



# Clarity on Insurance Digitalization

**Achieving agility:  
Towards a new business model**

**June 2017**

---

4

**Seizing the opportunity**

Time to face the digital reality

---

12

**Interviews**

Gert De Winter and Adrian Honegger, Baloise Group  
Philomena Colatrella, CSS  
Francis Blumberg, Swiss Re

---

24

**Hot topics**

Digital labor, future customer,  
claims management, data and governance





CONTENT

# Clarity on Insurance Digitalization

---

EDITORIAL

3 **Almost endless options**

---

MAIN CHALLENGES

4 **Becoming a digital leader**

---

INTERVIEWS

12 **Agility is our answer**  
Gert De Winter and Adrian Honegger, Baloise Group

16 **Satisfying the digital customer**  
Philomena Colatrella, CSS

20 **Digitalization requires strategic flexibility**  
Francis Blumberg, Swiss Re

---

HOT TOPICS

24 **Digital labor and the next wave of business transformation**

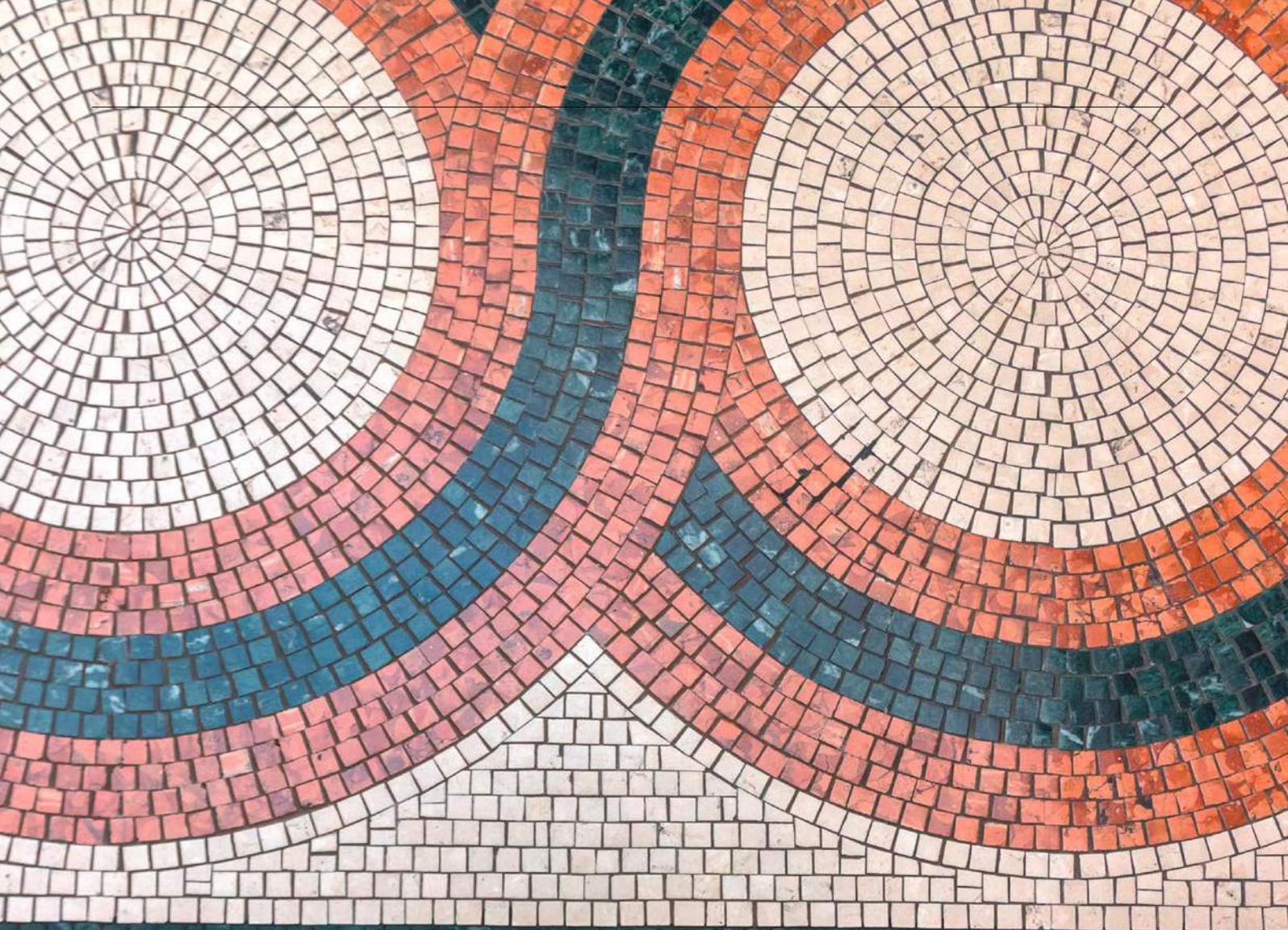
28 **The digital insurance future from the customer's perspective**

30 **Claims management as a competitive advantage**

34 **Building capacity: The role of cloud computing, data and governance**

---

38 Pinboard & Imprint



"Only a truly agile culture can enable an insurer to continually adapt and reshape itself in this rapidly changing environment."



# Almost endless options



**Hieronymus T. Dormann**  
Head of Insurance



**Anup Nastik**  
Head of Insurance Advisory

Digitalization – the next stage in technological innovation. As it throws up new opportunities and challenges, the sheer extent and speed of change can be daunting. Yet staying ahead of latest developments is critical to avoiding becoming a ‘digital dinosaur’ who is out of line with customer expectations. This is reflected in our interviews with three leading Swiss insurers – Baloise Group, CSS and Swiss Re – who set out their thoughts on how digitalization is driving their thinking and future business model.

In fact, digital change affects almost every aspect of an insurer’s business, from customer offerings to internal processes. Given the breadth and speed of change, only **a truly agile culture** can enable an insurer to continually adapt and reshape itself to stay relevant in this rapidly changing environment. Not to mention becoming a digital leader in customers’ eyes.

The application of **digital labor** is central to these efforts. Representing core technologies, artificial intelligence, machine learning and so much more, it can – and should – be used to manage costs, improve efficiency and gain competitive advantage. It can also free up human labor to focus on value-adding roles such as innovation and new ways to improve the customer experience.

Key to **satisfying customers’ expectations** in this digital age is to enhance the accessibility of services and solutions, and to do so in a truly joined-up manner. Insurers cannot afford their web, mobile web and mobile apps to be simply a ‘tick box’ exercise, for instance. They must be part of an omni-channel approach to tools that are seamlessly interchangeable and flexible. Any place, any time.

Nowhere is this more critical than in **claims management**. Think of the customer who wants to use a range of telephone, mobile app, online and face-to-face interactions over the course of a claim; it is here that he will understand whether his insurer’s operations are truly joined up and customer-centric. Avoiding frustration, delay and unnecessary repeated contacts, this is the insurer’s chance to shine. And it is digital technology that enables them to do so.

Last but not least is the huge role digital solutions play in **data and governance**. Insurers have long dealt with masses of customer information, but even for this data-rich industry, volumes continue to grow and may become unmanageable. This impacts not only on an insurer’s ability to best serve its customers, but also on it being able to comply with the ever-growing list of regulations.

As digitalization brings its fair share of challenges and opportunities, we hope you enjoy the insights in this edition of Clarity on Insurance Digitalization as we seek to cast light on some of the issues facing insurers. We trust you will find it thought provoking as you consider your roadmap to the digital future, and we would be pleased to discuss the implications for the agility of your own culture and business model.

**Hieronymus T. Dormann**

**Anup Nastik**

---

# Race to the top

**Assessing the web, mobile web and mobile apps of 20 Swiss insurers from a customer's perspective shows how only one-fifth are on track to become a digital leader. What next for the other 80 percent?**



---

# No second chances in the moment of truth

**Nowhere is the customer-insurer relationship more likely to suffer than when reporting a claim. With a seamless, stress-free omni-channel approach being central to customer satisfaction, how confident should insurers be that their relationships can survive?**



# The future of the workforce, or its replacement?

**Digital labor has entered its third phase. From acting like humans, it developed to thinking like humans. It is now ready to augment or replace humans. Is the time right to transform the insurance business model through a hybrid workforce in which AI and people work hand in hand?**





# Data: The new insurance master?

**The compliance burden continues to intensify, while volumes of insurance data held expand. As the demands on your IT function grow, is your data management strategy robust enough to withstand regulatory scrutiny while being fit for purpose in the age of big data analytics?**



# Agility is our answer

**Gert De Winter, CEO, and Adrian Honegger, Head of Group Strategy & Digital Transformation at Baloise Group share their insights into how digitalization is transforming their industry**



**Anup Nastik**

Head of Insurance Advisory  
at KPMG

**Adrian Honegger**

Head of Group Strategy & Digital  
Transformation at Baloise Group

**Gert De Winter**

CEO of Baloise Group

**Hieronymus T. Dormann**

Head of Insurance  
at KPMG

**KPMG** With “Simply Safe”, you’ve created a strategic blueprint for the next five years. What are the most important aspects of this strategy?

**Gert De Winter** Besides continuing and improving all the things we already excel in today, Simply Safe consists of two main pillars: making our processes, products and interactions brutally simpler and going beyond insurance. This means not only paying out on claims, but also expanding the classic value chain with simple customer-oriented services. Upstream, this could be in the area of prevention, for example through a partnership with a provider of early warning systems for fires. Downstream, this could mean providing services that are normally required only after a claim has been made – such as the Life Coach. In the event of bereavement, the Life Coach not only offers emotional support, but also provides assistance and advice to help customers make the necessary arrangements. Speed and innovation are critical when launching a new product like this, and these can only

be attained through the right corporate culture. Another important part of the strategy is to foster a work environment that motivates all our employees to be agile, innovative and entrepreneurial.

*Is the Simply Safe strategy primarily targeted at the Swiss market, or do you expect it to drive growth in other countries in which you are active?*

**De Winter** It is a group-wide strategy that will, however, be implemented differently in different countries. I see growth on various levels: firstly, we can invest in markets where we already have a strong presence; secondly, we can drive growth in new areas such as insurance policies that can be taken out in just a few minutes via a mobile device. Our Germany-based startup FRI:DAY is a great example of this, and will allow us to grow in a market where we have less of a foothold than in our other, core markets. Cross-market launches of new initiatives are also important – so if a product works in one of our core markets, we try to implement it in another market as swiftly as possible.

*Where do you see your greatest challenges?*

**De Winter** Our greatest challenge is undoubtedly cultural: our employees need to get used to the agility we expect from them. That takes time.

**Adrian Honegger** It’s not just important to know and understand where we want to go, but also to demand and foster the necessary skills we need to get there – otherwise agility, innovation, entrepreneurship, autonomy and digitalization are just empty words. For organizations, being agile means working patiently and diligently to develop the necessary skillset over many years in an adaptive system. At Baloise, we already have thousands of years’ collective experience with agility, scrum, kanban, etc. We’re still not professionals, but we’re already amateurs.



**Gert De Winter**  
CEO of Baloise Group



**Adrian Honegger**  
Head of Group Strategy & Digital Transformation at Baloise Group

*You've invested in new open-space offices. What feedback have you received from your employees?*

**Honegger** The new work environment helps foster stronger networks, osmotic communication, and the democratization of relationships and information. The open spaces have improved our agility and learning culture, and have thus furthered our efforts to become a more versatile organization. In addition, we are one of the first insurers to flatten our hierarchy in a bid to speed up processes and increase employees' sense of responsibility. However, noise and reduced privacy remain challenges as before.

*What do you expect from your employees over the next five years?*

**De Winter** Agility, curiosity, entrepreneurship, innovation, making mistakes and building trust. It's clear that this will not be an easy time, but a palpable cultural shift is already taking place in our company. This pleases me and reinforces my belief that we're on the right track.

*Do you also need to define another type of goal?*

**De Winter** Yes, our strategy should be regarded as a triangle: motivated

employees do good work and this makes for satisfied customers which leads to higher returns for the benefit of our shareholders. How will we achieve this? We've now set far more group goals than individual targets, both on a divisional and inter-divisional level, and this is changing our employees' cultural behavior.

*Let's talk about customers and digitalization. The customers of the future are more heterogeneous, individual and demanding. How does that impact your strategy?*

**De Winter** One key point to note when it comes to digitalization: you have to differentiate between the use of digital technologies and their incorporation into a company. It's the same difference that Adrian spoke about between knowledge and ability. We have been using digital technologies for many years now and are one of the pioneers in our industry. We are still learning just how digitalization changes culture – both inside a company and in our society. For example, today we no longer decide how customers communicate with us, but rather they decide which channel they prefer – phone, email, chat, etc. Another challenge is complexity, as products need to be individually tailored to the customer.

**Honegger** Today, for example, you can't take out an insurance policy at the weekend because there are no digital solutions. But it's not only 20 to 30-year-olds who want this – the older generations do too. We have to learn what our customers need and adapt accordingly. The key word here is "omnichannel".

*Is the omnichannel approach new in Switzerland?*

**De Winter** Yes, I think so. Multichannel is nothing new, but the connection of the channels, so that the customer receives a seamless experience, is new. We're working intensively on the development of the customer experience in this area.

*What are you doing in the area of cyber insurance?*

**De Winter** Although cyber insurance is still viewed as "exotic" in the insurance world, in the future it will be as common as, say, liability or car insurance. Our lives are becoming increasingly digital. In some cases, devices that lack the appropriate protection are being used for payment processes, sensitive data storage and sensitive communication. Making a purchase with a credit card over an unsecured wifi network is just one example of this.

**Honegger** This makes life easy for fraudsters, so we believe it is our duty to educate our customers and offer them an emergency product to ensure they're as well protected from cyber threats as possible. At the end of March 2017, Baloise was therefore the first Swiss insurer to launch a comprehensive cyber insurance policy for private individuals.

*You recently launched GoodDrive in Luxembourg. How does this benefit your customers?*

**De Winter** In Luxembourg, Baloise has developed an innovative approach to vehicle insurance. Thanks to our driving behavior analysis app, Game of Roads, we've made a name for ourselves among young drivers. With GoodDrive, we recently launched the first connected car insurance based on data that we collected from the Game of Roads app. GoodDrive is aimed at young drivers: the more sensibly a person drives, the lower their premiums. Discounts for careful driving can be as high as 30 percent. This is a great example of how new digital technologies in the insurance sector can be used to benefit everyone.

*The collection of customer data is increasingly important – think telematics and wearables. How are you dealing with the issue of data protection?*

**Honegger** As an insurer, we've been working with sensitive data for more than 150 years. We follow strict guidelines, and all employees receive regular training on this important issue. So the collection of data through new technologies doesn't mean that we have to fundamentally change our approach to data security. However, we will no doubt have to adjust the way we process data due to new collection methods.

*Are there companies that impress you?*

**De Winter** Actually, no. There's too much talk about the Googles,



"We offer established expertise, while the startups offer innovation."

Amazons and Zalandos of this world – but there are lesser-known companies who are doing really well too.

**Honegger** I'm impressed by our startup FRI:DAY. This March, its first product came on the market, a car insurance solution that can be canceled monthly, with a super-streamlined offer process. At FRI:DAY, the customer will be king.

*Your joint ventures F10 and Anthemis see you teaming up with two external parties. Why is working with external partners important?*

**De Winter** Collaborations with external partners create diversity and allow us to learn from one another: we offer established expertise thanks to our many years' experience, while the startups offer innovation.

**Honegger** Our new watch insurance offers a specific example of this. You can sign up to it online in two minutes – all you need is a photo of your watch. We then use image recognition software to do the rest, in a way that nobody else in Europe is doing at present. As customers sign up online, they are accompanied by an animation of two of our employees. This emotionalizes the product, which is known to be an important sales tool. When you take out

an insurance policy with us, it should be a fun, personal experience.

**De Winter** This image recognition software is also important for the claims department. Difficult cases are still handled by our employees on site, but everything else can be processed digitally with an app and a photo. We always need to be a step or two ahead of the competition – and innovations like this ensure we are.

*You are aiming to attract a million more customers. How are you planning to achieve this?*

**De Winter** Baloise is a rock-solid company. We have one of the most profitable non-life portfolios in Europe and have always been well capitalized. We have earned the right to grow, and this growth will come the more we push ahead with the cultural shift that's already under way – through innovative, entrepreneurial and agile employees. I have no doubt about that.

**Honegger** The insurance market is picking up pace. If we can support our customers 24 hours a day, we'll keep up. As Gert said, agility is key. If we can act faster, we can have more contact with our customers and be stronger than ever.

A photograph of a modern, multi-level office building interior. The space is characterized by clean, white architectural lines and warm, ambient lighting. A person is walking away from the camera down a long, brightly lit hallway on the ground floor. The upper levels feature glass railings and recessed lighting, creating a sense of depth and openness. The overall atmosphere is professional and contemporary.

# Satisfying the digital customer

Philomena Colatrella, CEO at CSS, shares her thoughts on agility, focus and how to drive her business forward

**KPMG** *How have you settled into your role as CEO of CSS?*

**Colatrella** I feel really positive in my new role, and there is great potential to move the business into a higher gear. CSS needed restructuring in order to be well prepared to meet future challenges in the healthcare sector. In my first months as CEO, I carried out around 100 interviews with employees and analyzed the company from various perspectives. Then, on September 1, 2016, I introduced a new organizational structure. The Corporate Executive Committee has also since been restructured. I'm really looking forward to working with this management team to tackle the challenges ahead.

*What was your biggest challenge?*

One big challenge was to strike a balance between customer-centricity and costs. Customer satisfaction is key and we want to be best in class, but strict cost control is also essential and employees must really understand their duties and perform them effectively. We are currently the number one health insurer in the market, and so we feel it is our duty to help shape developments, such as reductions in healthcare costs.

*Is it relevant that you are the first female CEO of a health insurance company?*

True, I am the first female CEO of a Swiss health insurer. That is a major milestone. I am pleased to be a pioneer and able to support women in achieving their goals, but for my day-to-day work, it's irrelevant that I'm a woman – the ability to get things done and decisiveness are not functions of gender.



**Philomena Colatrella**  
CEO of CSS

*How do you ensure that your team and CSS employees support your focus areas and help shape the company's future?*

I have always been committed to open communication, and this is even more important in times of change. People appreciate it when you make time for them and show them where CSS is going, and that's how I want to get the staff on board with the vision.

*You know CSS well and are committed to continuity, yet there have been certain changes in your organization. Where is CSS headed?*

I want balance preserving CSS's strong tradition and making our company even more innovative. One thing that won't change is our desire to represent our customers' interests. But we need to be faster and more agile in order to cope with changes in the healthcare market. This mentality must first be anchored firmly in the minds of every employee, which takes time.

*We believe policyholders now have more confidence in health insurers. What do you think?*

Following the popular vote on a national health insurance scheme in 2014, it was important for reputation to be treated as a priority – and to do something about it. Since then, insurance companies have positioned themselves more strongly and taken the appropriate measures.

*Are you planning to collaborate externally as you move CSS forward?*

We are considering a variety of options; for example, we have embarked on a collaboration with Galenica, we are in contact with various GP groups, and we are testing different models. Collaborations with medtech companies are also being evaluated. In line with our strategy, we are strengthening our network and improving our ability to build partnerships. I believe this is really important, as major issues such as

digitalization can only be managed as part of a network. It's essential that the various healthcare market players become better connected, which can only be achieved through collaboration.

*If we look at the four key areas of the health ecosystem – prevention, diagnosis, therapy and treatment – where are you most focused?*

All areas are important. We founded the CSS Health Lab with ETH Zurich and the University of St. Gallen to focus on new approaches to behavior control. The aim is to carry out research into how healthy and (chronically) ill people can benefit from digital support in their everyday lives. For healthy people, the focus is on increasing wellbeing; for sick people, we're aiming to improve the course of the disease. Results from behavioral research are critical for us. Two years ago we launched myStep, a prevention program that provides financial incentives for being active in everyday life, and we're now looking to develop this further.

*What else can CSS customers expect in future?*

I'm not turning CSS on its head. Our customers remain our number one priority. But we want to go one step further to ensure that our policyholders benefit from an even faster, more comprehensive service. With this in mind, we have consolidated all key aspects of our interaction with policyholders under the Customers & Market management area. We also want to expand our range of digital services: myStep and Qualicheck, our comparison platform for service providers, are just the beginning.

*Customer-centricity, digitalization and innovation... Which of them are you most concerned with at present?*

These are interconnected. As premiums begin to be more competitive and more comparable, perfect customer service becomes a symbol of quality. The digitalization of

our internal processes plays an important role in this. We want to drive forward the automation of these processes to boost efficiency, as low administrative costs also flow through into premiums. We would like to invest more in customer-focused digitalization; for example, by developing innovative services in the fields of prevention and digital treatment options. Our vision is to enable our customers to take more responsibility by giving them the tools (such as apps) to help them treat themselves every day, outside of their doctors' appointments. The customer should be able to make an informed decision about when a particular doctor or treatment is appropriate.

*How will CSS influence the level of future healthcare costs?*

To permanently reduce costs, every healthcare sector stakeholder needs to play their part. That includes us as an insurance company. Thanks to rigorously monitoring the around 15.6 million invoices that CSS receives each year, we will save some CHF 700 million. These savings will flow directly through to premiums. CSS has also been actively working to identify benefit fraud for about two years; during this time, we have found benefits having been paid out wrongly in hundreds of cases. We are in the process of getting this money back.

We are also developing special treatment programs, such as for patients with chronic pains or people in emotionally challenging situations. These should help those affected learn how to better cope with their disease, while also saving premium payers money.

*Let's talk more about digitalization in your interaction with customers – how is this developing?*

Process automation will allow us to boost efficiency so that our customers get their money even faster. To help with this, we are using tools such as machine learning to bring



"Our actions are grounded in trust, consistency and coherence."

digitalization to our customers. Our main focus is on omni-channeling, i.e. connecting and networking existing channels, so that customers are simultaneously informed across all channels – through our myCSS customer portal, for example.

*Who would you say is further ahead in digitalization, CSS or its customers?*

Our customers. We need to become a lot more digital.

*With this in mind, how will machine learning and automated work processes affect your employees?*

We want to use automation to boost efficiency and generate savings, which



**Philomena Colatrella**  
CEO of CSS

will then free up capacity in both upstream and downstream areas and allow us to focus on more complex issues, such as monitoring hospital invoices. The important thing is that, ultimately, we can pass on some of the savings and synergies to our customers in the form of lower premiums.

*What is needed to ensure that CSS continues to bring innovation to its customers and maintain, or even strengthen, its leading position?*

Individual departments within the group need to be given more power to help shape that innovation process. I have created three boards in the new organization: an innovation board, a strategy board and an analytics board,



**Oliver Windhör**  
Director, Audit Insurance at KPMG

comprised of both CSS employees and external people. I am very optimistic – we're on the right path.

*What stakeholders/service providers outside the insurance sector will help CSS's development?*

Innovations should stem primarily from CSS. We have created our own business area to help drive the company forward. We're also taking inspiration from startups outside the industry, which are often completely unconventional and highly customer-oriented in their approach to tackling problems and finding solutions. And it doesn't hurt to look outside Switzerland either.



**Anup Nastik**  
Head of Insurance Advisory at KPMG

*If you could choose anyone, with whom would you like to team up in a future ecosystem?*

I'd like to work alongside doctors and hospitals to promote needs-oriented, integrated care that is both top quality and cost effective.

*Where do you see CSS in five years?*

As the number one insurer in terms of growth, the market leader, and an important and active participant in health management.



# Digitalization requires strategic flexibility

Francis Blumberg, Head of L&H Products Solutions at Swiss Re, talks about the digitalization opportunities for Swiss Re and its customers



**Marc Gössi**  
Global Lead Partner,  
Financial Services at KPMG

**Francis Blumberg**  
Head L&H Products Solutions  
at Swiss Re

**Thomas Schneider**  
Partner, Head of Actuarial and  
Insurance Risk at KPMG

*KPMG: What are the biggest challenges facing insurers today?*

**Blumberg:** The traditional consumer experience involved physical presence at brick and mortar stores and financial institutions, face to face and sometimes phone interactions, and limited supply and convenience. As we all know, consumers shop far differently now, and their experience is going to continually change as technology advances. They increasingly expect and demand better advice, customized solutions and faster processes. The life insurance industry needs to adapt to this trend. Digitalization is key to this.

*So you think that digital change will be gradual?*

Yes, mainly because this change requires time and effort. Digital disruptors can't just simply put the word "insurers" on their banner and start selling products. An insurer needs to have capital, comply with a host of regulations, create products, and build up an infrastructure. All of this has to happen before you can start thinking about sales.

*How does Swiss Re support its primary life and health insurance customers with digitalization?*

Digitalization is another tool in our box to help us meet customers' needs and we have two already well-established solutions. The first is our traditional underwriting manual, "Life Guide", which is accessible online and features interactive learning modules. It is continually kept up-to-date with the latest information, and it's the most used manual of its kind in the world. Many primary insurers consider it indispensable.

*And the second solution?*

An automated L&H underwriting platform called "Magnum". Our clients, insurance companies, can either install this software themselves, or we can host it for them. For many insurance companies Magnum has become a key component in digitalizing the customer journey as many customers do not need to wait for an underwriting decision anymore but get a binding offer immediately. The growth has been phenomenal: in 2012, Magnum had already processed

almost 2 million requests worldwide; last year this rose to over 10 million life insurance applications.

*How successful is it on an international level?*

We're seeing the largest growth in Asia, but there's also considerable demand from America and Europe. Both Life Guide and Magnum help Swiss Re support its customers with underwriting solutions – and we want to build on this.

*Where do you see the largest growth in the life and health sectors?*

In Asia, particularly in India, and on a continuing basis also in China, where the economic growth is strong, and the insurance penetration low.

*Do you need a partner in China?*

No, I don't believe so. You need to have a solid local base, which has always been our strategy.



**Francis Blumberg** Head of L&H Products Solutions at Swiss Re

„If I think about my children... they don't know what it means to be unreachable.“

*Insurance companies are merging or investing in companies from other industries. Mobiliar, for example, has invested in sharoo, a car-sharing platform. There's a lot of talk about ecosystems joining forces. What do you think?*

It's interesting and an exciting trend. Yet, most of the innovation seems to take place in the interaction with customers. I fear there's not so much room for so many companies to be successful. However, the insurer's value chain is much broader or longer than the interactions with the customer only. It's easy to be tempted into investing, as these companies do make attractive promises – but you need to assess them thoroughly and do your due diligence.

*But Swiss Re also invests in startups.*

We do our due diligence though! In the last 12–18 months, we've looked at a number of propositions globally, which ended up in concrete investments in five companies.

*Will primary insurers and reinsurers even exist in 20 years?*

Sure, although I think that companies will probably specialize further within these sectors: maybe there will be primary insurers whose core business is distribution, or some might focus on product design, or risk engineering.

*Is the current market a soft market, or can you sense a strong trend with regard to digitalization?*

In our business, there's a big difference between life and non-life insurance. However, the up and down movements are more common in the non-life sector and less prevalent in life insurance, although digitalization is playing an increasing role in both areas.

*You are a member of the Board of Directors at Biovotion. What does this company want to achieve and how will this benefit Swiss Re?*

Biovotion is a leader in the field of mobile medical monitoring. The company has produced a high-quality wearable that monitors various physiological functions via sensors. The wearable sends these signals to the user's cellphone where it is displayed in a bespoke App. Biovotion's main customers are in health and wellness services. The technology for instance means that patients can be discharged from hospital earlier while continuing to be monitored. I also see it as appealing to people who are particularly health conscious and want to optimize their lifestyle. We invested because we believe it's a good product – not just the hardware, but the whole ecosystem. I think applications for insurance companies will only arise further down the line; for example, I can imagine that one day it will be possible to give a device like this to people with health problems who

don't have access to health insurance. This will not only help them to better manage their health condition, but more crucially also give them access to health insurance.

*What's your view on data and big data?*

Our industry has been dealing with the debate, concerns and opportunities offered by big data for quite a while now and we continue to develop our expertise in this area. Already when the first mortality tables were produced in the 17th century, insurers were collecting extensive data to make predictions about mortality, all in order to better assess the risks. Today, the wealth of data offers us much deeper insights into mortality as data volumes have increased significantly.

*But data is more widely available.*

The volume of this data is indeed growing exponentially, and we need to understand how to better handle the sheer volume. The strategic considerations are even more important though. In the past, companies that collected data could - in doing so - generate value quite easily. But today that's no longer enough. You also need to be able to evaluate it. Ironically, "a lot of data" often means that in practice it is actually hard to extract value from it.

*What role do you think artificial intelligence will play in the insurance industry?*

Major changes are coming our way in this area. There are many sensationalist stories doing the rounds, for instance about computers that can read your handwriting on forms. But machines reading words is not enough: to make it interesting, a machine would also need to understand or be able to interpret what it reads, and that's not so simple.

*What about the lack of empathy from automatic answering machines. For example, someone says "My husband has died" and it responds "Enter the date of death".*

Personal contact will remain important, but the way we interact might change. If I think about my children, for example, they don't know what it means to be "unreachable".

*What effect will new technologies have on medicine and therefore also on health insurance?*

There have been significant advances in medicine, particularly in the field of preventative medicine. When I was at university, life expectancy in Switzerland was 73 for men and 80 for women. Today, this has risen to almost 80 for men and 85 for women. That's down to medical advances, and naturally that has an impact on the insurance industry. New technologies of course have the potential to boost medical advances further.

*Do you think insurers will continue to have direct contact with end customers?*

Alongside the traditional life insurers, other companies that have interactions with end-customers like supermarkets or online stores will play a role. But it's probably exaggerated to assume the whole world will change completely in a short time frame. That said, insurers will have to continue to focus on digitalization and to consider how they can better interact with customers.



---

# Digital labor and the next wave of business transformation

By **Prafull Sharma, Partner Head of Digital Transformation**

Everyone seems to be talking about robotics, machine learning and artificial intelligence. But what do these things even mean? Managers can be forgiven for being confused about why, when and how to adopt such new technologies. So, what is the real impact on you as an insurer?

Technology has long facilitated change, and the cognitive era heralds the starting point of a new wave of business transformation. Advances in machine intelligence and process automation are giving rise to a new class of digital labor – cognitive automation.

Digital labor comprises a wide array of capabilities, from established core technologies to sophisticated and disruptive technologies in the areas of artificial intelligence and machine learning. Its solutions vary greatly in terms of maturity and capability, however. Its new “Class 3” means digital labor is able not just to act or think like a human, but to augment or even replace humans. This is made possible by converging robotic process automation (RPA) and cognitive technologies.

### What is the potential for Swiss insurers?

Today’s globalized environment creates ever-greater pressure to reduce costs, improve efficiency and gain competitive advantage. Yet Swiss insurers continue to process even highly structured data and forms manually – for instance in underwriting and claims management. The enormous potential for automation is clear.

A recent survey by KPMG of more than 100 insurance CEOs<sup>1</sup> shows that almost three-quarters are concerned that their organization may not be keeping pace with new technologies. Ninety-one percent worry about integrating automated business process with artificial intelligence and cognitive process. Their challenge is exacerbated by the fact that most insurance firms are risk-averse and not known as early adopters of new technologies.

Nevertheless we are seeing movement in the market. Among established insurers, a Swiss insurance group recently piloted a wristwatch insurance product. Applying photo recognition technology that allows customers to use their smartphones to photograph and communicate their watches, the software continuously learns to recognize more watch brands and models, building a database of such for future use.

In fact, opportunities exist along the entire value chain. Considerable low-hanging fruit is available in claims and underwriting in particular, with potential in all three classes of digital labor. Whereas fully automated claims processing or fraud detection might be high potential digital labor applications within claims management, information validation and risk assessment are other functions where digital labor could be usefully implemented.

Considerable low-hanging fruit is available in claims and underwriting in particular.

### Making use of InsurTech’s disruptive tendencies

The emergence of InsurTech start-ups is helping to force insurers to adopt new technologies as well as drop their risk-averse culture. And thereby to become more agile. For instance:

- Start-ups that provide software-as-a-service platforms for claims management. By applying artificial intelligence to generate instant claims decisions, and machine-learning algorithms to verify repair costs, such platforms can reduce the claims workload and free up claim handlers to focus on enhanced customer service.
- InsurTechs that operate in the field of casualty underwriting, using unstructured data and machine learning to generate actionable insights, drive better underwriting judgment and optimize the underwriting process.

Both cases are good examples of how insurers could integrate disruptive technology of emerging InsurTechs to move forward with digital transformation.

In addition, digital labor targets a range of enterprise business functions. A current hot topic is the introduction of virtual agents in Sales & Marketing and Customer Support. Another likely target is Human Resources, considering employee on-boarding/off-boarding, and Finance & Accounting through the automation of invoice processing and exception handling. Digital labor could also be applied to support Supply Chain inventory management or automation research and document review in Legal & Compliance. The list is almost endless.

<sup>1</sup> Insurance CEO Outlook, KPMG International, 2016

## Where to start?

Digital labor forms part of a holistic strategy that spans the enterprise, aiming to improve employee performance. Organizations should consider the following four stages:

### 1 Innovation discovery

Exploring and evaluating digital labor is a prerequisite to industry leadership. Insurers should determine what cognitive automation means for their business, how it affects processes, people and culture – for instance employees' roles – and the benefits that will be delivered.

### 2 Vendor insights

Digital labor vendors possess varying degrees of maturity and capability and should be assessed closely. For their part, insurers should thoroughly understand their business needs when partnering with prospective vendors. For instance, do you need a comprehensive platform that covers all three classes of digital labor? Or is a niche-solution to tackle specific issues a better match? Whichever solution, alignment with business strategy and balancing short-term gains with potential game changers need to be ensured.

### 3 Strategy and roadmap

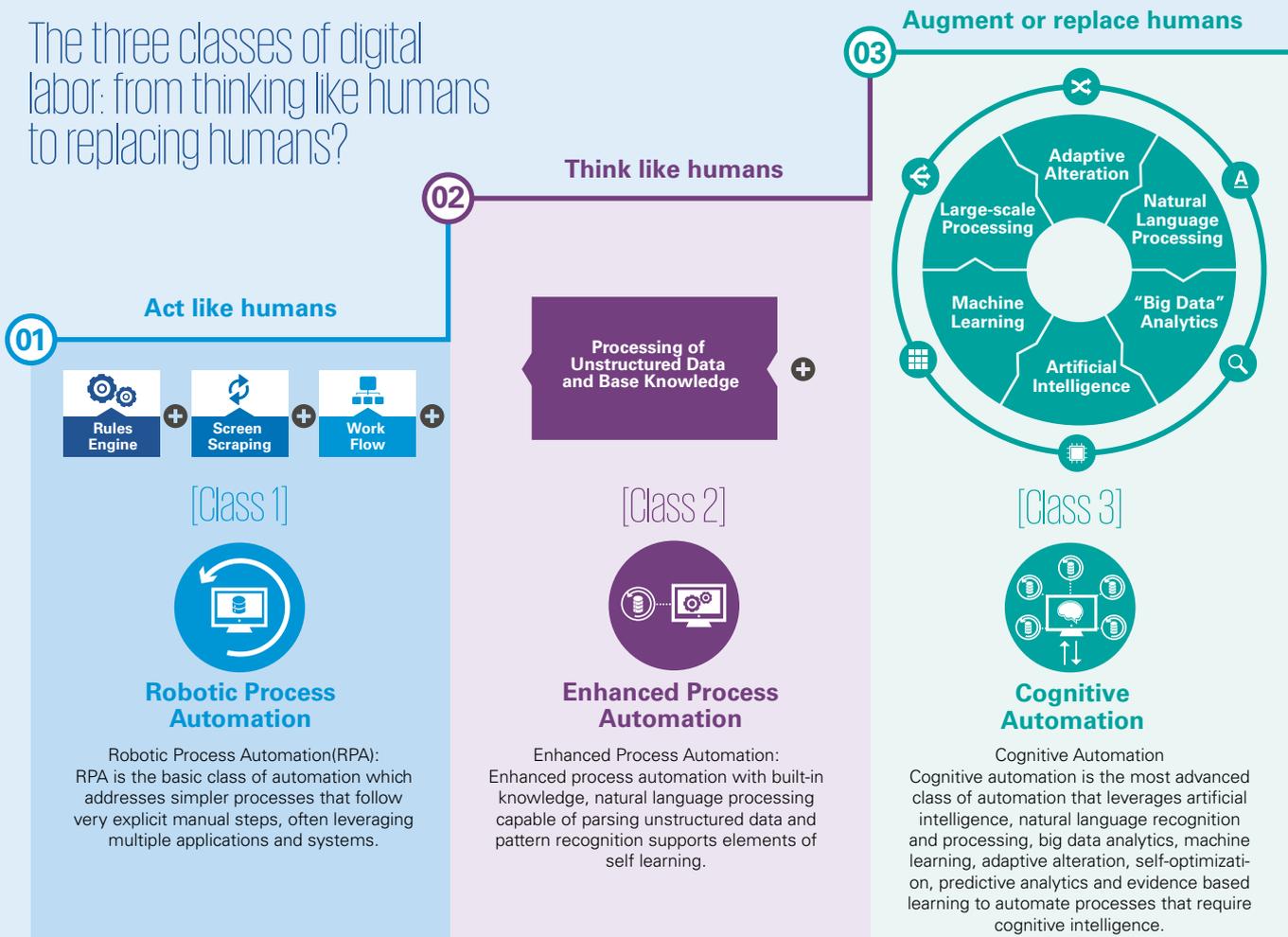
This should include tangible and prioritized use cases that represent transformative opportunities. Quantified benefits, as well as the potential impact on employees, should be determined at this stage.

### 4 Implementation

The adoption of a portfolio approach reduces potential risks in the digital transformation journey. An organization may start with simple RPA as a quick win, progressing up the learning curve to more complex cognitive projects. While the implementation of cognitive projects generally takes longer, it can deliver greater effects for the business than basic process automation initiatives. Ultimately, the utilization of modern design thinking and agile methodologies is vital to ensure user adoption and to support a tailor-made system that is understood and used by staff.

A model for change management and governance across all four stages is as crucial for long-term success as the implementation approach itself. Such a model helps to turn strategy and vision into reality, ensuring buy-in throughout the organization, including the full commitment of management.

## The three classes of digital labor: from thinking like humans to replacing humans?



**How to get it right?**

Our experience suggests there are some tips and common pitfalls when getting started.

## Quick tips

- **Take a strategic view** – Have you determined exactly how robotics will enable the future operating model and ensured that all investments support the achievement of this goal?
- **Be realistic about your capabilities** – Have you thoroughly assessed your capabilities and limitations? The focus should be on step-by-step capability building as your skills and infrastructure expand.
- **Aim for agility** – Does your culture encourage a “test and learn” mindset in both IT and across the business?
- **Create smart governance** – Critical to the management of data and of the underlying infrastructure, is your approach to governance robust yet flexible as technology evolves and new use cases emerge?

## Common pitfalls

- **Limited knowledge of the business** – Does your requesting team have sufficient knowledge of the design and application of automation, robotics and cognitive solutions to be able to effectively manage the business ideas pipeline and priorities?
- **Revisiting change management** – Have you revisited your existing change management process to be able to track business application change that may impact bot functionality?
- **Mis-planning of implementation support** – Are your developers all at an advanced stage of the learning curve when it comes to digital labor? Might any limitations hold back effective implementation support?
- **Effort and frequency of new releases** – Do you have a clear view over automation product maturity and your future vision, which will define the automation effort required and the frequency of version upgrades/bug fixes?

As organizations embrace digital labor, a rethink of roles, responsibilities and the psychology of teams is needed to enable successful adoption. Concerns will no doubt exist that machines and robots will take away jobs and exacerbate income quality. Nevertheless, people and robotics form a hybrid workforce in which they work side-by-side and not against each other.

The time has come to transform the insurance business and build new competitive advantage. Leveraging digital labor is a key element in seeing such plans come to fruition.

# At a glance: The benefits of digital labor

Software robots can work 24/7, improve quality, scale at digital speed, free up staff to do more strategic work, are unaffected by geographical location, and keep perfect audit trails.

## Direct financial benefits:

- **Cost efficiency** – Potential savings in repetitive manual processes such as policy servicing, claims entry, invoice processing.
- **Lower capital intensity** – Bots do not require offices or fully equipped desks.

## Indirect financial benefits:

- **Productivity/Performance** – Bots can work 24/7 and do not take vacations. They can be useful as virtual agents in sales and customer support.
- **Scalability** – They can scale up or down automatically to reflect peak times. For instance, at Swiss health insurers, when customers switch their basic insurance in the fourth quarter of the year.
- **Quality** – They always perform as commanded and eliminate human error, e.g. handling claims consistently across the organization.

## Non-financial benefits:

- **Auditability** – Robots’ activity logs mean activities and outcomes can be reviewed more easily, such as to analyze customer interactions in sales and service processes.
- **Employee satisfaction** – Bots can perform the mundane and repetitive work, enabling humans to focus on more value-adding tasks and innovation.
- **Process digitization** – Software bots constantly generate data about processes and make tribal knowledge repeatable while giving insights into new ways for the insurer to use digital labor to optimize processes.

# The digital insurance future from the customer's perspective

By Anup Nastik, Head of Insurance Advisory and Daniel Mühlebach, Manager Digital Transformation

As in so many industries, insurers must adapt to customers' evolving buying behaviors. We conducted an in-depth analysis to benchmark the web, mobile web and mobile apps of 20 Swiss insurers. The results suggest that not everyone is ready to become a digital leader from a customer perspective.

We assessed 20 leading carriers in Switzerland to gauge how well they address the needs of digital customers. Focusing on their web, mobile web and mobile apps, we performed arm's length tests – viewing these key channels as a prospective customer might view them.

## Our research at a glance

We analyzed 20 Swiss carriers:

- Across sizes, geographic focuses and sectors.
- Considering 330 variables for each – i.e. 6,600 data points

## What is your distinguishing feature?

Our results paint an insightful picture of how – and indeed, whether – insurers are managing to differentiate themselves in the new digital reality, according to our criteria. We identified two key distinguishing factors:

- The **maturity of the digital business model** in terms of online services, the customer portal, user experience and smartphone applications.
- The **external perception of the business** through digital communication channels, for instance formed through social media activity.

## What does this mean for you?

Digital technology should not be provided to “tick a box.” It should produce simple, easy to navigate tools that deliver value to the customer. Crucially, it should form part of an omni-channel approach that allows the customer to switch smoothly between different channels. Getting this right is far from simple, however, as it involves mapping the customer journey, using predictive analytics to pre-empt how people move from one channel to another, and preparing for more demanding and complex buying behaviors.

Moving towards an omni-channel landscape also impacts current roles and tasks, mainly in insurers' distribution and customer service departments. To overcome the barrier of

sharing knowledge across departments – and between human and e-device driven customer interaction channels – leadership needs to reinforce a new culture of employee engagement and information sharing. A customer journey-aligned incentive model will strengthen these ambitions. Other industries are already going through this process – think travel booking or retail shopping. And they are having to overcome many of the challenges insurers now face. Observing, learning and adopting some of their approaches could be a useful measure. In particular, situational or adaptive insurance services (e.g. based on geo-location data or personal fitness data) will appear in the market and become relevant as a differentiating factor for insurance companies. In this context, omnichannel management will act as the intelligent link between the insurance provider and the customer. It is clear that some insurers in Switzerland are to become the industry's digital leaders. Others, however, are most likely falling behind and may struggle to catch up over the mid to long term as digital transformation continues to gather pace. The leaders of the future are likely to be those that are seizing the digital opportunity along two dimensions. On the one hand by advancing their digital business model and on the other hand by enhancing the skills and commitment of their employees.

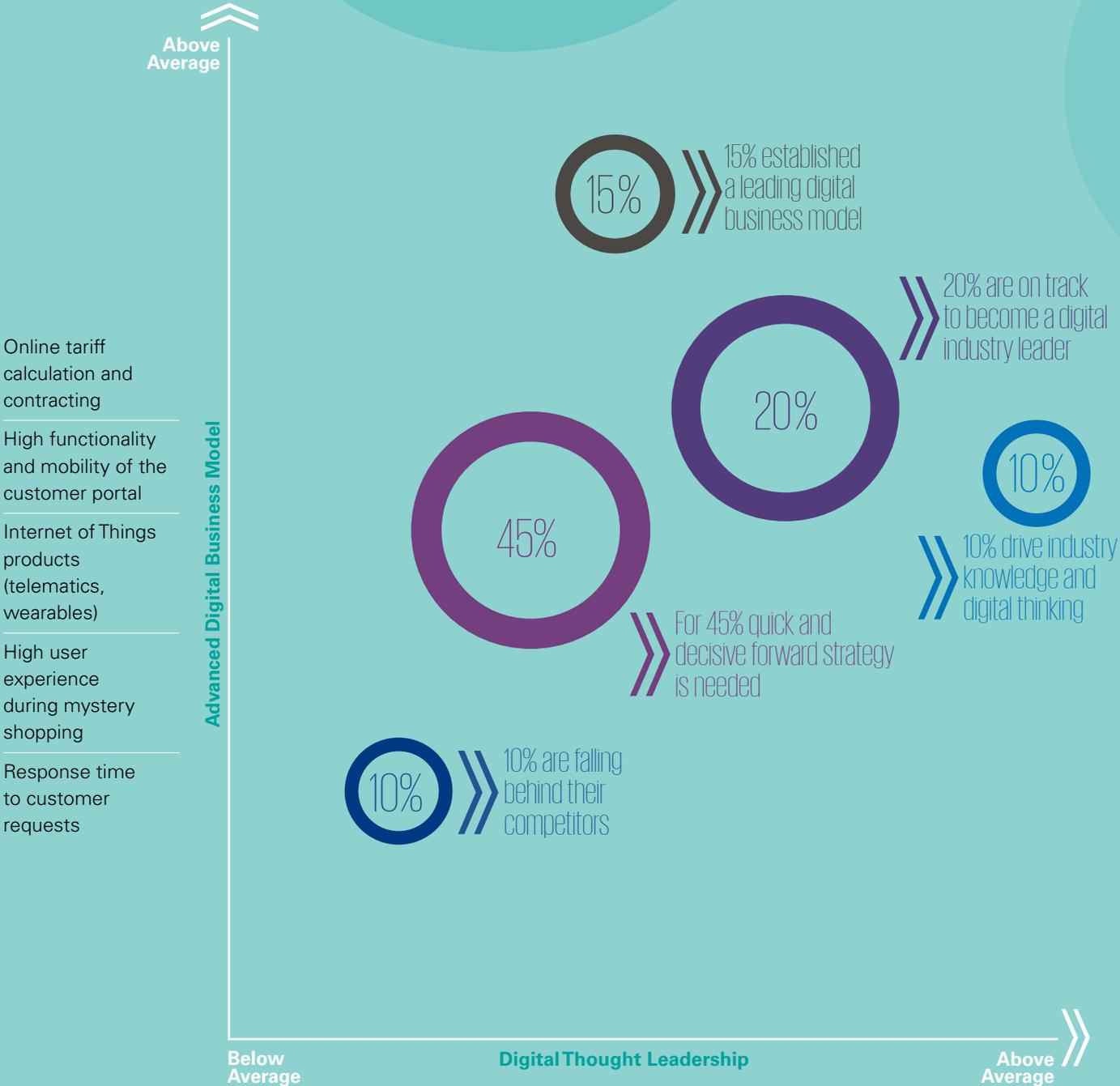
## Does your app help the insurance customer?

The digital customer places greater emphasis on accessibility of services and solutions from any place at any time. Mobile apps are key to satisfying this need. But of the apps available from the carriers we analyzed, how many actually deliver on this aim? In our view:

- 47% of mobile apps focus on knowledge sharing
- 29% are purely for marketing purposes
- 24% provide value-added functionality to the customer

The conclusion is clear. Mobile apps have the potential to make customers' lives easier, but a large number of apps fail to do so.

# Where are you in the race to the top?



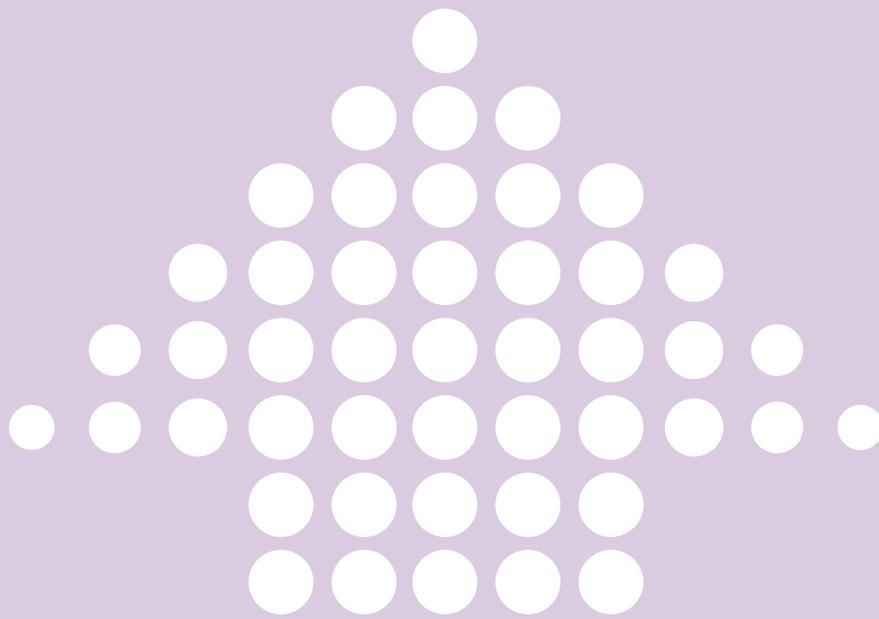
- Online tariff calculation and contracting
- High functionality and mobility of the customer portal
- Internet of Things products (telematics, wearables)
- High user experience during mystery shopping
- Response time to customer requests

- Extended reach and activity on social media platforms (Facebook, LinkedIn, Twitter, Youtube, etc.)
- Publications on topics such as Wearables, Robotics or Smart Analytics
- Dedicated digital events

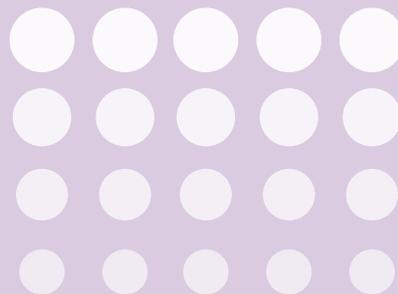
---

# Claims management as a competitive advantage

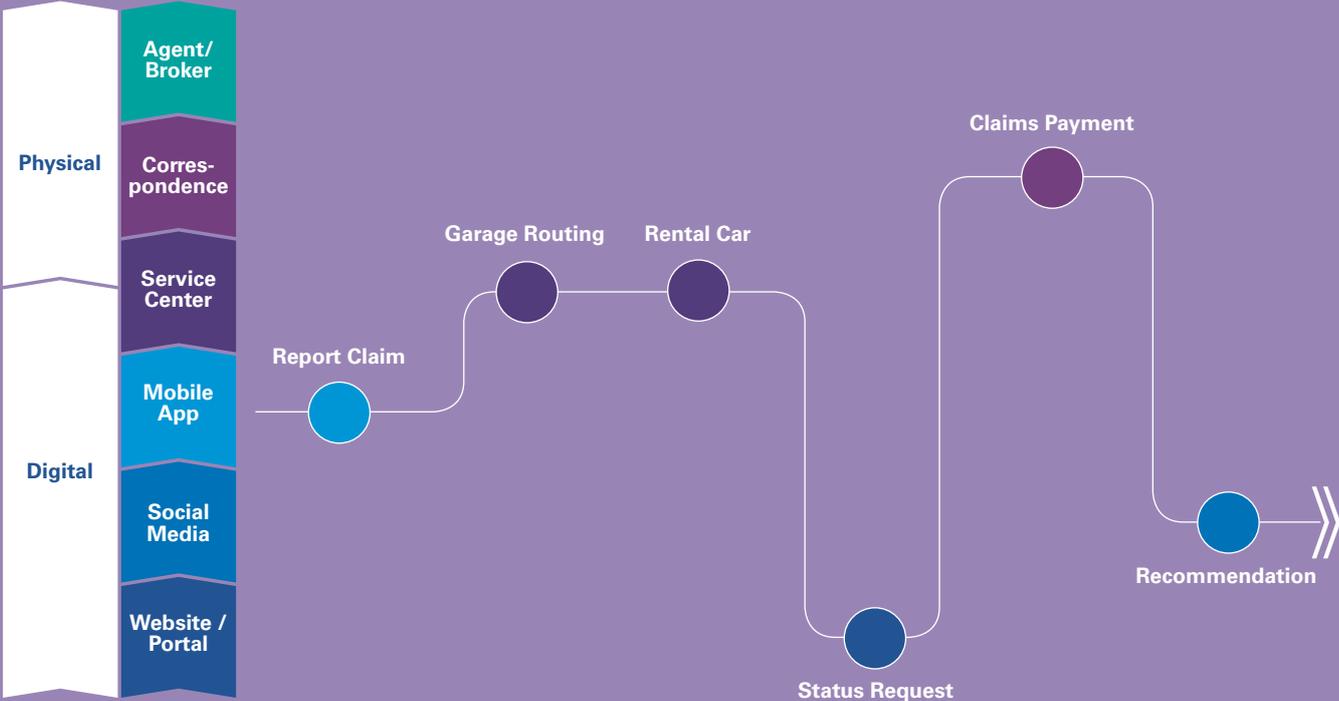
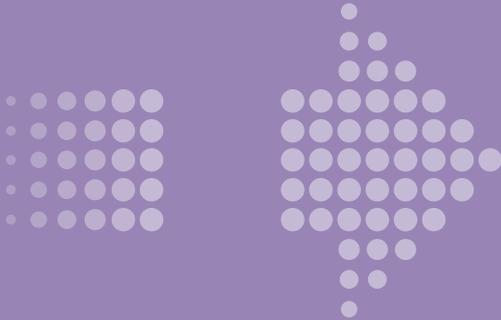
By Anup Nastik, Head of Insurance Advisory Switzerland and Hendrik C. Jahn, Head of Insurance Advisory Germany



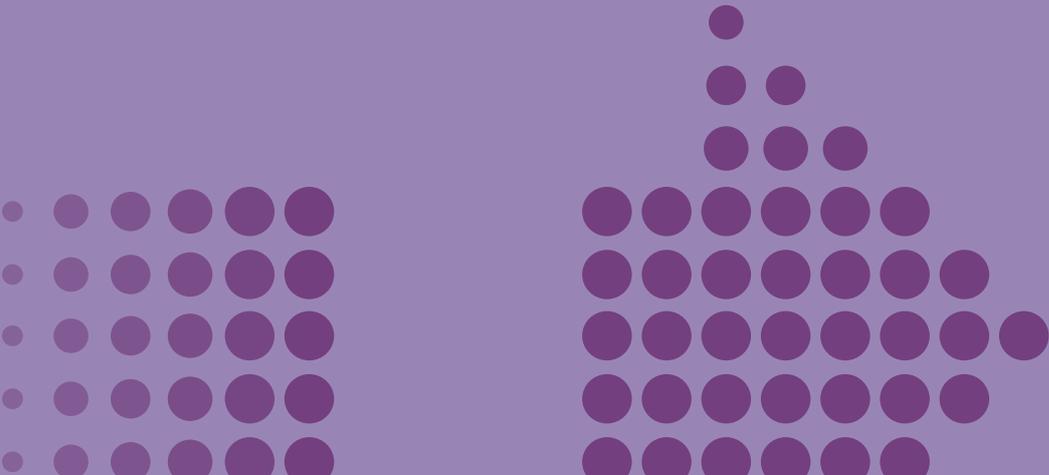
The insurance industry has come a long way over the past decade in terms of customer service. Insurers now continually seek ways to enhance customer satisfaction. Nowhere is this still more likely to suffer than in claims management, however. To what extent are you leveraging new digital solutions to put your customer first? And how are you enabling your employees to display more empathy in the 'moment of truth'?



# The client decides - a possible client journey through the claims process



Source: KPMG analysis



Better use of technology enablers and disruptors. More effective ways to turn data into value. Greater efficiency in dealing with third parties. Enhanced prevention of fraud and litigation to give rise to fewer claims. An omni-channel approach to improve customer experience. All of these are prerequisites for a robust, holistic approach to claims management. Because when a customer wishes to report a claim, it can make or break the relationship with his insurer. It is the so-called "moment of truth".

### **No second chance in the moment of truth**

It is not only a question of whether a claim is paid out, but how easily and stress-free the claims process can be navigated. A survey commissioned by KPMG<sup>1</sup> of insurance customers under 35 years of age shows that they are impressed by a quick claims process of three days or fewer. And particularly unimpressed if contact with the insurer is repeatedly needed over the course of a claim.

How this young demographic prefers to report a claim is more mixed than one might expect, though. While web and email channels are favored, a significant proportion still wishes to use a more traditional approach: the telephone. Interestingly, this is the case even where the policy was purchased online. Suggesting that an omni-channel approach is necessary even for web-based customers.

So far, so straightforward. Except that predicting where and when a customer will surface is extremely difficult – one might almost say impossible. Irrespective of the general traits of their demographic, individual customers tend to display individual preferences. Some may wish to report a claim online, then follow up initially by telephone while subsequently checking the status of a claim through a mobile app.

### **From Payer to Provider**

More and more clients tend to appreciate additional services during a claims process. Asked whether they would use additional services such as having the insurer organize the repair of a house in the event of a fire, nearly 75 percent of respondents to our survey voted in favor. And they are willing to pay for this service. Hence, transforming claims management from a swift regulation to a value-adding service provides insurers with a chance to create a sustainable competitive advantage and a better value proposition.

### **A smart approach to technology and digitalization**

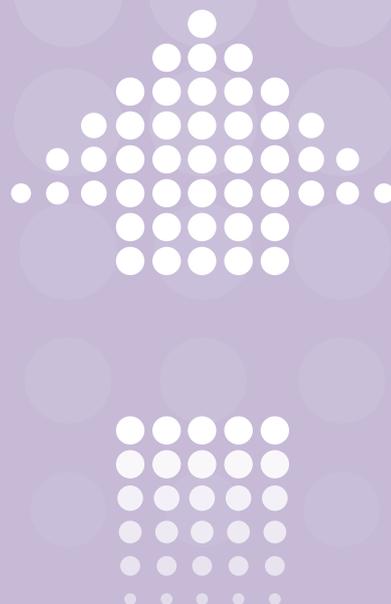
The requirements for the functionalities of the front end are clear, if not always easy to maintain. Seamlessly supporting customers' demands for choice and transparency presents a challenging opportunity to further automate operations and back-end functions. Automation of fraud detection; chat bots; mobile apps; and many more. All have a role to play in creating a truly joined-up approach. It is less a question of if your organization needs to invest in this range of tools, and more about finding out how and in what sequence your organization and your employees will embrace this journey.

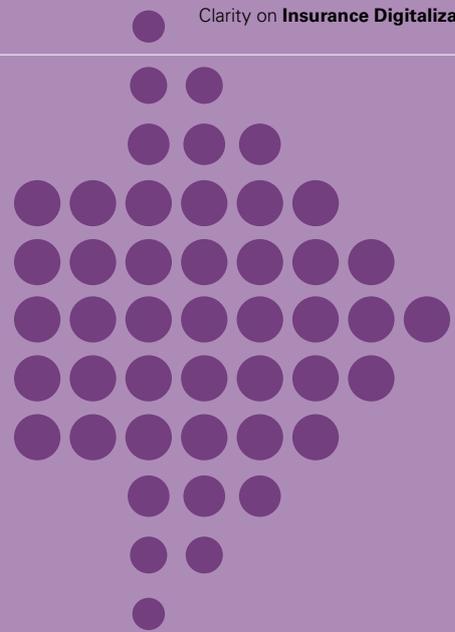
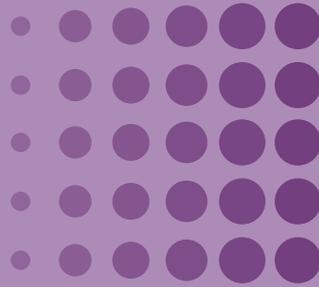
Combining and investing in all three areas – creating synergies, implementing innovative ideas and building up new competencies – appears to provide the best chance of achieving sustainable competitive edge and increasing client satisfaction over the long run.

### **Empathy remains key despite technology**

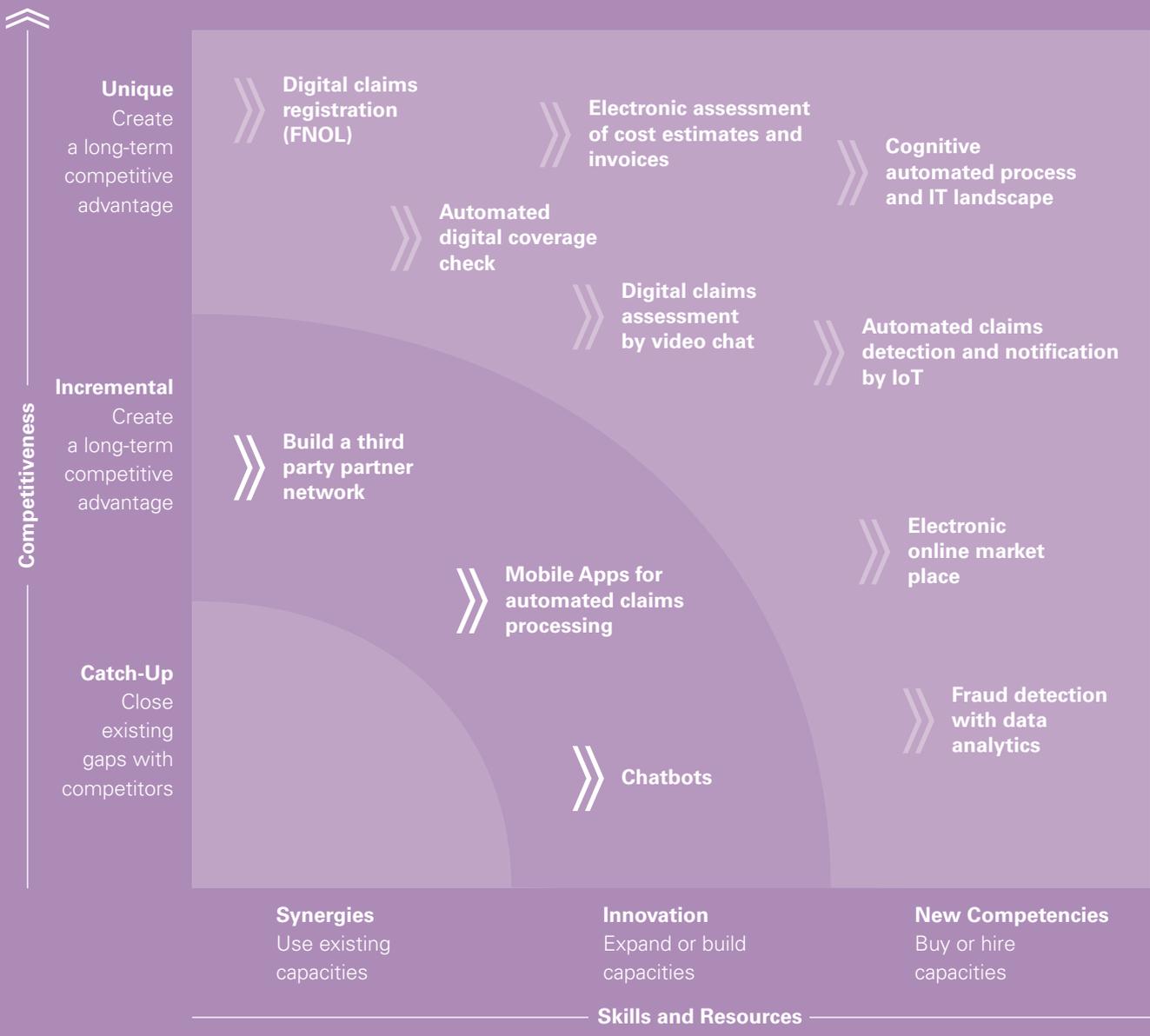
Enabling employees throughout these changes is vital. Despite the many technological advancements, customers want empathy from fellow human beings. This is something an app or a computer cannot easily deliver. This presents an opportunity for personal communication to become a key differentiator for insurers as technology is adopted more and more. But only if employees are trained accordingly to use the combination of human and digital interactions to achieve the right outcome for the customer.

<sup>1</sup> CSC Study, KPMG and TH Köln, 2015





# Claims management - A continuum of Technologies



Source: KPMG analysis

---

# Building capacity: The role of cloud computing, data and governance

By Thomas Bolliger, Partner,  
Head of Information Governance & Compliance



With resources being cut while demands continue to grow, insurers' IT functions are expected to do ever more with much less. With a successful CIO being one who can create added value in the business despite these pressures, might cloud solutions help?

Cloud services are changing how insurers can operate. Among the potential advantages such services offer are to:

*Access readily available turnkey solutions:* Clouds provide ready-to-use services that can generally be procured at a fraction of insurers' in-house development costs.

*Meet calls for quicker, better integration:* The insurance industry is rapidly becoming more interconnected. Direct integration of business partners and customers (e.g. via social networks) over the cloud can be achieved at high speed and low price.

*Achieve more rapid and comprehensive data analysis capabilities:* Competitiveness means being able to maximize insights gleaned from data available internally and online. Clouds can provide almost infinite capacities to crunch data at a low price.

*Efficiently fulfill compliance requirements:* Cloud providers have put in place a number of compliance mechanisms and controls that provide some relief from insurers needing to implement and manage this themselves.

*Minimize IT-related costs in Mergers & Acquisitions (M&A):* Insurance firms using the same cloud services can be more quickly, more easily and more cheaply integrated and carved out.

#### **Cloud onboarding: What to do with data?**

There are a number of standard elements to consider, including writing business cases, concluding contracts, and establishing provider management etc. But in addition to these are some considerations that insurers all too often fail to sufficiently take into account:

#### **Specify the data protection requirements**

Insurers hold significant volumes of personal data such as sensitive medical histories. The new EU General Data Protection Regulation (GDPR) has sharpened the focus on managing data protection. But let's not forget that VAT data, financial data and export control data all have compliance requirements and restrictions regarding protection levels, cross-border transfer and access rights. In addition, clean and well managed data is a requirement of compliance specifications such as Solvency II and IFRS.

The transfer of data to clouds must be clarified from technical, organizational and legal perspectives. In global data traffic, cross-border relationships with internal or external parties must be examined and regulated to ensure they conform to compliance requirements. For example, HR data transferred out of Russia or China, or VAT data transferred out of Germany, require special measures. With enormous fines being applicable for data protection violations, it is imperative that appropriate data protection measures be taken seriously. It must also be kept in mind

Classifying data is not only for the purposes of complying with the GDPR, but with all compliance requirements governing data concerning tax, financials and intellectual property.

that some authorities actively restrict the moving of data to the cloud, making the cloud basically unavailable. And there are cases where authorities have requested a company to classify its data before allowing it to be transferred to another country.

#### Run data classification

A consequence of compliance requirements is that insurers need to know which classes of data they have and what the requirements are before moving data to the cloud. Data being transferred must be analyzed, categorized and sufficiently protected, for instance by using encryption technology.

Classifying data is not only for the purposes of complying with the GDPR, but with all compliance requirements governing data concerning tax, financials and intellectual property.

Data classification requires thorough management (see the next point on data governance) that brings together staff from IT, compliance and the business. Once data are classified, it is important to have in place immediately processes that ensure new data are similarly classified. For instance, each new HR document must be stored in a privacy-compliant data container. If processes are not in place, new data stored in a non-compliant way will necessitate the entire data classification exercise to be performed again.

## In short, insurers' data governance organization ensures that:

- All compliance-relevant data has a data owner who takes care of his data and manages it in a compliant manner
- Data flows are identified and kept under control
- Data quality criteria (e.g. no negative date fields) are established to filter data and identify and eliminate incorrect or faulty data
- Service level agreements are set up with external and critical internal data providers to ensure data is delivered in time and is of the requisite quality
- Clean data sources / audited data sources are marked as trusted sources

Applying such data governance makes it much easier for insurance organizations to comply with laws and regulations.

Data compliance, classification and management are key disciplines that insurers must master to safely use clouds and cloud functionalities. They are also prerequisites to achieving compliance with the many regulations and to having reliable inputs for key activities such as big data analytics. Achieving data compliance for cloud operations is never a one-off effort, but needs ongoing management and the support of senior insurance executives.

### Establish data governance

Data classification is just one part of data management. A key task for insurance IT is to establish clean, controlled data inventories. Organization-wide data governance is needed, however, if data quality is to reach the required standard. The concept of data governance establishes a virtual organization that is tasked with the ongoing analysis of data quality and the improvement of data according to importance and priority. The virtual organization is usually led and managed by someone designated to be responsible for corporate data. This individual must be supported by a CxO function to secure relevant attention throughout the organization and to break any resistance to spending the extra time and effort preparing clean data. In addition, the individual requires the buy-in and support of top management in establishing corporate policies and principles or when data requirements incur high system adaptation costs. The responsible individual should have the ability and permission to call in interdisciplinary teams from the business and IT to resolve any issues.

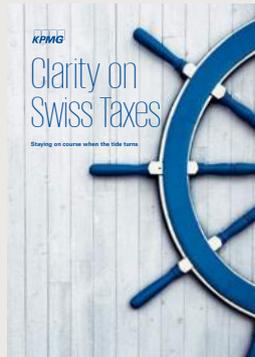
# Clarity on publications

This series of publications from KPMG Switzerland provides insights, analyses and studies on a range of topics. All publications are available as hard copies as well as online. For more information, please contact [kpmgpublications@kpmg.com](mailto:kpmgpublications@kpmg.com)

## Latest issues



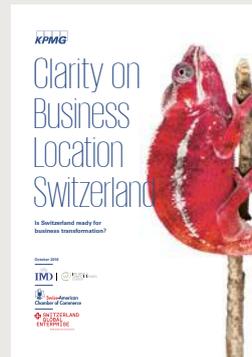
Clarity on **Cyber Security**



Clarity on **Swiss Taxes**



Clarity on **Transformation in Private Banking**



Clarity on **Business Location Switzerland**



Clarity on **Healthcare**



Clarity on **Transformation**



Clarity on **Non-Life Insurance**



## Special

**Shaping Switzerland's digital future**

🔗 **Clarity on**  
[kpmg.ch/clarity-on](http://kpmg.ch/clarity-on)

## KPMG Knowledge App

Get instant access to our experts' knowledge with our KPMG Knowledge App for iPad, iPhone and Android phone.



## IMPRINT AND CONTACTS

For further information on  
**Clarity on  
Insurance Digitalization**  
please contact:

**Philipp Rickert**

Partner, Head of Financial Services  
Member of the Executive Committee  
+41 58 249 42 13  
prickert@kpmg.com

**Hieronymus T. Dormann**

Partner, Head of Insurance  
+41 58 249 35 03  
hdormann@kpmg.com

**Thomas Bolliger**

Partner, Head of Information  
Governance & Compliance  
+41 58 249 28 13  
tbolliger@kpmg.com

**Marc Gössi**

Global Lead Partner  
Financial Services  
+41 58 249 40 54  
mgoessi@kpmg.com

**Thomas Hull**

Partner, Head of Life Actuarial  
and Insurance Risk  
+41 58 249 58 17  
thomashull@kpmg.com

**William Schiller**

Partner, Head of Audit Insurance  
+41 58 249 56 45  
wschiller@kpmg.com

**Thomas Schneider**

Partner, Head of Actuarial  
and Insurance Risk  
+41 58 249 54 50  
thomasschneider@kpmg.com

**Prafull Sharma**

Partner, Head of Digital Transformation  
+41 58 249 77 91  
prafullsharma@kpmg.com

**Jean-Marc Wicki**

Director, Head of Insurance  
Suisse Romande  
+41 58 249 46 67  
jeanmarcwicki@kpmg.com

**Anup Nastik**

Director, Head of Insurance Advisory  
+41 58 249 54 62  
anastik@kpmg.com

**Markus Portmann**

Director, Tax Insurance  
+41 58 249 40 93  
mportmann@kpmg.com

**William Southwell**

Director, Head of Non-Life Actuarial  
and Insurance Risk  
+41 58 249 62 94  
wsouthwell@kpmg.com

**Oliver Windhör**

Director, Audit Insurance  
+41 58 249 41 79  
owindhoer@kpmg.com

**Publisher**

KPMG AG  
Badenerstrasse 172  
PO Box  
CH-8036 Zurich  
+41 58 249 31 31  
+41 58 249 44 06 (Fax)  
kpmgpublications@kpmg.ch

**Concept and design**

KPMG, Stephan Erdmann  
Konkret, Andi Portmann

**Print**

GfK PrintCenter, Hergiswil

**Pictures**

Shutterstock  
Getty Images



Articles may only be republished with written permission from the publisher and by quoting the source  
"KPMG's Clarity on Insurance Digitalization".

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received, or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. The scope of any potential collaboration with audit clients is defined by regulatory requirements governing auditor independence.

© 2017 KPMG AG is a subsidiary of KPMG Holding AG, which is a member of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss legal entity. All rights reserved.



**Clarity on Insurance Digitalization**

[kpmg.ch/insurance](https://kpmg.ch/insurance)