



## 6 Hot Areas of Focus for 2017



### **Summary:**

*Significant capital will continue to enter the market for insurance startups ? from insurers and MGAs to technology providers.*

**By:** Denise Garth

When you Google *Jeopardy!* games developed to help educate people about insurance. At Majesco's recent customer conference, Convergence 2016, we developed a *Jeopardy!* session with insurance industry analysts Karlyn Carnahan of Celent, Martina Conlon of Novarica and Karen Furtado of Strategy Meets Action around the concept of the insurance renaissance and the top predictions for 2017. The focus was to discuss what we see unfolding in 2017 regarding competition, technology, innovation, new products and services, as well as what will emerge as the hot areas of focus for insurance in 2017. It was an engaging, provocative and intriguing set of topics that underscore the pace and level of change and disruption within the industry?as a new renaissance in insurance. There were six areas of focus with four topics. Here are the highlights that you, as industry leaders should be assessing or even acting on. **Core Systems** Core systems are table stakes in today's changing marketplace. There will be continued investment, and a *major shift to cloud* with agile, quick, ready-to-launch platforms is gaining momentum. In addition, some insurers are starting with a new company, new business rather than legacy replacement to rapidly enter new markets or introduce new products ? breaking from the traditional path over the last 10 years of legacy transformation. **See also:** [\*Insurtech: One More Sign of Renaissance\*](#) As a part of the shift, core systems must support new products and capabilities such as collaborative services where agents and customers have more transactional transparency and control from quoting and payments to claims. Products will move from indemnification-only to include embedded services and behavior-based to eliminate or reduce risk and claims. Two key predictions about what could shake the market: There may be an introduction of an entirely block-chain-based policy based on multiple simple block chain conditions; and there could be a ?zero-day? cyber security exploit, where a hacker spots a flaw before it can be patched and puts insurers on notice that cyber-liability is a potential catastrophic exposure. **Digital and Customer Experience** Increased investment will continue in portals, but a shift in focus will gain momentum in 2017. Digital transformation will rapidly move beyond point portal solutions to multi-channel/omni-channel experiences with expanded use of alternative channels, mobile and more. At the core of this shift is transforming the customer experience to



drive engagement and not just transactional capabilities. This will require a shift from data entry (with a nice user interface, or UX) to high-value engagement platforms that do much more than transactions. This will, in turn, lead to a micro-segmentation focus for customer experience. Increasingly, customers and agents will lose patience with outdated, bad UX and will shift to those who have superior UX. A look at the UX for Lemonade, Haven Life and Slice will give insurers a sense of a modern, intuitive and engaging experience. These companies and other similar organizations are much more than slick portals. They are adept at leveraging micro segmentation, new sources of data, behavioral science, gamification and much more to create an engagement experience instead of a slick transaction experience. **Data** Data and analytics will become more operationalized and embedded in the underwriting and claims business processes. We will see the expansion of data-driven insurance pricing and automated underwriting into more commercial lines with a further blurring of processes for personal and small commercial. Real time will become full time. Expanded use of third-party data such as live weather data, IoT data, live stream video, drone video, social media and more will be used to make real-time decisions from underwriting through claims. Real time comes to life! **See also: [A Renaissance, or Just Upheaval?](#)** Machine learning and cognitive technologies are beginning to emerge and gain momentum. This is driven by an array of new insurtech startups, as well as established companies like IBM that are rapidly operationalizing this technology into specific business use cases that add tremendous value from customer engagement to organizational knowledge. **Distribution** The landscape of distribution will shift and expand. Significant insurtech investment is currently around distribution, and we will see the impact of technology, integration and connectivity with new channels, the rise of MGAs and the emergence of hybrid distribution models that will continue to disrupt and displace traditional distribution models. The rise of MGAs is of significant note in that they will piece together partners and technology to identify new market segments and new products to meet emerging needs rapidly with analytics and cloud powering their rise. Google is also ready to get back into the insurance game, having learned from its past efforts. This time, Google will embed predicted premiums into search results, like it does for hotel room costs today. The insurance industry will freak out again, but Google's efforts will help drive business. **Disruption and Emerging Tech** One of the key factors disrupting insurance is the rapid inception and maturation of emerging technologies that have caught many in the industry (insurers, agents and solution providers) off guard. Just look at cloud now a major deployment choice for core systems. Other technologies are rapidly accelerating in adoption. Telematics will accelerate in adoption across a wider spectrum of insurers for both personal auto and commercial fleets, due to both embedded capabilities within new vehicles and new solutions that offer the same capabilities inexpensively. Telematics data will grow beyond auto telematics to IoT/sensor data for homes, commercial buildings, worksites and more. This will exponentially accelerate and provide real proof points on the value and impact for insurance. In addition, we will see the expanded use of live stream video from phones and drones, gamification, autonomous vehicles and more. All of this will drive insurers to begin investing and partnering with services-oriented organizations and startups that can provide risk avoidance or mitigation, whether it is offering safety advice, services that detect potential risk like water heater malfunctions, car engine checkups, worksite safety and more. The industry will start pivoting toward risk management services that will avoid or mitigate high claims and provide an opportunity for new products, revenues and most importantly customer engagement and value. **Insurtech**



Insurtech as a movement will remain sizzling hot! Significant capital will continue to enter the market for insurance startups ? from insurers and MGAs to technology providers. While insurtech has the feeling of the ?dot com? era?this time it has substance with real business plans, real markets and real solutions. The insurtech movement is sending a clear message to the insurance industry that we have rapidly entered a new era that is more profound than in the past?a renaissance. And insurtech has signaled that, from here forward, insurance must be innovating. But many insurers will struggle with how to innovate, what to innovate, where to start and how to engage the insurtech movement. It will require a leap of faith to begin somewhere with innovation and to determine how to deal with technology startups and work through the ?noise.? It requires a shift in insurers' participation?from their partners to venture funds, accelerators and more. For some, having a strategic partner that can bring those opportunities to the table might be the best option. For others, direct involvement will make more sense. **See also: [The Insurance Renaissance, Part 5](#)** And yes, many of the hot, highly funded insurtech startups might ?flame out,? but they will teach the industry a thing or two about meeting customer expectations and needs. Sitting back and thinking ?this too will pass? is not an option, because it will not pass. It will just morph as it rapidly disrupts, deconstructs and redefines the industry. Yes, 2017 will likely be an interesting year for the insurance industry. The definition of jeopardy is ?exposure to or imminence of death, loss, or injury.? Those who do not keep track of the changing landscape of people, technology and market boundaries are in jeopardy. They will expose their companies to potential loss, injury?and in some cases the death of a business. We at Majesco see it as an exciting time for the industry?a time of great change, challenges and opportunities. While insurers have different strategies and paths to their future, we are convinced that the predictions for 2017 will be a big part of that future.



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