

Cognizant[®]



**The Future of
Insurance**

The future of insurance offers a world of opportunities, but the transformation will require substantial steps and boldness. The industry needs to be open to new insights instead of being mentally closed by existing ones.

Each industry has its own challenges, and digital disruption is everywhere. Organizations must be agile and build new momentum that respects the new reality of their industry. To remain relevant, organizations need to adapt to changes not only today, but also tomorrow. Change is the only constant. Constant change requires scenario-based thinking, exploring several paths and crafting a digital strategy based on preparing for the future. For businesses to stay relevant, they need to explore the future and look at next generations.

No one can predict the future; organizations must actively explore various possible futures to anticipate what disruptions are coming. We believe that future winners in the digital economy will be those that can deliver on one key insight: put technology in the background, and focus on people first. Putting customers first does not diminish technology's importance; rather, a deep customer understanding should help guide the choice of which technologies to incorporate in your business.

Cognizant can bring together digital strategy, deep industry knowledge, human sciences, experience design and technology expertise to help companies design, build and scale digital business solutions. Cognizant has both the expertise and experience with digital transformation. Together with clients we can explore tomorrow's opportunities.

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Center for
The Future of Work

A view by Cognizant's Center for the Future of Work

Meet the customer of the future

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Within Cognizant's Center for the Future of Work, he helps ensure that the unit's original research and analysis jibes with emerging business-technology trends and dynamics in Europe, and collaborates with a wide range of leading thinkers to understand how the future of work will look. Previously, Euan held senior analyst, advisory and leadership positions at Forrester Research, IDC and CEB. Euan can be reached at: Euan.Davis@cognizant.com

It's been a great year for Anna. She landed that amazing new job. She got engaged. And she's moving into the house of her dreams. Riding the train one morning on the way to work, Anna gets an alert from her insurance app. She's happy to hear from them: they automatically updated her homeowner's insurance and gave her a great discount when she signed the deed to her new house, which has solar panels on the roof. Now, her insurer has noticed signs of increased stress from her smart watch. It recommends adjustments to her healthcare coverage, offers premium discounts if she joins her local yoga studio, sees a massage therapist or tries acupuncture. With a few taps and swipes, Anna adjusts her health insurance and makes an appointment for her first massage, but not before giving her insurer a five-star rating. They always seem to know just when she needs them most.

Quick take

Post COVID-19 impact

The insurance industry has been thrown into turmoil by the COVID-19 crisis, from an inundation of life and non-life claims to having to rapidly adjust to remote working. Insurers have seldom faced this level of disruption in such a short time frame.

However, there is a silver lining, as this crisis could well prove to be the push needed for insurers to start wide-scale digital rollouts. From chatbots to pre-emptive highly personalized policies, insurers will now need to utilize an increasing number of digital technologies to cope with demand, boost revenues and deal with a remote workforce.

The insurance customer of 2025 will expect a fully customized digital experience, and the COVID crisis could well be the catalyst to make that happen.



Sound like science fiction? Far from it. In fact, this is what insurance will look like by 2025, at least, for insurers who want to stay relevant.

Say goodbye to the line

For decades, a typical life path followed a relatively straight line: education, career, marriage, retirement. At some point in that trajectory, consumers contacted their insurer to set up the standard, separate insurance contracts – health, home, auto and life insurance. Usually, that was the only contact they had with their insurer, until something went wrong.

There wasn't much need for insurers to change their business model in this straight-line world. And most of the time, they didn't have much use for the mountains of data they collected about their customers. Business as usual was the name of the game. Today, aside from a few handy apps and some clever marketing campaigns, most insurers are following the same straight-line philosophy: wait for the customer to contact us, offer standard packages based on general parameters, and collect an annual premium.

Life today, though, resembles anything but a straight line. And customers are anything but typical.

Welcome to the new normal

Today, customers' lives are moving faster than ever before, and they have more choices. They're not just living longer, they're also living more. They change careers every few years, go back to school in later life, travel the world in search of adventure. And at an age when their grandmothers were knitting in a rocking chair, they're learning to skydive.

So it makes sense that traditional insurance models no longer fit the modern customer. After all, consumers barely have time to keep up with their active schedules, much less think about insurance every time they make a change. That's why insurers need to do the thinking for them, and turn reactive models into proactive support.

Insurtechs are already paving the way to more adaptive insurance offerings. In Germany, Clark is an insurance robo-advisory platform that provides transparent, inexpensive and comprehensive insurance coverage. Through the Clark app or website, a robo-advisor analyzes a customer's situation and proposes optimization opportunities based on information from nearly 160 different insurance companies. Innovations like these are helping insurers get closer to customers and be readily available when customers need them.

As with most advancements today, it all begins with data.

Change minds, change models

All this change can make insurers more relevant than ever. But that will require a mindset shift in the industry, and a new attitude about data, partnerships, service and success. Tomorrow's customers will demand more personalization, more access, more security and more options, and insurers won't be able to provide that all on their own. They'll need to partner with other industries, start-ups and service providers to offer a seamless product offering that supports changing customer needs.

One example of this is already underway. Discover Vitality in South Africa partnered with Huawei to help South Africans live healthier lives. Monitoring personal fitness data from customers' wearable devices, Discover monitors health patterns and drives down premiums for customers who improve their general health. But this is just the beginning. Initiatives like these are bound to expand as insurers strive to keep their fingers on the pulse of customer needs.

Think, for example, of a single, integrated insurance package that encompasses health, life, property, liability and financial services. Each time a customer gets a new job, takes up a risky new hobby or buys a new car or gadget, this integrated insurance package could be adjusted and aligned to the customers' new reality. And the customer could feel safe and confident in the knowledge that their insurer is truly in touch with their specific needs and ambitions.

The future of insurance is human

Some insurance front-runners are already on their way to personalized insurance. Aviva found a way to gamify driving and connect premium discounts to safe driving behavior. Using a start-on-demand app, smart algorithms and GPS technology, Aviva Drive measures cornering, breaking and accelerating – and rewards safe drivers with a 20% discount on insurance.

As with most advancements today, it all begins with data. Insurers already know a lot about the customers they serve. And the more they can harness that data for insights, the more personalized services can become. By connecting to other industries and innovative start-ups, insurers can learn more about their customers than ever before. And with support from AI solutions, like inference engines powered by predictive analytics algorithms, insurers can use all that data to effectively predict customer needs, and proactively offer solutions that support them.



Taking tech even further

Cloud enablement and robotic process automation are already starting to take over menial insurance tasks, like contracts, billing and paperwork. And this can free up manpower and time to focus on investigating what customers truly want, and offering products and services that deliver. The decentralized blockchain environment is a secure place to store personal information, while smart contracts will offer lower operational costs, reduced counterparty risks, increased process automation and secure transactions.

By partnering with other industries – like financial institutions, retail, automotive and recreation – insurers can collect even more valuable data about their customers, and make predictions based on current behavior instead of past patterns. And as long as insurers explain their data-controlled, technology-managed solutions that utilize algorithms, blockchain and machine learning, customers will welcome their presence in their everyday lives.

The result? Flexible, change-on-demand insurance packages that use data and algorithms to create insight, and then use that insight to establish trust. So when a tornado threatens to come close to Anna's new dream home, she won't need to do a single thing. Her insurer will simply send a push notification to assure her that she's covered, even if she wasn't just a few days ago.

“the **future** of
insurance
is **human**”



An external perspective by futurist & trendwatcher Tony Bosma

Insurance reinvented

Tony Bosma (1973) is a futurist and trendwatcher. He is the founder of futuring and consultancy organization Extend Limits (www.extendlimits.nl). Extend Limits does not predict the future but helps organizations anticipate it. Do not ask yourself why things are happening. Ask yourself why hasn't it happened yet? This is the mindset companies need to adopt in this era of change.

Tony Bosma is an authority in future thinking and trendwatching and was nominated in The Netherlands several times for trendwatcher of the year. He is an internationally renowned keynote speaker. He is known for his confronting, inspiring, visually attractive and surprising sessions about a wide variety of topics. He also works for a variety of companies and governments, helping them anticipate the future and, more important, challenge and question today's world and mindset.

In collaboration with Cognizant, Tony Bosma did extensive research into near future trends across industries. Together with Cognizant, he made abstracts of the most dominant developments – not far fetched futuristic worldviews – but realistic developments which are seen right now. These are not only plausible future developments but also the challenges of technological developments.

The insurance industry will be heavily impacted by the digital developments of the upcoming decade. Will the definition of risk and solidarity in a transparent, smart and connected environment be redefined? How big are the risks of climate change, and how will autonomous mobility systems and integrated health sensors transform insurance? Together with changing consumer demands and even automated consumer interactions, all will require insurance companies to transform their business.

A world where insurance was dominated by data from the past is shifting toward a world of learning and adaptive artificial intelligence, a world where our surroundings detect risks before they happen.



But still, the next normal has yet to completely settle in. Are insurance companies able to cope with all the transformational forces surrounding them? Or will these once seemingly indomitable institutions – these former societal beacons of trust and stability – be replaced by something else as they find it impossible to change their established procedures, structures and, most of all, mindsets? No matter what happens, one thing is clear: The future of insurance will be transformed. A world of opportunity stands at the ready, requiring substantial change, a bold mentality and a willingness to be open to new insights.

The ongoing technological progress and its perpetual adoption by consumers is forcing a reformation of the essential elements of insurance. Intermediaries, brokers, consumers and every aspect of the supply chain will be influenced by the fast advancing technologies. In this new world, it's not so much about long-term vision but the ability to anticipate relevant change. What trends and developments will shape the future of insurance? Will technology make us even more invulnerable to future risks and end the existence of insurance?

“Disruption will not be a one-time event, rather a continuous pressure to innovate that will shape customer behaviors, business models, and the long-term structure of the financial services industry.”

World Economic Forum

A future beyond financial servicing

Digital services ecosystems

Insurance organizations are looking to transform themselves into platforms of services to remain relevant in the lives of their customers. For this, their mindset and organizational structure needs to shift toward a diverse ecosystem with flexible partnerships outside the traditional business of insurance. They also need to enable the delivery of fast-changing and personalized services to future insurance consumers. Meanwhile new entrants are already inserting themselves between insurance companies and customers, and raising service expectations by providing services that enhance the customer experience.

New value networks will transform the industry from a reactive and incidental consumer relationship toward an intensively proactive relationship. The insurance services landscape becomes a highly sophisticated digital-enabled marketplace, steered by smart and adaptive technologies. For this, insurance companies themselves will reshape to become more like high-tech companies. The future winners in insurance are likely to be those that control and act upon the customer interaction; those that don't risk becoming marginalized as utility players.

Prescriptive data driven services

The insurance industry has always used data to price risks. According to the European Insurance and Occupational Pensions Authority (EIOPA), risk assessment procedures are mostly being influenced by the developments in data. More accurate pricing and pricing based on the behavior and real-time situations in the lives of the policy holder are becoming the new normal. In our future world data will come from a continuous flow from individuals and his or her surrounding environment. The smartest person in the room will be the room itself. These enormous amounts of valuable customer data vary from buying histories to travel data, lifestyle data, medical information and inhouse and

outdoor activity data. Lifestyle risks and long-term health risks all become available because of the advances in data collecting and analysis. Genetic screening gives us predictive knowledge about health and all associated risks on an individual level.

The developments in data and connectivity enable insurance companies to place themselves in the center of customers' lives. It will even change the very nature of risk. Smart surroundings enable insurance companies to prevent risks like burglary by activating extra security measures when needed. Real-time analysis of lifestyles will trigger health-improving services and even disease prevention. These are just a few examples of how prescriptive data enhances future services from insurance companies. A challenging result of this is what this will do to the premiums customers will have to pay.

New regulations about data ownership are becoming more important in the age of data. Financial institutions like insurance companies are well positioned to become highly personalized data and services brokers in customers' lives, even beyond financial services, and play a much bigger role in tomorrow's society. In this context, trust is key to a bright future of insurance.

Smart connected insurance

There is no advantage from data without the use of artificial intelligence. This is the reason it is becoming mainstream in every industry. Even beyond using AI to enhance the customer experience, insurers will apply the technology to analyzing customer behavior to minimize risk and recommend relevant services. Continuously fed with data, AI-powered bots will be available 24x7 and be able to deliver a personalized policy within seconds. As speed and relevance become the new pillars of consumer trust (in addition to digital ethics), the increase in artificial intelligence will result in an increase of consumer trust with insurance.



With AI, insurance companies will also be able to more accurately forecast the future, automate processes (RPA) like streamlining claims handling, detect fraud, make smarter underwriting decisions and minimize unnecessary human interaction. This will help reduce costs, which has always been one of the key drivers of insurance. Smart software and processes could also remove human bias from decisions and transactions. The world of insurance transforms to a world where customers get risk advice from machines which “know” things before they could happen. Smart algorithms will eventually crawl through our lives not only to minimize risks but also to fight against insurance fraud.

Regaining trust through digital

New technologies can improve trust but also put new strains on it. These stressors include privacy protection, cybersecurity or the fear of too much impact by insurance companies on our lives because of their access to personal data. Other technologies like

blockchain can result in rebuilding trust as they secure the storage and transfer of personal data. It also could lead to the redefinition of insurance since these traditional institutions will no longer be the mediators of control, transactions and trust, as these mechanisms are embedded within the technology itself. The role of intermediaries will be reinvented and even become obsolete as trusted transactions can take place among anyone, including parties with no prior relationship.

It's vital, however, to remember that the future of insurance and trust hinges less on technology and more on the reality of the regulatory environment and the mechanisms used in future business models. The more transparent and meaningful these business models become, the more societal trust will increase. The industry will need to embrace the goals of the customer rather than focus on being a powerhouse of profit and growth.



“ At stake is nothing less than what sort of society we want to live in and how we experience our humanity. ”

Batya Friedman, professor at the University of Washington's Information School

Imagine, one day...

By 2050, it's easy to imagine insurance companies becoming invisible entities, disappearing from our physical world as they merge with the virtual world. Our preferences and financial choices will be represented online by our digital personalities, which will algorithmically determine our personal transactions and interact with the digital backbone of financial services networks. Algorithms calculate risks and act accordingly. We are warned when risks appear. Every aspect of our lifestyles is calculated toward risk-minimizing actions. Predictive models will know the exact outcomes and calculate optimal actions to take, and all is shared with insurance companies. The need for insurance is adjusted in real-time based on lifestyle and continuous risk calculations by an individual's intelligent surroundings. Health risks are calculated on the day we are born and monitored continuously by our smart surroundings and sensors. Becoming ill is a failure of the system.

Trust comes from intelligent machines, not humans: It will be digitized. Human intervention will be required only when something goes wrong. Our interactions will be mainly with machines, but humans still remain relevant for situations which require human-to-human interaction. But the state of technology minimizes this to almost zero.

These scenarios raise some crucial questions: What does the future of insurance mean for basic human aspects like privacy, security and solidarity? What about the role of human ethics in our relationship with the insurance industry? Amid technological progress and the changing insurance landscape, the biggest questions about the future of insurance lie in: is what we can do with insurance technologically the same as what we want to do? Are we able to explain our future innovations to our customers and society?

Insurance reinvented New challenges and questions

While a digital-driven utopian future of insurance is the promise, what is the reality? Is privacy becoming a luxury good in a world of interactive, self-optimizing insurance policies that are connected with wearables and smart surroundings, and are continuously analyzing us and calculating risks?

What are the privacy ramifications when one selfie can reveal more about your health and lifestyle than 10 pages of medical questions? Is solidarity within society entering its final years in a world where our lives are becoming more transparent day by day?

Let us not forget; lowering risk and living healthier lifestyles will benefit everyone. Insurance companies pay less in claims, there is less damage, and customers live longer. But can everyone participate in this riskless society? Of course not, and insurance companies cannot use data to focus on the most profitable customers. Regulation becomes more important as technology changes the rules of the insurance industry. It's the big question of this era for insurance: Ethics or innovative technology, which comes first?

Digital-driven insurance services in an interconnected smart world will raise questions about surveillance. From social data to location data to purchase data, we're handing over ever more rich data to our insurance companies. But many of us are mostly unaware of what this data is used for. In addition to privacy concerns, other issues loom: What about insurance companies steering our decision making process? What about real-time risk scores? Is technology reducing the autonomy of customers all for minimizing risk and damage?

“There’s an ethical question of who’s **responsible** for the decisions and actions of these algorithms.”

Will healthcare insurance companies nudge us in healthy living? What about free will in a world of smart insurtech? Are insurance companies using data to serve customers or just to realize their own goals? What is the leading purpose of the data being collected by the insurance industry? Technology leads us toward a world of opportunity, but there is also a dark side of it, a side which is also on the rise because many of the promises of the technology world have developed counter-wise.

With increased robotic process automation, other concerns arise around the use of algorithms. There’s the ethical question of who’s responsible for the decisions and actions of these algorithms. Do organizations and customers understand how the choices and decisions of robotic advice are derived? The business of insurance companies sees borderless opportunity but forgets the ethical side of progress made possible by technology. Is it ethical that an insurance company knows when someone is chronically ill before the person himself knows it? It is ethical that an insurance company can see when someone is having a love affair with someone who has a sexually transmitted disease?

Ethical questions also arise in the regulatory realm. In an ever more complex world of insurance in which regulation procedures become increasingly technology-driven, we’re moving further into a world where technology controls technology. With this approach, it’s vital for humans to understand the autonomous

processes and steps taken by technology. The biggest ethical dilemma of the near insurance future is who will be in control: technology or humans. This is especially important in an increasingly complex world in which humans are challenged to understand the decisions made by technology, especially technology that’s becoming more capable of self-learning and increasingly situationally aware and responsive.

The future of technology in insurance will be about answering ethical questions, enabling transparency and explainability, reducing complexity and adding humanity. The industry needs to ensure the decisions made by technology are unbiased and that the inner-workings of the supporting algorithms are transparent. The industry will need to emphasize the human and emotional side of insurance and the ever-important human connection in situations when people need an insurance company. The goal is to create customer experiences facilitated by machines and intensified by humans.

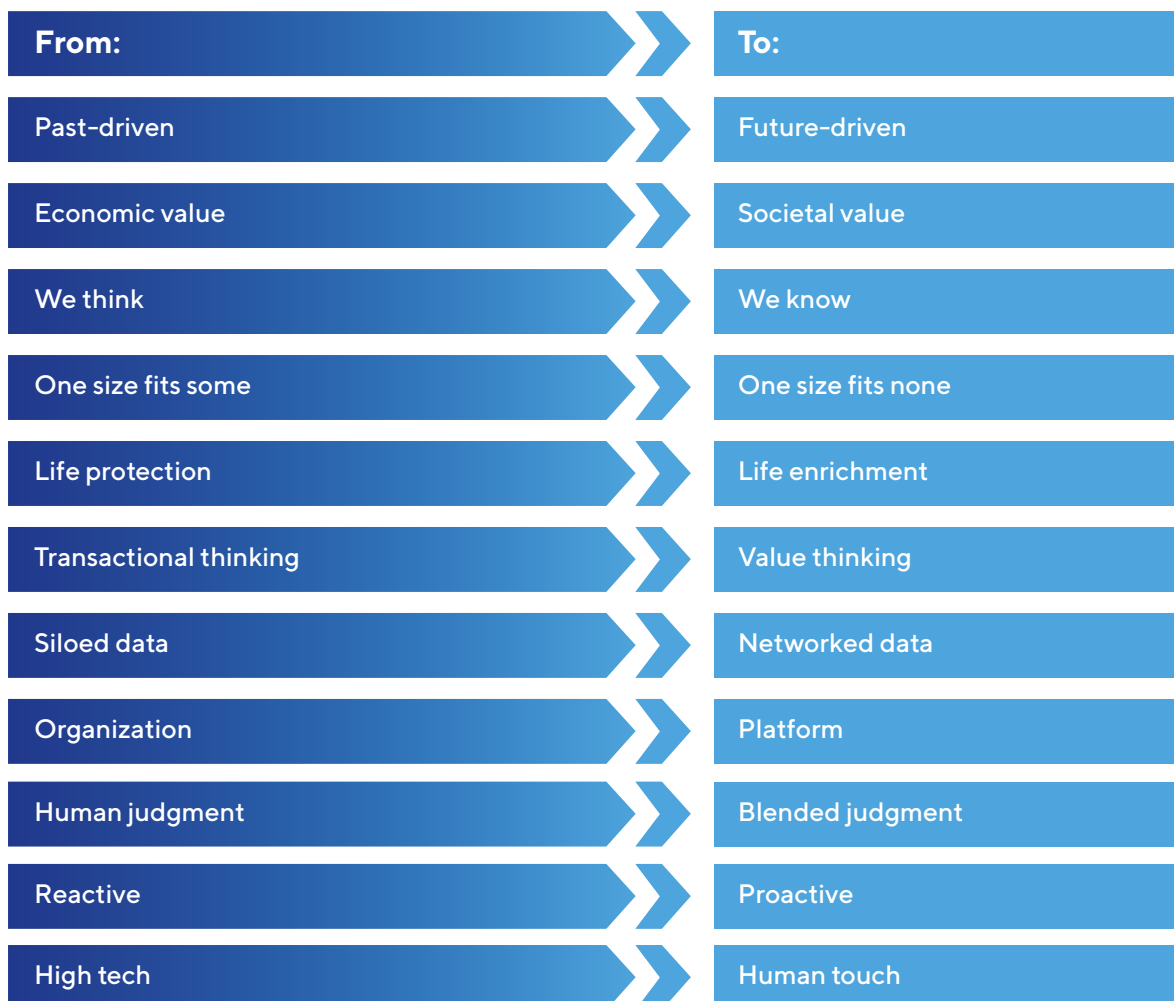


“ The biggest ethical dilemma of the near insurance future is who will be in control: technology or humans. ”



The future is already here

Advanced technologies are reshaping the insurance industry. Insurance will shift from a system based on historical data toward one that makes accurate, data-based predictions about the future. Insurance will become hyper-personalized, with policies that are increasingly flexible and adaptable based on real-time lifestyles and risks. The focus will be on preventing claims, not processing them. Insurance services will be organized around fulfilling customer needs from a network of interconnected organizations. Self-learning algorithms and automated processes will result in efficient and data-driven insurance products and services, free of human bias and transparent and evenly accessible to everyone, and delivered with a human touch if desired and needed.





Real-life cases

The following cases are inspirational and show how insurance is changing. Startups and innovative ideas can grow but also fail fast – that is innovation at the frontiers of an industry. (No business relationship exists between the cases below and Cognizant.)

iCarbonX

This startup offers an AI-driven digital health platform on which users can digitize genomic and biomedical data. With the platform, users receive AI-based guidance on where the risks and opportunities are to optimize their personal health. iCarbonX plans to offer increasingly personalized products and services that can bring people closer to their health goals, as well as share its insights in a global, collaborative network.

www.icarbonx.com/en

Hippo

This insurtech firm uses sensors and Internet of Things (IoT) devices to monitor activities in policyholders' homes. It analyzes household risks and intervenes when high-risk conditions are detected.

www.myhippo.com

Neura

Neura uses AI technologies to enable apps, sensors or devices to deliver mobile experiences that adapt to users' real-world behavior. The company claims to help organizations reach users at the exact moments when they're most likely to engage and convert.

www.theneura.com

Waggel

A startup which wants to reinvent the pet insurance industry by delivering transparency, speed and giving back control to the customer. The even reward for improving care for pets. This should make it more interesting for customers to take preventative care for their pets.

www.waggel.co.uk

Lapetus

Lapetus offers AI-powered predictions of life events, such as life expectancy. The company combines sensory analytics, life sciences and dynamic questioning to develop these insights. It uses digital images to examine an individual's physical features to determine longevity, health status and disease susceptibility. By combining decades of longevity research, it identifies specific covariates linked to longevity and generates predictive algorithms. In doing so, the company is striving to replace the traditional approach to life insurance assessments.

www.lapetussolutions.com



“Technology changes all the time; human nature, hardly ever”

Evgeny Morozov

Lemonade

Property insurer Lemonade has developed an API that enables the integration of a variety of digital products into any app or website. It also provides developers with products, quotation, policy creation and payment functions. The API also suggests a customizable chatbot interface to help users get insured in seconds.

www.lemonade.com/de/en

Vocalis Health (formerly Beyond Verbal)

This startup makes voice recognition software to analyze human emotions. The company’s vision is to identify physiological markers through the voice that could indicate various health-related issues. This capability gives voice a whole new meaning in the world of healthcare and insurance. Vocalis’s app “Moodies” demonstrates how it analyzes the emotional state of any speaker within a few seconds.

www.beyondverbal.com

Clark

Clark is an insurance robo-advisory platform providing transparent, inexpensive and comprehensive insurance coverage. Clark allows users to assess their insurance

status through an app or website. Based on algorithms, the robo-advisor provides analysis on the customer’s insurance situation and automatically proposes optimization opportunities by searching for tariffs from more than 160 insurance companies. On request, experts are available to assist customers with specific questions.

www.clark.com/personal-finance-credit/robo-advisor-fees-cheapest/

The future is human

Humans excel at being creative, in seeing, identifying and investing in opportunities, and solving problems. Our human emotions – anger, sadness, love – will drive the future of insurance. Even as technology increases in intelligence, it will never match our human creativity. The biggest benefit technology can bring us and our organizations is to help us emphasize our most basic and strongest human skills – skills that will never be digitized.

Let’s be curious about the future, not fearful. Let us, as a society, create and discover new rules and norms. The future is not about making the present more efficient but about reshaping it – something only humans can, and will, do.

Key take-aways

1. Put customers in control of their own data.
Help them get the most out of it.
2. Create a digital ethics board and put digital ethics at the center of all your future business and digital innovations.
3. Make all technology-driven decisions easy to understand and follow for your customers.
4. Never underestimate the power of digitally enabled human contact.
5. AI and advanced data analytics will drive a more predictable insurance market.
6. Use the power of networked data to create real customer value.
7. Customers are more curious than ever but also more worried. Be extremely aware of the ethics in data usage.
8. Create an ecosystem of innovative services around the customer.

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ABOUT COGNIZANT

Cognizant (Nasdaq-100: CTSH) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 193 on the Fortune 500 and is consistently listed among the most admired companies in the world.

Driven by a passion to help our clients build stronger, more agile and more innovative businesses, we enable global enterprises to address a dual mandate: to make their current operations as efficient and cost-effective as possible and to invest in innovation to unleash new potential across their organizations. What makes Cognizant unique is our ability to help clients meet both challenges. We help them enhance productivity by ensuring that vital business functions work faster, cheaper and better. And, our ability to conceptualize, architect and implement new and expanded capabilities allows clients to transform legacy models to take their business to the next level.

Learn how Cognizant helps clients lead with digital at
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