years. The three key drivers of this expectation include developing new business models (42% impact), reallocating resources to change how they do business (22%) and developing new products (20%).

It is even more insightful to compare insurers' ratings of their strategic activities from the past year to the next three years. An unwavering takeaway of this comparison is that ***optimism rules***.

Every year, expectations for the next three years are always higher than for the previous year. Unexpectedly, over seven years of comparison, the extent of this "optimism rebound" has been declining in all factors except one, developing new business models, which remains the same. This poses the questions: Are insurers becoming less optimistic? Are the previous year's results aligned to future expectations? Is growth and execution of strategic activities really improving and meeting expectations, or are insurers no longer seeing "the forest through the trees?"

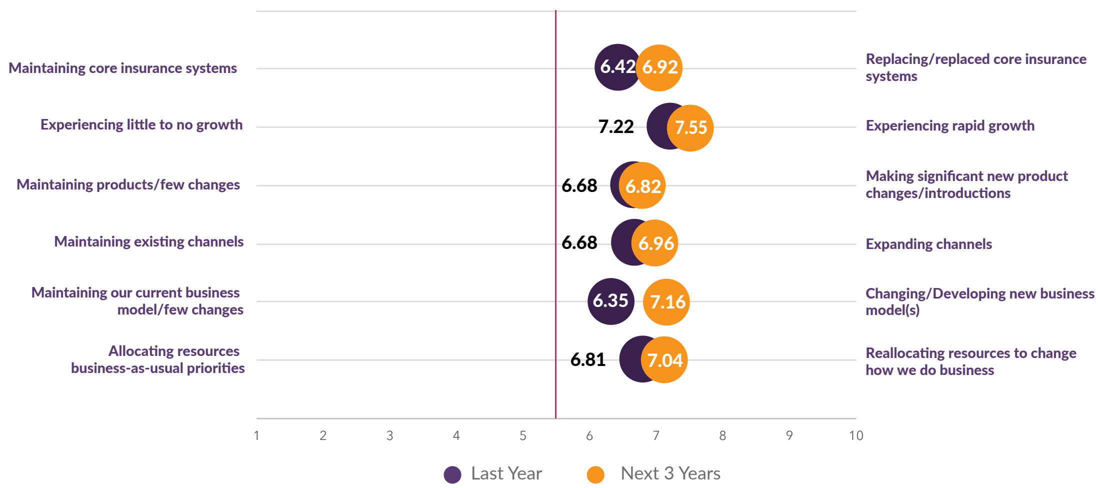


FIG. 25 *Comparisons of insurers' strategic activities in the past year and expectations for the next three years*

Leaders, Followers, Laggards

Optimism took a hit in the 2021 report, reflecting the impact of the pandemic. Leaders (-5%), Followers (-10%) and Laggards (-23%) all had declines in their expectations for the next three years compared to their assessments in the 2020 report. The result was a staggering 103% gap of Laggards to Leaders in the 2021 report.

Fast forward to 2022, and Laggards made considerable progress in closing that gap from 103% to 71%, a 32% improvement. Unfortunately, the gap still remains large and challenging. Laggards' smallest gap to Leaders was in expected growth, at 37%, however, all the others range from a low of 70% to a high of 94%, massive gaps that in many ways may be unsurmountable.

Followers made little progress looking out three years, remaining essentially unchanged at 29% versus 28% last year, treading water to stay with Leaders. While it is encouraging to have not lost ground, if Laggards continue to make progress in closing the gap, their competitive landscape will become more intense. They will be squeezed not just by Leaders but also by Laggards who are aggressively moving forward. Being caught in the middle squeeze will be challenging. Followers need to make clear strategic choices on where they need to focus, not only to grow, but to thrive in the continuous market shifts, chaos, and uncertainty.

"Being caught in the middle squeeze will be challenging. Followers need to make clear strategic choices on where they need to focus, not only to grow, but to thrive in the continuous market shifts, chaos, and uncertainty."

Intriguingly, the gaps between the large and mid-small insurers were smaller. Large insurers stood out with higher expectations for channel expansion (11%) and new business model development (8%), both areas we are increasingly seeing from large insurers, particularly with M&A and partnerships, creating first-mover, competitive positioning. As examples, consider the following:

- American Family acquired Bold Penguin, strengthening their focus on SMB insurance with an innovative marketplace.[3]
- Travelers acquired Trov, supporting a move to embedded insurance.[4]
- Aon acquired Coverwallet to expand its product offering: specifically, in the small business commercial space.[5]
- Prudential's acquisition of Assurance IQ provided a customer engagement, direct-to-consumer platform.[6]
- State National's fronting deal with Tesla established a partnership with a non-traditional player innovating in the insurance.[7]

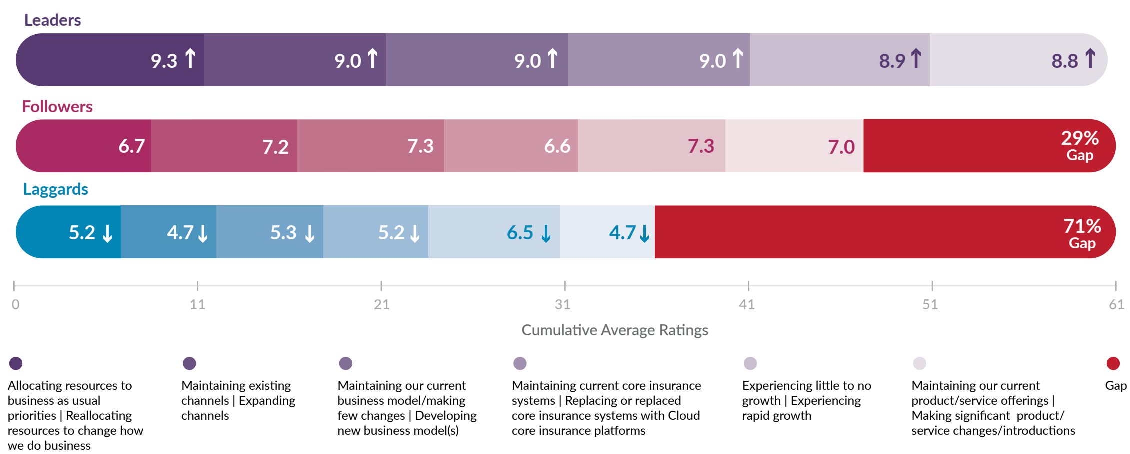


FIG. 26 *Expectations for insurers' strategic activities in the next three years by Leaders, Followers & Laggards segments*

Conclusion

Undertaking digital transformation begins with customer-centricity. A true customer-focus will drive insurers to deliver the capabilities that create great customer experiences, generate brand excitement and loyalty and drive growth and profitability. Over the course of the last seven years, and in particular the last two years, insurance customers – whether individuals or businesses – are changing, forcing insurers to rethink their business.

"Over the course of the last seven years, and in particular the last two years, insurance customers – whether individuals or businesses – are changing, forcing insurers to rethink their business."

For individuals, our consumer research this year found the pandemic increased the awareness and recognition of the value of insurance. However, it also significantly changed expectations of buying to be far more digital, offering insurance through more desired channels – where embedded insurance is seen as extremely valuable, and digital payment options have exponentially increased including through new options like Bitcoin, Zelle and Venmo. Most interesting is the shift in expectations in types of insurance products needed, the necessity for value added services and the demand for personalized underwriting leveraging new data sources including IoT devices.

Much was the same for SMBs. Our SMB research this year found they are rapidly adapting to a new business environment that has accelerated the shift to digital and new buyer demographics and expectations that have resulted in altered business models, adoption of digital technologies and new risk needs. Those who survived the pandemic changed their business models, products and services and employment focus. But now they are faced with retaining and recruiting top talent due to the "Great Resignation and Great Retirement," dealing with supply chain challenges, inflation, climate risk, and starting a new business or changing their business models digitally to produce and distribute products and services to a changing and demanding customer base. Even more importantly, Millennials and Gen Z are taking the helm of new or existing businesses, using digital technologies in their personal and business lives that require new risk products, services, and experiences.

For both individuals and businesses, their digital transformation accelerated … but has it also accelerated for the insurers that they do business with?

This year's Strategic Priorities research suggests some have and others have not … once again a mixed bag of results that separates Leaders from Followers and Laggards.

"For both individuals and businesses, their digital transformation accelerated … but has it also accelerated for the insurers that they do business with? This year's Strategic Priorities research suggests some have and others have not … once again a mixed bag of results that separates Leaders from Followers and Laggards."

- Leaders see the market and technological trends as a many-fold opportunity for insurance. Now they have the evidence they need to incorporate new sources of data, reach new market segments, offer innovative new products that are necessary and demanded by customers, creating faster, better, and smarter customer experiences.
- Leaders distinguish themselves with a stronger focus on initiatives instrumental to creating new business models, expanding distribution channels, entering new markets, adding value-added services, and developing new products by leveraging technology as a foundation and catalyst for innovation.
- Leaders establish a strong operational and technology foundation – one that brings together SaaS next-gen core insurance systems, digital experience platforms, partnerships, ecosystems and data and analytics that is built on a modern architecture that supports easy, rapid integration through microservices or APIs running in the cloud to drive speed to implementation, speed to market and speed to value, at scale.
- Leaders are differentiating themselves in the use of technology to fundamentally change the business operating model and to innovate – two key aspects tracked by AM Best in their innovation ratings. Leaders retain a wide gap between Followers and Laggards over the next three years – aligning to the AM Best assessment for the industry.

For decades, the creation and evolution of insurance markets and products unfolded at a slow and steady pace. Insurance and other industries stayed within their swim lanes. Insurers' technology, data and processes were adapted to take advantage of these opportunities – sometimes through technology updates, extensive customization or through new technology. But today, this business model and technology approach are unresponsive to market shifts or opportunities, particularly given the disruption and need for innovation.

"One thing is for sure: the insurance landscape has changed exponentially over the last 7 years due to InsurTech and it has accelerated the last two years due to the pandemic. We now have a new generation of dominant buyers who look at everything differently and will put change into a higher gear."

Anyone would agree that innovation and disruption are related topics. Innovation deals with creating an entirely new approach that adds value to something. Disruption deals with accepting the reality that something new will change our current approach.

Jim Gillard, Executive Vice President & COO, AM Best, sums this up succinctly. "Structural shifts — demographic, technological, economic, and environmental — are redefining the insurance industry. Innovation can be a way for an insurer to rise above these challenges…As innovation becomes more pervasive, insurers that do not innovate can expect to find themselves at a disadvantage through adverse selection and worsening operating efficiencies." [8]

One thing is for sure: the insurance landscape has changed exponentially over the last 7 years due to InsurTech and it has accelerated the last two years due to the pandemic. We now have a new generation of dominant buyers who look at everything differently and will put change into a higher gear.

Are you a Leader, Follower or Laggard? How you stack up to your peers and competitors will influence your future. An operational and strategic focus is mandatory to adapt and survive.

Do you have a seven-year itch for change? Your competition is changing. Your customers demand it. Are you ready?

About the Authors

Denise Garth is Chief Strategy Officer at Majesco, she is a widely regarded InsurTech and industry thought leader and recognized InsurTech Top 50 Influencer and Top 50 Women Leaders in SaaS, Denise Garth is the Chief Strategy Officer at Majesco. Majesco is a global leader of cloud insurance software solutions with products that empower insurers to modernize, innovate, and connect their business at speed and scale. Garth began working at Majesco in 2015 as a Senior Vice President in Strategic Marketing, Industry Relations, and Innovation. Garth leads the company's strategy, marketing, industry relations, and innovation in support of Majesco's client-centric strategy. With both P&C and L&A insurance experience, Garth has also authored research and articles grappling with the key issues and opportunities facing the insurance industry.

Prior to Majesco, Garth's extensive leadership career has spanned both business and IT across the insurance industry such as Century Companies, CUNA Mutual Group, Mutual of Omaha, Bowne Global Solutions, ACORD, Innovation Group, and Strategy Meets Action. A renowned strategic thinker, innovation leader, international speaker, and author, Garth has deep international ties across North America, Asia and Europe. She is active in the InsurTech space, is an Advisory Board Member for the Silicon Valley Insurance Accelerator, and a Mentor for the Global Insurance Accelerator. Garth holds a bachelor's degree in math and computer science from Central College in Iowa.

Glenn Westlake is VP of Strategic Marketing at Majesco. He is responsible for supporting Majesco's client-centric strategy by bringing information and insights to Majesco customers about consumer behaviors and marketplace trends, and their implications for insurance. He has over 20 years of experience in market research and insurance, with 13 years serving as the Director of Consumer Research at American Family Insurance in Madison, WI.

References

1 Torrence, Simon, "Embedded Insurance: a $3 Trillion market opportunity, that could also help close the protection gap," December 10, 2020, https://www.linkedin.com/pulse/embedded-insurance-3-trillion-market-opportunity-could-simon-torrance/
2 "Usage-based Insurance Market to reach $125 billion by 2027," Global Market Insights Inc., June 3, 2021, https://www.globenewswire.com/news-release/2021/06/03/2241169/0/en/Usage-based-Insurance-Market-to-reach-125-billion-by-2027-Global-Market-Insights-Inc.html
3 Simpson, Andrew, "American Family Insurance to Acquire Small Business Insurtech Bold Penguin," Insurance Journal, January 14, 2021, https://www.insurancejournal.com/news/national/2021/01/14/597555.htm
4 "Travelers Acquires Tech Assets of Insurtech Trōv for Personal Insurance," Insurance Journal, February 23, 2022, https://www.insurancejournal.com/news/national/2022/02/23/655414.htm
5 "Insurtech Acquisitions to Skyrocket in 2021," InsurTech Trends, https://insuretechtrends.com/insurtech-acquisitions-to-skyrocket-in-2021/
6 ibid
7 ibid
8 Finnegan, Hopper, Imsirovic, Varvaro, Ermakova, et. al, Special Report: The Advent of Innovation, A.M. Best, March 20, 2020

MAJESCO