

Digital Business

How Insurers Bring Focus to Digital Initiatives through a Maturity Looking Glass

When planning a digital initiative, it's critical to understand where your company stands today and how it can get to where it needs to go. A new framework lets insurers assess their digital maturity, identify how best to move ahead, and gain insight into the practices of industry digital leaders to guide their own efforts.

Executive Summary

Digital transformation is top of mind for insurance executives, but as the industry acts on its digital ambitions, progress varies widely. Insurers that lag behind the field will soon be at a critical competitive disadvantage.

According to our ongoing study of organizations' digital maturity, more than 85% of respondents said that they are investing in their digital agendas and exploring technologies ranging from artificial intelligence (AI) and big data to social media and the cloud. The benefits include higher revenue, increased efficiency and stronger customer relationships.

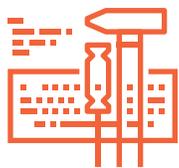
Too often, however, insurers take a fragmented approach to digital adoption. They launch initiatives in isolated pockets within the business with little overall coordination. In fact, more often than not, insurers lack a comprehensive digital plan, which impedes their ability to implement the process and business-model changes necessary to drive revenue, profitability and other targeted business outcomes.

As with any change initiative, digital transformation requires a clear strategy. This strategy must be based on an accurate understanding of the digital "as-is" state — that is, the company's "digital maturity." With a realistic view of their maturity level, insurers are better positioned to create and apply a comprehensive digital plan to stay ahead in this highly competitive industry.



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Measuring digital maturity

To help organizations gauge their level of digital maturity, we developed a Digital Maturity Diagnostic (DMD) framework. This diagnostic tool uses insight gleaned through self-assessments by senior business and IT executives of multibillion-dollar companies.¹

The tool examines five areas of digital maturity:

- **Core business functions.** The use of digital technology to redefine the way the organization engages and enables the customer journey through its business processes.
- **Strategic innovation.** The identification and evaluation of new strategies as well as business and IT models designed to enhance the customer experience.
- **Real-time insights.** Having intelligence built into digital platforms that constantly and consistently develop insight into various customer interactions to enhance the experience and predict future customer needs and opportunities.
- **Human understanding.** Clearly knowing who the company serves internally and externally to enhance customer, partner and employee collaboration across the ecosystem.
- **Agile organization.** The ability to move away from siloed functions in IT and throughout the business, and to dynamically identify and adopt new and innovative approaches that enhance speed-to-market and reduce costs through lean development models.

To assess a company's digital maturity, the DMD framework compares and analyzes responses against a benchmark database. In essence, it measures two fundamental qualities – a company's digital capabilities, or the degree to which it embraces digital; and a company's transformation capabilities, or its ability to drive and consume change. These capabilities are essential to any digital transformation effort.

After receiving their diagnostic report, insurers can:

- Compare their level of digital maturity to that of industry peers.
- More effectively identify gaps and opportunities for capability improvements.
- Chart a course forward.

By conducting reassessments over time, insurers can monitor their progress on the digital journey.

Progress varies across the industry



Although the DMD survey is ongoing, the current results show a clear pattern in which insurance companies fall into one of three digital-maturity categories:

- Digital Dominators.** Twenty-two percent of respondents are far along in their digital transformation. They are more likely to be pursuing “digital at scale,” with initiatives that span the enterprise and, in many cases, extend outward to include ecosystem partners.
- Doing Digital.** Fifty-three percent of respondents invest in digital at the business unit or departmental level – with a few indicating that they are moving toward an enterprise-wide approach.
- Digital Dabblers.** Twenty-five percent of respondents are in a “wait-and-see” mode, with only limited investments in digital. Companies in this segment risk permanently falling behind in the use of valuable digital tools and, ultimately, losing their competitive advantage.

Digital Dominators have high scores across both the digital capabilities and transformation capabilities dimensions (see Figure 1). They embrace digital tools and are well-positioned to benefit from them.

Digital maturity benchmark – early large-insurer groupings

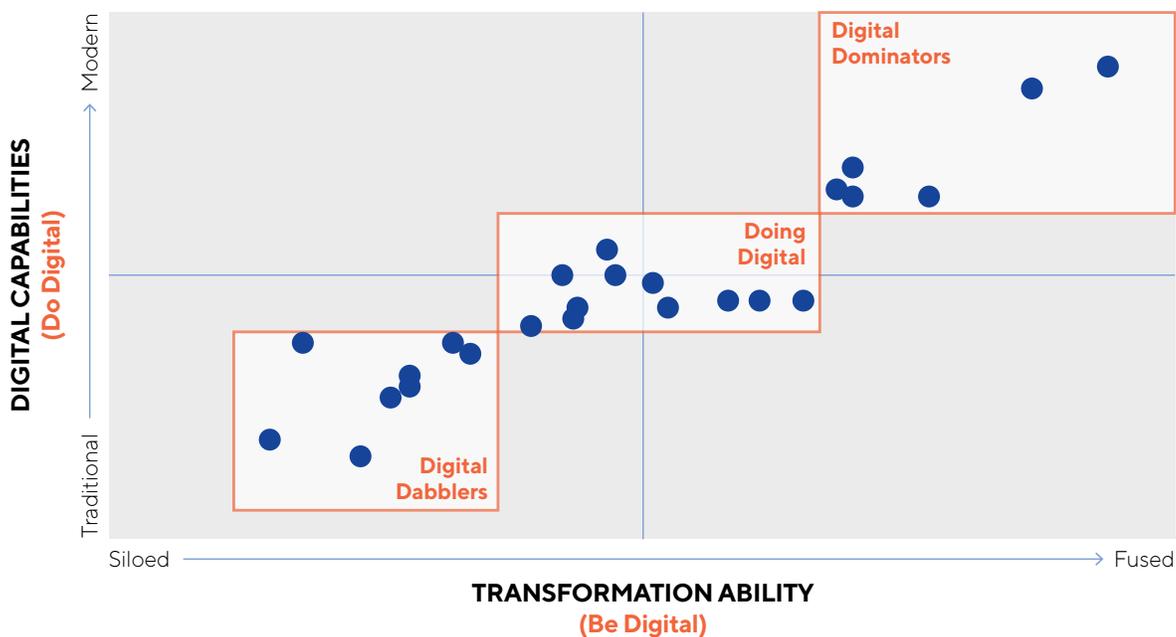


Figure 1

According to the survey results, personal property and casualty (P&C) insurers are, in general, more digitally mature than other types of providers. As a group, commercial insurance organizations report the lowest levels of digital maturity (see Figure 2). This finding may be somewhat puzzling, since P&C and commercial lines are often part of the same insurance company. However, this difference in maturity is likely due to the business-unit focus of many digital efforts, which can lead to different initiatives being at different stages in the transformation journey.

Perhaps most important, the DMD survey shows a strong correlation between digital maturity and financial performance, with Digital Dominators experiencing higher revenue growth and profitability compared to less digitally mature companies.

Relative digital maturity by insurance domain

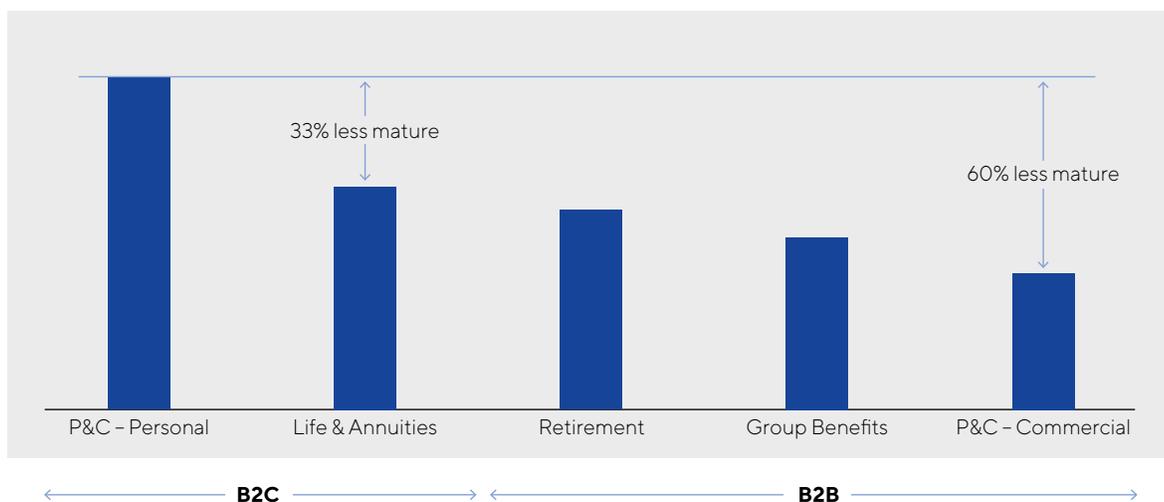


Figure 2

- As expected, P&C personal lines are further along their digital journeys and are more digitally mature than other insurance domains.
- P&C commercial insurers are the least digitally mature, indicating a surprising lack of enterprise-level fusion (i.e., digital vision, capability, process harmonization and digital-first thinking) compared with P&C personal lines.

Learning from the leaders

The DMD survey also provides insight into digital leaders' actions and strategies – information that insurers can use to guide their own digital journeys. For example, Digital Dominators are most likely to use:



- I Innovation labs.** All Digital Dominators have innovation labs that focus on digital technology. Many insurers have such labs, but simply having a lab does not translate into greater digital maturity. Dominator labs stand out because they are more likely to be integrated into the business, work in partnership with an ecosystem of internal and external partners, and be regarded as an organizational strategic initiative.
- I Analytics.** Digital Dominators also stand out in their extensive use of data analytics tools that use AI and machine learning technologies. All Dominators have well-developed predictive analytics capabilities.
- I Automation.** Digital Dominators not only embrace robotic process automation (RPA), but they also take it to the next level by deploying intelligent process automation (IPA). IPA essentially enhances RPA with AI, machine learning and case-management technologies that automate a wider range of activities, and constantly and automatically improve process efficiency. Dominators are three times more likely than other companies to have mature IPA capabilities.

More broadly, Digital Dominators are more likely to have adopted digital-transformation best practices. For example, Dominators differ from Dabblers in how they use data, approaching it as a perishable asset and leveraging it to create real-time, actionable insights. They view digital transformation as an enterprise-level initiative, and they tend to apply digital technology more broadly – in underwriting, claims, distribution and product development. And they look beyond traditional company boundaries to form an ecosystem of digital partnerships and create broader, digitally enabled business opportunities that generate new revenue.

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Changing perspectives

Historically, the insurance industry is a sophisticated user of technologies such as enterprise systems and the cloud. But today's digital revolution brings new challenges and opportunities, requiring more advanced skills and approaches.

Most important, insurers that seek to digitally enhance their organization must transform their culture by injecting digital thinking into their DNA. Cultural change isn't easy and it must be driven from the top, with a strong executive vision and a strategy that is well articulated across the organization. The right culture effectively fuses business and technology, and engages the organization in using digital tools to satisfy customers, recognize potential market disruptors and help the company become a disruptor in its own right.

A "think digital" culture means that people view digital transformation as a never-ending effort. Digital efforts must keep pace with change. Digital Dominators have attained their position at the top of the scale by shifting their traditional project mentality – with its focus on discrete and finite pieces of work – toward one that's more open-ended and product-oriented. Like any product-development process, a digital transformation initiative requires ongoing investments in enhancements and improvements, and a willingness to embrace new opportunities to stay in step with a changing world.

As insurers progress on their digital journeys and aspire to attain (or maintain) Digital Dominator status, an objective maturity assessment and diagnostic that benchmarks progress against peers can act as a catalyst for more effective digital execution.

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Ongoing growth with the Digital Maturity Diagnostic (DMD) assessment

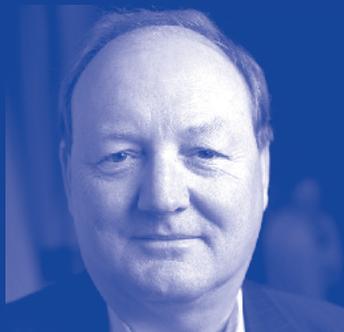
Our DMD assessment allows an insurer to assess its current state of digital maturity and where it stands compared to its peers. The industry database that is the foundation of the DMD framework continues to grow as we incorporate the experience of more insurers. Insurance companies can take advantage of the DMD survey by completing the assessment tool. For more information, please contact CognizantInsuranceDMD@cognizant.com.



Endnotes

- ¹ The Digital Maturity Study is an ongoing benchmarking study. Results provided in this white paper are based on an active online study of 25 large US insurance companies, covering Property & Casualty (personal and commercial), Life & Annuities, Retirement, and Group Benefits lines of business. Company sizes range from \$3B to more than \$40B in annual revenues, with an aggregate total of more than \$250B. Senior business and IT executives provided survey input during the October to December 2018 timeframe.

About the authors

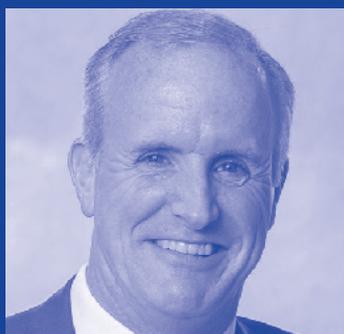


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Chris Blatchly is the Chief Digital Officer and Consulting Leader for Insurance at Cognizant. Chris helps insurers harness the power of new technologies and the information it creates to build their capabilities and transform their businesses. As a former consulting partner, software company business unit leader and large company IT executive, he has a unique perspective on technology strategy and executing process-driven business transformation. Chris has a deep background in insurance and financial services, and he has often been in the forefront of working with the latest technologies and successfully implementing them

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John leverages deep user insight, real-time data, and agile organizational models to guide companies on a path to competitive advantage through digital technologies. As a former digital experience consultant working across many industries, he ensures that the insured, agents, and employees are strategic guideposts in the design of new products and services. He can be reached at John.McVay@cognizant.com | www.linkedin.com/in/john-mcvay-0a9415.



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Mark helps large insurers drive their digital transformation agendas aimed at harnessing digital investments to enhance customer experience, grow market share, expand new market relationships, improve operating efficiency, and position digital to deliver business results. Prior to joining Cognizant, Mark was an insurance partner at several top-tier consulting firms. He can be reached at Mark.Nobilio@cognizant.com | www.linkedin.com/in/marknobilio/.



About Cognizant Digital Business

Cognizant Digital Business helps our clients imagine and build the Digital Economy. We do this by bringing together human insight, digital strategy, industry knowledge, design, and new technologies to create new experiences and launch new business models. For more information, please visit [cognizant.com/cognizant-digital-business](https://www.cognizant.com/cognizant-digital-business) or join the conversation on [LinkedIn](#).

About Cognizant Insurance

Cognizant's Insurance Practice is one of the largest industry verticals that partners with insurers to evolve their business and technology landscape and enable end-to-end digital transformation. Thirty-three of the top 50 U.S. insurers and seven of the top 10 global insurers rely on us to help manage their technology portfolio across multiple business entities and geographies. We serve the entire range of lines of business within life, annuities, and property and casualty insurance. Our consulting-led approach, deep domain expertise and partner ecosystem enable clients to address the dual mandate of "optimizing the business" while "driving digital at scale." From large-scale core system transformation to adoption of cutting-edge technologies like artificial intelligence, analytics, blockchain, automation and machine learning, we partner with insurers to envision and build the digital insurer of the future. Our partnership includes helping insurers build their own technology platform with the capabilities they need or providing one for them, incorporating digital solutions to achieve immediate results. Learn more at www.cognizant.com/insurance.

About Cognizant

Cognizant (Nasdaq-100: CTSI) 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 195 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us [@Cognizant](#).

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