DIGITAL INSURANCE TRANSFORMATION

An Urgent Organizational Journey of People, Processes & Technologies With The Future in Mind
Digital Transformation is no longer a nice-to-have strategic initiative for an organization – it’s a must-have and an urgent necessity to stay relevant, to compete in the marketplace and to create a sustainable competitive advantage.
Executive Summary

For those that are simply dipping a toe in the water, chances are significantly reduced for meeting customer expectations, growth targets and catching competitors that are far along in their digital transformation journey.

Digital Transformation (DX) is not just another initiative; it’s an organizational journey in which you close gaps for today as you build bridges for tomorrow. This article answers the essential questions of what a DX strategy is, with a focus on how to embark on the transformational journey. It includes establishing a vision and developing strategic objectives, roadmaps and plans; structuring the organization; and developing a new or enhanced business model. It also includes managing and embedding data at the point of sale or service; applying intelligent automation through prefill, rules, robotics process automation, artificial intelligence, and analytics capabilities, in combination with workflow and process reengineering. Most important, it includes aligning the organizational culture while taking into account the human aspect and change management at all levels.
Digital Transformation is the comprehensive transformation of business models, organizational activities, workflow and business processes. It is accomplished by leveraging the use of a broad range of digital technologies in combination with data and analytical capabilities in a structured and methodical way with current, interim and future states of the organization and market dynamics in mind.

Also, it is a holistic process, involving not just technology, but the complete enterprise value chain, with the overarching strategic objective of creating an agile platform for efficiency, productivity, enhanced user experience, long-term performance, reduced expense, new revenue streams and growth. Insurance companies, by virtue of their mission, are customer-centric organizations. Their business objectives primarily revolve around insureds, agents and/or broker’s needs in this ever-changing technology landscape of evolving customer expectations. Therefore, insurance companies must understand customer needs, behaviors and expectations around systems and human interactions, timeliness of information and preferred communications methods across channels. Companies must also understand the strategic options that are available for them to meet, if not exceed, customer expectations and to achieve short term and long term organizational and business objectives.

As important, insurance companies must understand the urgency for achieving digital
transformation. Unlike past industrial revolutions, the digital revolution is accelerating at an exponential rate. That means, for those that are simply dipping a toe in the water, chances are reduced for meeting customer expectations that are shaped by their experiences not only with competitors but also based on their interactions and speed of interactions outside of the insurance industry. Also, their chances are significantly reduced for catching competitors that are far along in their digital transformation journey.

In this regard, it should be noted that top performing companies are distinguished by their ability to achieve and sustain performance excellence throughout their enterprise value chain. Key characteristics of high-performing companies include execution speed and agility, a comprehensive approach to transformation, informed decision making, omni-channel experience, market awareness and a relentless focus on value enhancement for customers as well as employees.

This doesn’t mean that transformation is akin to swallowing the elephant whole. Transformation is a journey of strategically orchestrated initiatives with incremental value delivery. By undertaking the journey these companies consistently outperform competitors by incrementally delivering capabilities, building credibility and trust, learning and adapting, and effectively taking advantage of opportunities while managing risk.
Vision, Strategies, Roadmaps & Methodology: The Importance of Knowing Where You’re Going & How to get There

Transformation, superior execution and performance excellence are achieved when discrete operations across the enterprise function in harmony at optimum levels to achieve company strategic objectives. This requires that company leadership embrace a holistic and synergistic view of the enterprise - one that recognizes how business units, processes, information flow, and decisions function together to achieve strategic objectives. Gaining this perspective requires reevaluation of assumptions and the existing environment, challenging the status quo, empowering individuals and groups, and enabling development of a clear vision, strategies, roadmaps and plans for achieving the changes necessary to realize improvements across the insurance value chain. In addition, as a long-term venture, achieving transformation requires persistence, organizational resolve, leadership commitment, and early and continuous successes in order to fuel and position long-term changes.
As a long-term venture, achieving transformation requires persistence, resolve, and early and continuous successes in order to fuel and position long-term changes.
Vision is where it all starts. But in many organizations, it seems everyone in the organization has their own version of what the company’s vision is, or should be. So, it is important that senior executives ensure that the company’s vision is clearly stated, documented, evangelized and continuously reinforced throughout the organization so everyone is on the same page. And it’s not a one-sentence mantra. To be meaningful, vision needs to be highly descriptive, precise, and illustrated with examples that help it become real. Vision also needs to be forward-looking, taking into account potential future channels, methods, models and technology, and with markers that put it in a time perspective, and within a context of reasonableness and achievable goals. As part of the visioning exercise, establishing a target state view that an organization can anchor against is integral to the overall success. It helps you develop the necessary interim state as you work towards that ultimate target and adjust your vision and mission along the way. To use an architectural metaphor, it’s like a sketch of a new office building as it will look when built. It was created based on translating ideas into something tangible.
To turn your vision into reality, you need to establish strategic objectives, identify targeted capabilities, establish blueprints, roadmaps and execution plans, and leverage a disciplined methodology to measure progress and realize benefits as you deliver on commitments. That is where you’ll likely need a structured approach and professional help, lots of help.

Unlike that new office building, you are not starting from scratch. You are building upon successes and a proven business model while “transforming” what you have into something much better and more profitable for your customers, employees and shareholders. Accordingly, developing strategic objectives and plans should start with an iterative process of understanding your current weaknesses in relation to your vision and target state; and defining the capabilities, resources and objectives required to overcome those weaknesses and close any gaps. This involves technology value enablers and key value propositions, and other structural components. It also includes a major change management program to include people in the journey, and to illuminate the potential and the value for all stakeholders associated with it. One major reason why transformational initiatives fail is because organizations lose sight of the human aspect - the most important aspect of a transformational journey.

Equally important, as with any large enterprise-wide program, the transformation journey must be proactively endorsed by the board and aggressively supported and publicly embraced by senior executives.
Technology modernization does not equate to digital transformation. The customer, employees, organizational culture, workflow, business processes and actionable insights, along with technology capabilities, must be at the heart of every transformation initiative. There are many components to the overall digital transformation strategy, but here are some key components that are integral to a successful transformation initiative.

### Business, Technology Transformation Strategy & Roadmap
- Strategy & Roadmap Development
- Business Architecture
- Capability Mapping
- Target Operating Model
- Change Management

### Information Management & Analytics
- Enterprise Data Strategy
- Business Intelligence
- Advanced Analytics
- Artificial Intelligence
- Analytics as a Service

### Intelligent Automation
- Process Engineering
- Workflow Mapping
- Automation & Prefill
- Automated Operations
- Robotics Process Automation

### Project Planning & Execution
- Strategic Project Planning
- Governance
- Agile Development & Delivery
- Program & Project Management
- Stakeholder Communication
Transformation is only successful if done in the context of business benefit realization. All investment decisions should be made with benefit realization and value creation in mind. Here is an example of framework that allows the organization to identify targeted capabilities and enable and operationalize those capabilities in the context of business benefit realization framework.

**Strategy & Capability Enablement**
- Business Goals & Objectives
- Strategic Themes
- Business Capabilities
- Capability Model
- Capability Maturity Assessment
- Capability Performance Assessment
- Target State Blueprints
- Business Impacts
- Dependencies Identification
- Initiative Shaping & Planning
- Roadmap Development & Execution

**Implementation & Optimization**
- Interim/Target State Processes
- Automate Processes
- Cohesive User Experience
- Establish & Monitor KPIs
- Operationalize Capabilities
- Capability Adoption
- Active to Effective Utilization
- Optimize Workflow
- Active Workload Management
- Target Operating Model
- Change Management

**Benefit Realization**
- Productivity
- Capacity
- Speed
- Growth
- Enhanced Customer Experience
- Higher Customer Satisfaction
- Reduced Expense
- Easy to Use Platforms
- Time to Market
- Agility & Nimbleness

**OUTPUT**
- Capability Delivery & Capability Operationalization
- Efficiency, Effectiveness, Digital Transformation, Innovation
- Operational Excellence, Sustainable Competitive Advantage & Profitable Growth
A disciplined Transformation Management Methodology (TMM) is required to guide and execute the restructuring process. The TMM includes program and change management, with leadership and teams that have the right skills and experience. The TMM facilitates aligning expectations and defining process, setting and monitoring schedules and milestones; achieving education and training of management and staff; promoting clear and frequent communication of goals, objectives and progress; and assuring precise execution of project initiatives.

The TMM also stresses a collaborative approach with client teams to provide insights; to implement program management tools and techniques to manage each initiative; to provide the right level of governance; and to act as a catalyst for the level of change needed.
As shown in Diagram 3, your vision, if properly articulated, should help identify priority value propositions and preferred options, and point to certain desired strategic value drivers. These value drivers in turn form the basis for defining specific target transformation models (TTM). With this knowledge, enabling initiatives (projects) can be undertaken that achieve incremental restructuring in line with the specific transformation models defined by the TTM. As these initiatives progress, business adoption is achieved and reinforced by focusing on programs that support oversight, governance, organizational and personnel needs.

VISION, STRATEGY & TRANSFORMATION PROGRAM INITIATION – DIAGRAM 3

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<th>STRATEGIC COMPONENTS</th>
<th>PROGRAM ACTUALIZATION</th>
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<td><strong>Strategic Value Drivers - Benefits</strong></td>
<td><strong>Target Transformation Models</strong></td>
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<td>Customer Experience &amp; Value Enhancement</td>
<td>Organizational Structure</td>
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In addition, the TMM helps overcome impediments to transformation, such as:

- Lack of sustained commitment from senior leadership, middle management and front-line business leaders
- Misunderstanding the synergy between business objectives and customer needs/solutions
- Underestimating the scope, dependencies, complexity, impacts and time required to complete the transformation journey
- Focusing only on technology and not on other enablers of value creation
- Not involving key business unit leaders and front-line team members in planning and implementation
- Inadequately addressing company cultural issues and change requirements
- Overdependence on internal staff that may lack experience and expertise in large-scale digital transformations solutions
- Rewards and recognition are not in alignment with transformational objectives
- Holding leaders accountable for not driving or visibly embracing change
CASE STUDY

Representative example of initiatives undertaken in line with specific target models selected

CLIENT PROFILE

A multinational general insurance company headquartered in the UK, employing 23K+ personnel operating in 31 countries, and providing insurance products and services in more than 140 countries through a network of local partners serving 17 million customers.

PURPOSE AND SCOPE

The company aspired to be a dominant commercial lines player in its chosen markets. Based on this vision and an assessment of the company’s current situation, it was determined to focus on three strategic value drivers – Actionable Data Intelligence, Customer Experience/Value Enhancement, and Operational Performance Improvement. Strategies were defined around critical value enablers: data, process, and analytics. Target models were then developed and a phased approach adopted to initiate projects:

- **Data Management:** The data management system was enhanced to enable collection, filtering and analysis of data to provide insights into desired markets; assess the competition; identify growth opportunities; support product distribution and the customer experience; and provide metrics that enabled performance tracking against targets.
- **Process:** The operating model was restructured using Lean Six Sigma methodology and RPA to optimize for straight through processing in support of distribution channels.
- **Analytics:** Application of analytics tools and models enabled identification of new opportunities through customer segmentation, cross-sell initiatives and campaigns; and improved sales effectiveness. In addition, development of an intelligent data-driven performance assessment tool with dashboard enabled an enhanced decision-making capability.

VALUE TO CLIENT

The Client achieved 13 percent improvement in quote-to-bind ratio, a 15 percent reduction in declination ratio, and a 30 percent growth in gross written premium.
Summary

Digital Transformation requires organizations to evaluate their current situation, challenge the status quo, and empower individuals and groups to unify in pursuit of a common vision of the future. In pursuit of the vision, organizations must develop strategies, roadmaps and plans, and complete specific projects with incremental value creation that achieve business objectives. This is a long-term venture that requires persistence, organizational resolve, leadership commitment, and early and continuous successes in order to fuel and position long-term changes. In addition, making DX happen depends heavily on the ability of the organization to fulfill ten fundamental requirements.

1. Articulate and commit to a vision of the desired future state
2. Partner with experienced professionals to enable the transformation vision and to successfully execute the strategic initiatives
3. Assess the organization’s situation objectively
4. Understand the marketplace and the options to driving change and value
5. Make difficult decisions and take decisive actions
6. Plan a clear and executable path forward
7. Forge consensus among internal and external constituencies
8. Align the culture with business objectives and lead with enthusiasm
9. Communicate continuously with stakeholders
10. Operate with speed and transparency

Those organizations that are up to the challenges and make the commitment aided by the guidance provided in the article will be rewarded with significant improvements in performance, in their ability to achieve profitable growth, and in their ability to gain sustainable competitive advantage.
Fred R. Donner is an accomplished finance executive with over 30 years in the financial services industry. He has extensive experience leading and advising corporations through restructurings, international expansion, risk management and capital market transactions.

He most recently served as Executive Vice President, Enterprise Risk Management for Travelers Insurance Co. and Chief Financial Officer for its Business and International Insurance segment until his retirement in 2017, where he was responsible for overseeing the company’s risk management infrastructure and risk profile, along with the finance function of its largest business segment with over $16 billion of global insurance revenues. He co-chaired the company’s Enterprise Risk Committee and was a member of the company’s Management Committee and Operating Committee.

Prior to joining Travelers, Fred was Executive Vice President and Chief Financial Officer of RenaissanceRe Ltd., a New York Stock Exchange listed, Bermuda-based international reinsurance company. Before Travelers, he was the National Partner-in-Charge of KPMG’s Insurance Practice.

Amir Farid is an accomplished executive with over 25 years of experience. He is adept at driving innovation with a combination of business acumen and technology expertise to lead organizations through complex transformation, establish data strategies, develop analytics practices, and manage large-scale initiatives in partnership with client management and team members.

Amir joined FTI Consulting from Travelers Business Insurance, where he served as COO for the Business Insurance Operating Model Transformation Strategy, for Product and Platform, and the Platform Lead. He was responsible for transformational strategies, planning, architecture, data, analytics, logistics, financials and delivery of strategic investments tied to the Operating Model Transformation. He provided leadership oversight and governance for all Operating Model investments and delivery programs. He was also responsible for organization-wide leadership of strategic investments and for employing short- and long-term strategies to support business models across Travelers, with over $16 billion of global insurance revenues.

Prior to joining Travelers, Amir served in leadership roles for Allstate Insurance, United Airlines, and other companies across different industries, and as a Management Consultant for clients in United States and Europe.