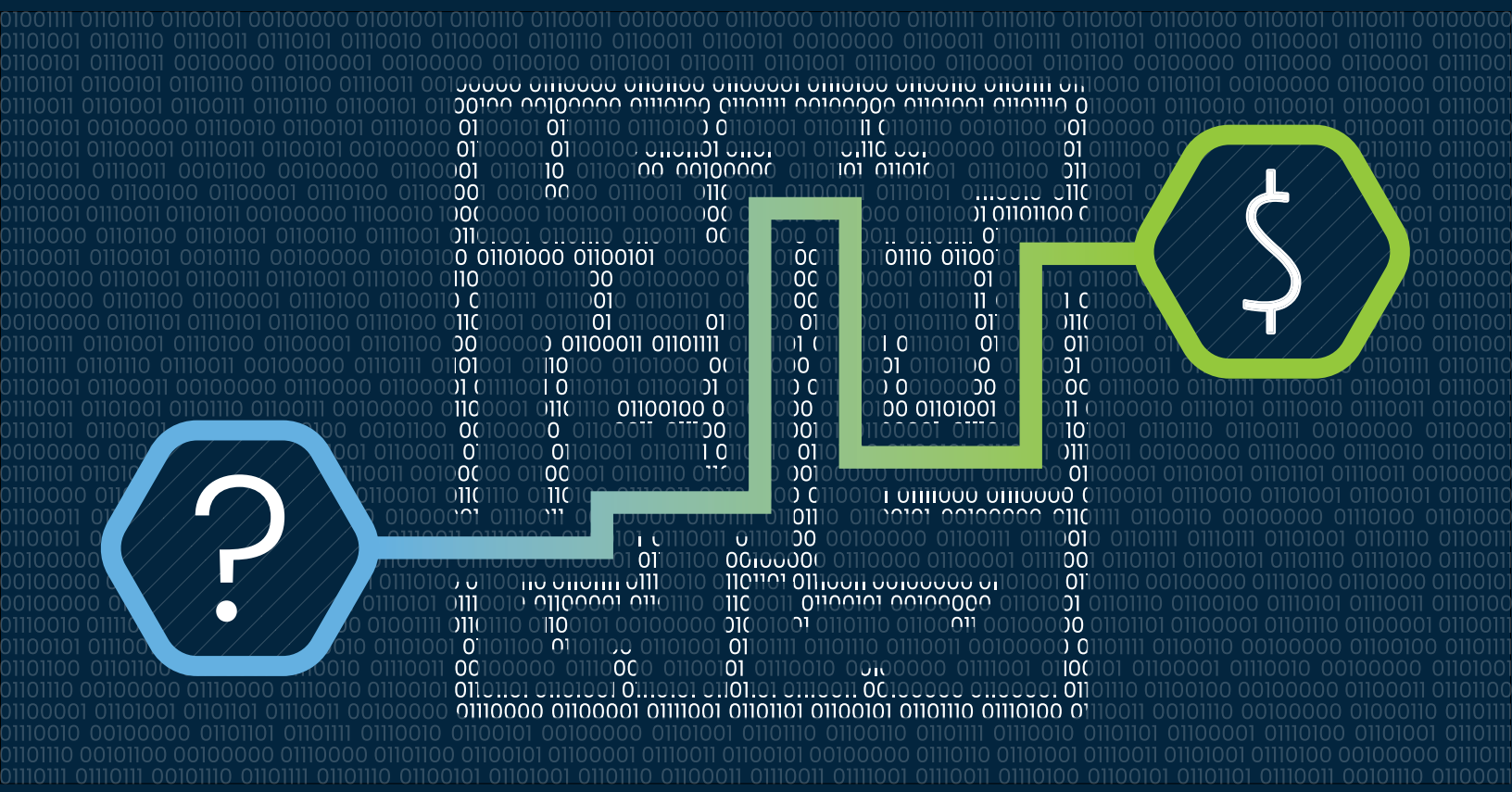
2019 edition

THE INSURER'S GUIDE TO GOING DIGITAL



What every insurer must know about the technology trends that are transforming the industry.

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ONE INC

The Insurer's Guide to Going Digital
2019 Edition

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Overview & Contents

From artificial intelligence to self-driving cars, the last decade has introduced an onslaught of new technologies that are revolutionizing the insurance industry. Gone are the days of the one-size-fits-all policy, and insurers are racing to find solutions that make sense in today's technological, cultural, and economic climate.

As a result, consumers now have a wide variety of insurance options at their disposal. Whether they're looking for a 100% digital experience, a multi-service ecosystem, or a built-in policy included in a product's purchase price, insurers are rapidly developing solutions to meet their customers' evolving needs and preferences.

And while this industry transformation has created bountiful opportunities for new businesses to emerge and large enterprises to expand, some traditional insurance companies are struggling to adapt to the growing demand for innovation and digitalization.

In this eBook, we'll explore how insurers are using technology to gain a competitive edge in the market, and how your company can keep up with the digital revolution.

Table Of Contents

Artificial Intelligence

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AI & Humans

74% of consumers say they'd be happy to get computer generated insurance advice.

Most of the Artificial Intelligence (AI) we use in insurance today is a subset of AI technology known as Machine Learning. These are systems that have been programmed with a set of rules, allowing them to recognize patterns, develop conclusions, and adjust responses based upon observations and experiences.

Insurers are using AI to help with a variety of functions, such as customer service, underwriting, claims processing, and risk management.

Source:
Accenture 2017 Global Distribution & Marketing Consumer Study

Insurance Use Cases

- Offer instant customer service via chatbot or Virtual Agent
- Expedite underwriting by mining and analyzing all relevant records
- Increase speed and accuracy through the claims process with automated damage assessments
- Easily identify risk patterns by collecting and analyzing consumer data
- Prevent fraud by applying algorithms that detect patterns and inconsistencies

Autonomous Vehicles

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Driverless Cars

How Self-Driving Cars Are Changing Insurance

Premiums

The National Highway Traffic Safety Administration (NHTSA) estimates 94% of all serious crashes are the result of human error. Because premiums are calculated based on risk, by removing human drivers from the equation, auto policy rates could soon drop.

As autonomous vehicles (AVs) become more mainstream - along with an associated shift away from individual ownership - some are predicting the hybrid-model of insurance solutions, in which manufacturers would bear a large percentage of the responsibility for auto safety and liability. The remaining costs would be distributed among the riders.

Alternative Policy Mode

Many insurance companies are already offering an auto policy model where the driver pays on a per-mile basis, using technology that generates rates based upon a combination of data derived from GPS, driving records, credit records, vehicle type, location of residence, and other risk factors such as age and gender.

As the demand for AVs and shared vehicles increases, this type of pay-as-you-go model could become the norm. While most insurers still offer traditional policies, if you haven't already, now is the time to start exploring alternatives in order to stay relevant in the evolution of auto insurance.

Automation Levels

0 No Automation	1 Driver Assistance	2 Partial Automation	3 Conditional Automation	4 High Automation	5 Full Automation
No level of automation.	Minimal automation, such as steering or braking, under limited circumstances.	Limited system control of steering and braking, with human responsible for all other functions.	Many functions automated, with the expectation that the human will take over upon request.	System controls all aspects of driving, with the option of human driving. A few limits remain.	System controls all aspects of dynamic driving, under all external conditions. No human driving.

Big Data

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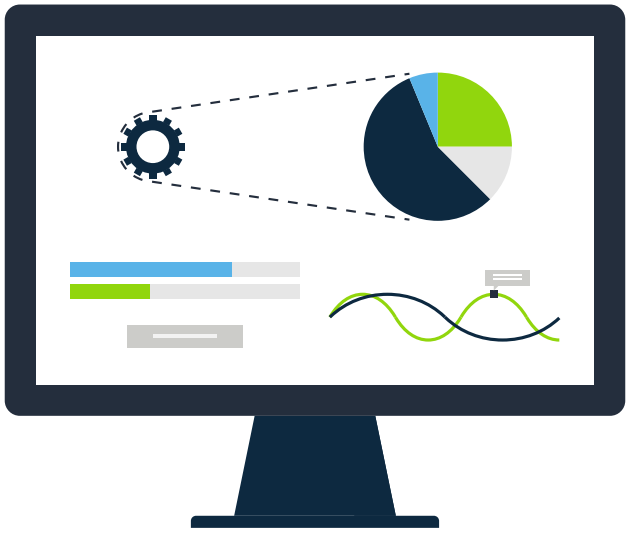
Graph Theory

Big Data & Insurance

While consumer information was once limited to a select set of parameters, insurers can now access nearly limitless information about the lives and habits of their policyholders. They can use this data to calculate risk, identify opportunities, investigate fraud, and personalize policies to an extent never before possible.

But the potential use cases are much further reaching.

The National Association of Insurance Commissioners (NAIC) is currently analyzing big data's effect on the insurance industry to determine what level of granularity is beneficial versus harmful to consumers. Until a consensus is reached, the data is still available for insurers to use as they wish.



Two Types of Data

1. **Structured:** Data that is entered into defined fields and tables, such as name, age, gender, and zip code.

2. **Unstructured:** All other existing data, including social media posts, multimedia, written reports, and purchasing habits.

Consumer Privacy Laws

The General Data Protection Regulation (GDPR) restricts how companies can collect, store, and use data for any business that operates in the European Union (EU) or digitally communicates with any EU residents. California recently enacted a similar law that gives consumers more control over their own personal data. Other states are following suit, and you can likely expect this trend to continue as consumers fight for their right to privacy.

The penalties for non-compliance can be steep. So even if your state does not currently have privacy laws in place, you should be organizing your data management system with enough flexibility to adhere to new guidelines as they evolve.

Blockchain

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Blockchain

What is Blockchain

Blockchain is often described as a “distributed ledger.” The data is split and stored across a wide network, ensuring that no one entity can obtain a complete record.

Similar to the traditional database model, blockchain has the ability to store large amounts of data. However, its mass-distribution makes it virtually impossible for hackers to access or corrupt. It also involves a transparent and permanent documentation of each transaction.

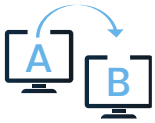
Blockchain Challenges

Blockchain has some significant limitations that have prohibited wide-spread use so far. These include the cost of upgrading core systems for compatibility, a lack of standardization, insufficient response times, and considerable energy requirements.

Because blockchain is not currently a viable option for many insurance companies, insurers can gain similar security advantages by outsourcing to a digital payments provider that tokenizes sensitive data. The tokenization process replaces payment data with encrypted symbols and separates it into multiple parts, ensuring that the entire record can never be accessed in one place.

How Blockchain Works

1. A person requests a transaction.



2. That transaction is then broadcasted to a secure peer-to-peer network of “nodes.”

3. The network validates the user and transaction using known algorithms.

4. The new transaction combines with other transactions to form a new block of data.

5. The new block is added to the blockchain as a permanent record of the transaction.

6. The transaction is now complete

Click Here For A Deeper Dive into Blockchain and Insurance

Cyber Security

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PCI Compliance

According to the Ponemon Institute's 2018 Cost of a Data Breach Study for IBM, the cost of the average data breach to companies worldwide is $3.86 million. In the United States, that number jumps to $7.91 million. And unfortunately, these "out of pocket" expenses are just the beginning of the nightmare for businesses and customers affected by cyber attacks.

Key factors in minimizing your vulnerability to cyber security threats include (1) awareness, (2) consistent, uncompromising prevention measures, and (3) a solid disaster recovery plan. Below are some common threats facing insurers today.

2019 Cyber Threats

Ransomware

Malicious software that prevents the user from accessing their systems until the user pays "ransom" money.

Malware

Software designed with the intent to damage, disable, or destroy computers and computer systems.

Phishing

Email sender pretends to be another person or company in an attempt to coax personal information from the recipient.

Distributed Denial of Service (DDoS)

Attack in which the perpetrator attempts to flood a particular network with traffic to disrupt resources.

Cyber Espionage

Virtual or physical infiltration of network in an effort to steal sensitive data or proprietary information.

Human Error

Most cyber claims are the result of internal errors, which inadvertently leave the data or network vulnerable to attack.

Source: Cyber Risk Culture Survey by Willis Towers Watson

Cyber Security

Click Here To Learn About:
One Inc's Certifications

While not an exhaustive list, here are 10 best practices all insurance companies must implement as part of an overall network security plan.

Network Security Best Practices

1. Keep all software and firmware up-to-date, including malware detection, cybersecurity tools, and firewall programs.
2. Set clear administrative privileges, authorizing each user with the minimum privileges necessary for their work.
3. Establish network security guidelines and educate all users.
4. Set up two separate networks, one for private access and the other for public access.
5. Require strict passwords and periodic password changes for all users.
6. Set up a Virtual Private Network (VPN) for remote access.
7. Use encryption programs for all sensitive digital communications, and tokenize all payment data.
8. Invest in continuing education for your IT staff and hold regular trainings for all users.
9. Create a solid disaster recovery plan, and update regularly.
10. Audit all inventory, processes, security measures, and backup plans, and adjust as needed.

Digital Engagement

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Digital Engagement

New insurance companies seem to be popping up regularly, and consumers are actively exploring their options. To earn the loyalty of your policyholders, focus on solutions that match the level of speed, efficiency, and ease that consumers have come to expect in all their brand interactions. This doesn't mean you have to completely replace your operations with digital alternatives. Instead, find a balance that incorporates modern solutions to enhance your current services, without sacrificing the human touch your customers still need.

22%
of P&C customers feel loyal to their provider.

30%
are considering shopping for a better deal.

Improve the Customer Experience with Digital Engagement

Active Web Presence

Online Quotes

Product Ecosystems

Multiple Communication Channels

Multiple Payment Options

Mobile Claims Processing

Digital Claims Payments

Loyalty Programs

Source:
Accenture Digital Engagement Solutions for Insurance

Drones

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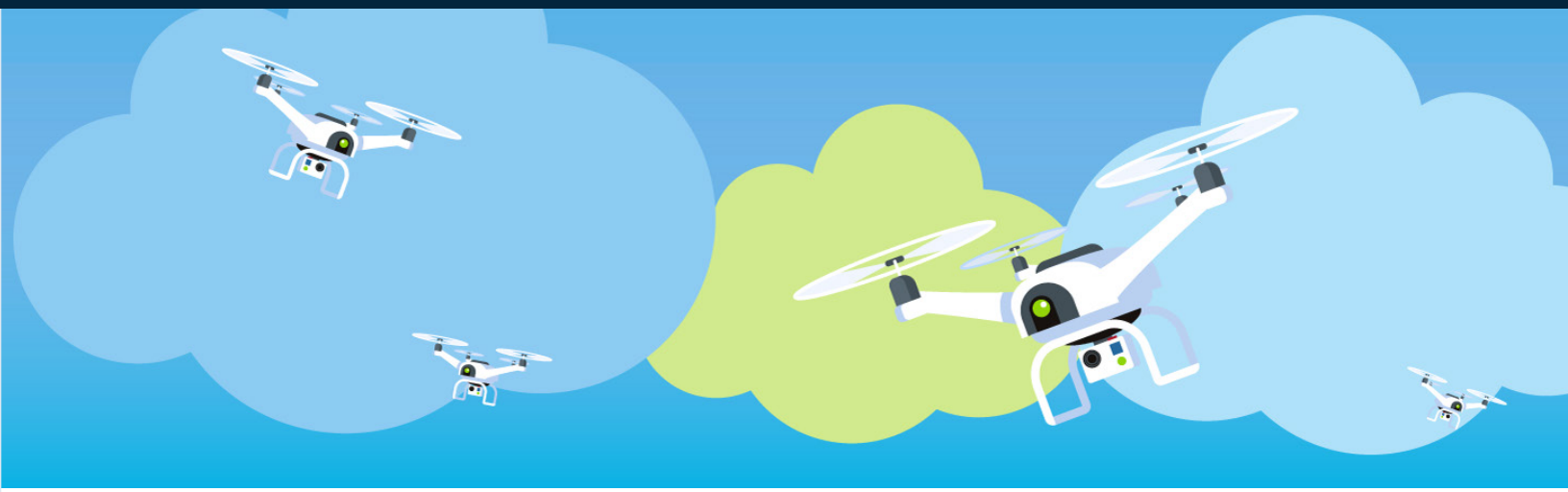
Drones & Insurance



Insurance Use Cases

Insurers use drones for their ability to arrive at a scene quickly, obtain close-up and bird's-eye images, and share large amounts of data in real time. Drones allow insures to:

- Assess risk through imaging and data analysis for more accurate underwriting
- Inspect roof damage
- Inspect post-disaster damage
- Access and view hazardous areas
- Detect water, air, oil, radiation, and gas leaks using infrared cameras
- Improve fraud protection efforts (comparing past and present aerial photos)
- Inspect large areas of wide-spread damage
- Obtain early information immediately after First Notice of Loss (FNOL)
- Monitor developments to help prevent peril (such as a flooding road)
- Share and analyze data in real time for quick, accurate claims decisions
- Investigate, resolve, and settle claims faster

Caution

Despite their wide range of capabilities, drones present a few notable challenges:

Damage & Liability

Low-flying drones and crash landings can cause harm to both people and property. Insurers must take every safety precaution, and only use highly-trained operators.

Privacy

Before deploying drones to collect images, you must obtain consent, and blur out all other faces and personally identifiable information.

Regulations

Drones are subject to a wide array of strict federal regulations, which can be found online at: www.faa.gov/uas/

Ecosystems

Click Here To Read
McKinsey Report on
Insurance Ecosystems

As the market becomes saturated with options, insurers are looking for new ways to differentiate their businesses from the competition. Some have found success offering a variety of products and services that complement insurance. For example, an insurance company may partner with a home security system provider to offer a discounted alarm service to policyholders. Or a healthcare provider might lower rates for employee groups who follow a corporate wellness program and track progress via wearable fitness trackers.

There is no set ecosystem standard. Insurers are free to create a unique assortment of products, services, and combinations that will work best for their company and policyholders.

Sample Ecosystem

Internet of Things

Click Here To Read
McKinsey Report on the Internet of Things

The Internet of Things (IoT) refers to all objects and devices that are connected through the internet that are capable of sending and receiving data. Some insurance companies are incorporating the IoT into their products, offering discounts or other rewards to customers who link their smart-devices to their policies. Some use cases include:

AUTO: Insurers can use telematics to collect and record driver-safety analytics. By transmitting data-points such as speed, distance, and braking, policyholders are able to demonstrate their safe driving habits and potentially lower their premiums based upon reduced risk. The IoT also includes safety devices such as vehicle maintenance monitors, navigation assistance, and emergency response systems.

HOMEOWNERS: The IoT can help protect policyholders from common household dangers, both malicious (theft, vandalism) and accidental (forgotten stove-top burner, neglected repairs). With remote access to lights, thermostats, ovens, video cameras, and smoke detectors, homeowners can monitor the ongoing safety conditions of their house, and take measures to prevent or intervene before damages occur.

HEALTH & LIFE: Wearable devices containing sensory technology ("wearables") provide useful data when calculating risk factors and premiums for health and life insurance policies. Some insurance companies offer incentives to policyholders who demonstrate healthy lifestyle activities tracked via wearables.

IoT Security Hazards

Unfortunately, this hyper-connectivity has created new opportunities for hackers to creep in and cause mayhem. Make sure your policyholders are aware of these risks and treat all IoT devices with the same security precautions as their computers, networks, and phones.

Payments Platforms

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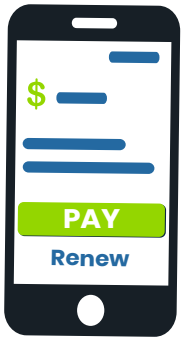
Customer Experience

Digital Payments in Insurance

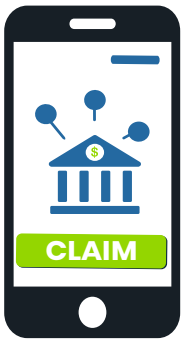
Payments are the most frequent touch-points between insurers and policyholders, providing the perfect opportunity to take advantage of the power of digital. While most insurance companies do offer some form of digital payment option to their customers, many have yet to capitalize on the full benefits of an insurance-based payments platform.

Digital Premiums Payments



As the most frequent interaction policyholders have with their insurers, inbound premiums payments provide a unique opportunity to engage with their customers, providing options for different payment methods, schedules, and communication channels. An insurance-based payments provider should be able to easily integrate into your core systems, improve operational efficiency, and comply with strict payment security standards and industry-specific regulations.

Digital Claims Payments



Often referred to as the “moment of truth,” the claim plays a critical role in customer retention. If a policyholder is not satisfied with a claims experience - with speed of settlement being the top-rated factor - he or she is much more likely to switch providers. Digital claims payments offer the simplest, most cost-effective way an insurance company can expedite the process and get the payment to the policyholder - days, or even weeks, sooner than mailing a check.

Payments Platforms

Click Here To Read The Blog
Payments & Retention

Benefits of Digital Payments

1. Increase Customer Retention

Premiums

- Remind policyholders when payment is due
- Provide the opportunity for customers to renew automatically
- Allow customers to pay through their preferred channels
- Create a value-add experience for those policyholders who want or need communication around their payments

Claims

- Allow your policyholder to begin the rebuilding and recovery process sooner than a check
- Avoid mail- and bank-related delays
- Send payments through your customers' preferred channels
- Automatically disburse funds to appropriate parties

2. Reduce Unnecessary Costs

Premiums

- Reduce missed payments and non-renewals
- Mitigate credit card processing fees through your third-party provider
- Reduce time spent reconciling
- Avoid non-compliance penalty fees by removing payment data from your network

Claims

- Incur fewer daily costs (car rentals, hotel nights, etc.)
- Reduce risk of extended litigation, including legal fees and higher payouts
- Eliminate all manual check processing costs
- Display environmental responsibility - and save money - by reducing paper

3. Minimize Risk & Exposure

Premiums & Claims

- Reduce data breach exposure and protect your policyholders by keeping all payment information off your network, using a third-party provider that tokenizes sensitive data.
- Simplify your own PCI (and other) compliance requirements, as your provider assumes most of the risk and maintains meticulous, ongoing security precautions at the highest level of compliance.

Getting Started

Click Here To Learn how you can
Get Started

Preparing to Go Digital

1. **Communicate** internally and externally to identify what works well and what needs improvement.
2. **Assess** your current resources and budget to determine where to get the greatest ROI.
3. **Invest** in ongoing education for your IT department, and train employees regularly.
4. **Hire talent** with an understanding of technology and the modern consumer.
5. **Research** vendors, and ensure they are intimately familiar with the insurance industry.
6. **Implement** solutions to improve your customer experience, operational efficiency, and security.

Final Thoughts

The industry is going through some massive changes, but there's no need to panic just yet. Digital transformation is a process, and your upgrades don't have to happen all at once. When developing your digital strategy, start by incorporating solutions that will create the biggest impact with minimal disruption in your day-to-day operations, and grow from there. While going digital can improve functionality, efficiency, and customer experience, your policyholders still need to know that they have a real, live insurer in their corner when they need one. So no matter how many insurtech solutions, robots, drones, and other digital solutions you integrate into your systems, there's one thing technology cannot replace: **YOU.**

About One Inc

Click Here To Learn More About
One Inc

Digital Payments Platform Built for Insurance

One Inc offers a single platform for processing both premiums and claims payments. This one simple, secure solution offers a wide range of functionality and benefits for insurers and policyholders, and easily integrates into your current core systems (legacy and modern).

- **Retain** more customers though digital engagement.
- **Reduce** your costs and improve operational efficiency.
- **Increase** security while simplifying compliance.

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