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# Tech Opportunities In The North American Insurance Industry

by Ellen Carney

for Vendor Strategy Professionals



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Emerging Technologies Spur New Insurer Thinking And New Vendor Applications

by **Ellen Carney**

with Christopher Mines and Doug Roberge

### EXECUTIVE SUMMARY

North American insurers are reorienting from business as usual, where actuaries and underwriter drive product creation and sales, to a “business-as-unusual” model in which insurers sell a customer experience. Insurers are pivoting away from messages about what they sell to emphasizing how they help their customers manage risk. What’s behind the change? Even with a turning market, competitive pressures from the likes of Google, the wow factor of Apple, and the onslaught of new consumer tech that’s populated insurance conference agendas all year are drawing insurer focus squarely toward the customer. How will this new thinking drive technology vendor strategy in the coming year? Tech vendor strategists must pivot their solution portfolios to connect the “what” of insurance — underwriting, claims, and compliance — to new “hows,” through innovative applications of mobile, social, machine-to-machine (M2M), and big data that will create differentiating customer experiences while protecting the balance sheet.

### TABLE OF CONTENTS

#### 2 **Business Optimism Returns To Pre-Crash Levels — Will Performance Follow?**

Insurer Business Priorities In 2012 Maintain Focus On Growth And Efficiency

Insurance IT Enters The Age Of The Customer

#### 7 **Changing Conditions Spur New Look At The Hows Of Business Capabilities In 2012**

Insurance BT Budgets Reflect Balance Of Ongoing And New Business Priorities

Tech Vendor Strategists Will Bridge The Gap Between Business Intentions And IT Resources

#### RECOMMENDATIONS

#### 17 **Five Smart Tactics When Planning Insurance Strategies In The Coming Year**

#### 19 **Supplemental Material**

### NOTES & RESOURCES

For our Forrsights Budgets And Priorities Tracker Survey, Q2 2011, we surveyed 74 North American enterprise and small and medium-size business (SMB) insurance IT professionals and interviewed 10 insurance technology vendor strategists.

#### **Related Research Documents**

[“Emerging Technology Vendors That Insurance Enterprise Architects Should Watch In 2012”](#)  
October 25, 2011

[“Big Opportunities In Big Data”](#)  
May 18, 2011

[“US Online Insurance Forecast, 2010 To 2015”](#)  
April 21, 2011

## BUSINESS OPTIMISM RETURNS TO PRE-CRASH LEVELS — WILL PERFORMANCE FOLLOW?

This year is sizing up to be a landmark business year for North American insurers. Despite \$260 billion in global economic losses associated with the year's mega-disasters in just the first half of 2011 and ongoing conversations about double-dip recessions and sovereign debt crises, North American insurance business technology (BT) organizations are forging full speed ahead. What's on their minds right now that could influence their outlook into 2012 (and drive opportunities for tech vendors)? For starters:

- **Extreme weather and new regulations stress insurance customer service capabilities.** Insurers are scrambling to respond to a historic volume and intensity of global natural disasters.<sup>1</sup> At the same time, US health insurers in particular are looking for ways to offset cost impacts associated with the Affordable Care Act. These drivers and others are causing North American insurers to seek new technology models that let them support the business demand for faster and cheaper processing of claims and disbursements, while ensuring that they're paying the claims the right way.
- **Emerging technology changes how insurers are engaging with customers.** Mobile has changed the way we envision an insurance company: We can now hold it in the palm of our hand. For instance, consumers can receive an insurance quote from Geico simply by taking a picture of their driver's license with a mobile phone. This change means that initiatives to deliver sales and customer service business capabilities must be mobilized. Social media are also maturing into means to improve collaboration within the insurance ecosystem.
- **Surprising new competitors drive need for differentiating business value.** The push for better experiences from both new and existing customers has introduced new competitors into the insurance arena. For instance, Google purchased a UK insurance aggregator in the past year, and online retailer O.co (formerly Overstock.com) is now offering insurance products on its website. These new entrants are forcing insurance business and technology executives to look outside the walls of the insurance industry at the business capabilities of radically different competitors.
- **Empowered customers drive new agile commerce models.** New technology and new competitors are reshaping customer expectations about how insurance get researched and purchased. Carriers are adapting their business models, going as far as turning to the wisdom of the crowd for new coverage ideas.<sup>2</sup> The business of insurance now has to be fast and open, an anathema to the conservative, risk-averse nature of insurers.
- **Regulatory oversight is complicated by product innovations and budget cuts.** While insurers dodged a bullet in the Dodd-Frank legislation, many carriers are not as prepared as they should be when it comes to reacting to data protection and privacy laws. Mobile, social, cloud computing, public and private exchanges, and M2M are driving modernization of the Electronic Communications Privacy Act (ECPA). Complicating matters, state budget cuts and an aging and retiring employee base with regulatory knowledge challenge insurers to get to market fast.

## Insurer Business Priorities In 2012 Maintain Focus On Growth And Efficiency

During the second quarter of 2011, Forrester surveyed 74 North American insurance IT decision-makers about their business technology investment budget and spending priorities for the coming year. We learned that:

- **Macro- and micro-outlooks swing strongly positive.** Insurance IT decision-makers were emphatically optimistic about industry prospects, with 52% of respondents stating that the year ahead would be a good or very good year, essentially returning to pre-financial crisis glow (see Figure 1-1). More importantly, these warm industry feelings really heat up as the lens narrows, with 63% of respondents believing their firm will have a good or very good year; 66% believing the same when looking at IT group level; and, finally, nearly three-quarters feeling that their individual performances will be good or very good (see Figure 1-2). What's behind this buoyant outlook compared with last year's wary optimism? For starters, premium growth has been on the upswing for five consecutive quarters, and pricing across a number of insurance lines is firming.<sup>3</sup> In addition, the insurance industry had amassed healthy policyholder surpluses to cover the year's extraordinary CAT losses and flat investing environment, leaving industry balance sheets in great shape.<sup>4</sup>
- **Revenue growth is an ever bigger priority.** Growing the business remains the top business priority for the coming year, with an emphasis on revenue growth voiced by nearly 80% of respondents this year. That desire for revenue is expressed through other priorities that drive business growth, including customer acquisition and retention and geographic expansion, with 59% and 35% of respondents, respectively, citing these as corporate priorities in the coming year. At the same time, North American insurers aren't wavering from their interest in saving money, with 62% stating that reducing overall operating costs is a top five priority this year (see Figure 2).
- **Innovation is viewed as a channel to revenue.** Carriers are exploring innovation and emerging technologies such as mobile, social, telematics, and M2M into their business models.<sup>5</sup> Twenty-eight percent of respondents chose improving their firm's ability to absorb and react to innovation as one of their top five priorities. The role that innovation will play in driving growth is further reinforced by the number of companies that prioritized new marketing offerings and business practices (46%) and improving business flexibility and resilience (32%) in the coming year.
- **New technology means new compliance risks.** All that innovation inherent in emerging technologies such as mobile, social, and M2M is a double-edged sword for insurance business roles. On one hand, this emerging tech enables more convenient ways to communicate and collaborate within the insurance supply chain while at the same time capturing data for better risk evaluation. But opening the industry's doors and windows also presents its own perils in enterprise risk management and customer privacy. This year, 34% of respondents told us that regulatory compliance was on their slate of top initiatives, versus 24% last year.

- **The incredible shrinking workforce brings laser focus to role productivity.** Insurance employment continues to shrink, even in those months where overall US employment ticks up, however modestly.<sup>6</sup> What's behind the employment declines? Along with attrition prompted by the wave of retiring insurance workers, new technology such as ExpeData's practical mobile data capture applications continues to wipe out once manual tasks such as re-keying data from paper applications.<sup>7</sup> In this year's survey, 34% of respondents cited improving workforce productivity as being in their top five to-dos for the coming year.

**Figure 1** Insurance BT Stakeholders Are More Positive, Despite Ongoing Industry Stressors

**1-1 Optimism among North American insurers returns to pre-crash levels**

**“What is your industry outlook for the coming year? That is, how will your industry compare with other industries?”**

	2007 (N = 33)	2008 (N = 65)	2009 (N = 67)	2010 (N = 76)	2011 (N = 74)
A very good year	9%	12%	3%	5%	14%
A somewhat good year	45%	37%	6%	24%	38%
<b>Total positive outlook</b>	<b>54%</b>	<b>49%</b>	<b>9%</b>	<b>29%</b>	<b>52%</b>
A very challenging year	12%	14%	30%	26%	11%
A somewhat challenging year	33%	37%	61%	43%	36%
<b>Total challenging outlook</b>	<b>45%</b>	<b>51%</b>	<b>91%</b>	<b>70%</b>	<b>47%</b>

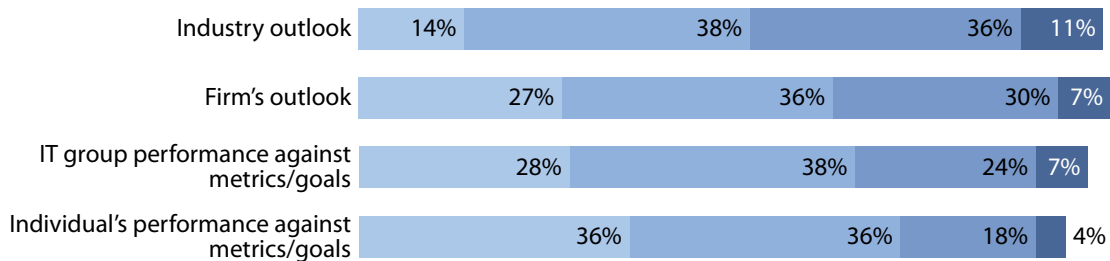
Base: North American IT budget decision-makers in the insurance industry

Source: Forrsights Budgets And Priorities Tracker Survey, Q2 2011; Forrsights Budgets And Priorities Tracker Survey, Q2 2010; Enterprise And SMB Global IT Budgets And Spending Survey, Q2 2009; Enterprise And SMB IT Budgets And Spending Survey, North America, Europe, And Asia Pacific, Q4 2007; Business Technographics® November 2006 North American And European Enterprise IT Budgets And Spending Survey; Business Technographics November 2006 North American And European SMB IT Budgets And Spending Survey

**1-2 Positive outlook extends down to the departmental and employee levels**

**“Please rate the following over the next 12 months.”**

■ A very good year ■ A somewhat good year ■ A somewhat challenging year ■ A very challenging year



Base: 74 North American IT budget decision-makers in the insurance industry

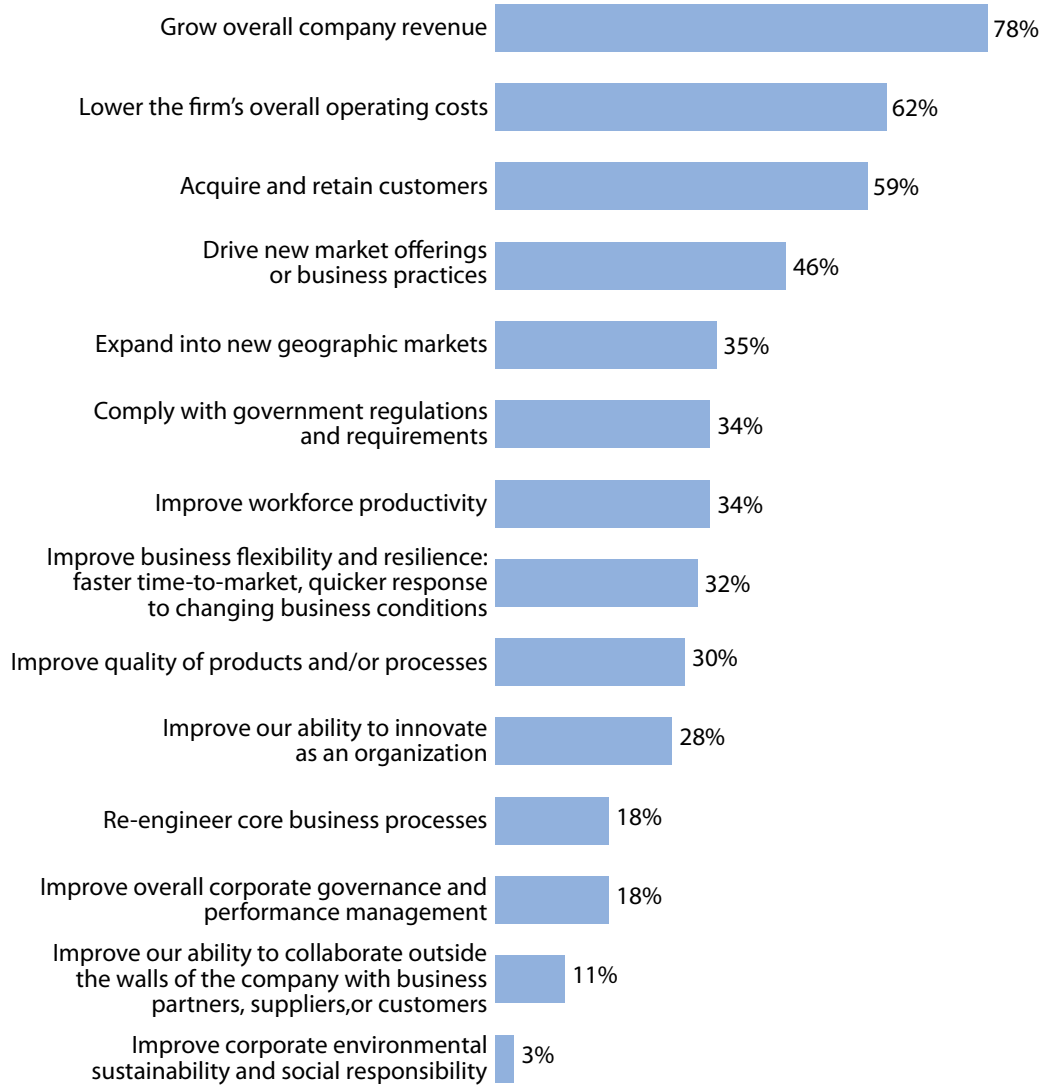
Source: Forrsights Budgets And Priorities Tracker Survey, Q2 2011

Note: Totals do not sum to 100% because we excluded the response “It’s too early to tell” for this graphic.

**Figure 2** Business And IT Align To Drive Revenue Growth Through A Variety Of Strategies

**2-1 North American insurers continue to balance growth and cost-containment priorities**

**“What are your firm’s five most important corporate business priorities over the next 12 months?”**  
 (Select all that apply)



Base: 74 North American IT budget decision-makers in the insurance industry  
 (multiple responses accepted)

Source: Forrsights Budgets And Priorities Tracker Survey, Q2 2011

Source: Forrester Research, Inc.

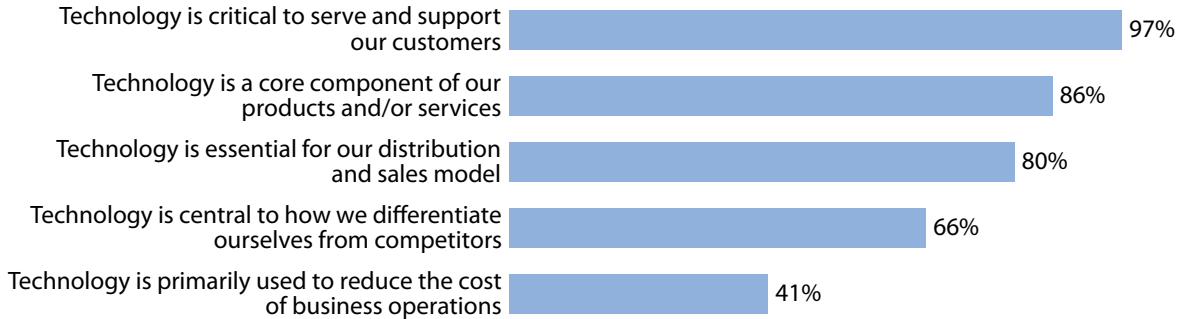
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**Figure 2** Business And IT Align To Drive Revenue Growth Through A Variety Of Strategies (Cont.)

**2-2 BT now embedded into how insurers sell and service customers**

**“How much do you agree with the following statements about technology’s importance in your business today?”**

(Respondents who selected 5 [Strongly agree] or 4 [Agree])



Base: 74 North American IT budget decision-makers in the insurance industry

Source: Forrsights Budgets And Priorities Tracker Survey, Q2 2011

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Source: Forrester Research, Inc.

### Insurance IT Enters The Age Of The Customer

The role of technology in insurance has clearly pivoted from that of a solid utility player, with CIOs focusing on operations and cost containment, to one in which the IT organization is a partner player where the role of technology is integral to support these new business disruptions.<sup>8</sup> What’s the evidence of this shift and how is it being translated into IT dollars and cents? In our survey, we learned that insurance technology decision-makers are embracing a different mission, one in which IT has to enable:

- **More agile service and support.** Thanks to M2M, cars and dwellings will be able to automatically respond to customer insurance service needs like collision claims or water leaks.<sup>9</sup> When asked about the importance of technology to the business, virtually all of the IT decision-makers in our survey asserted that technology was critical to how customers were serviced and supported. When it came to technology’s traditional role as a means to reduce operational costs, 41% of the insurance IT professionals in our survey said that technology’s primary role was to reduce business costs.
- **Extra flexible distribution.** Technology is also embedded in insurance distribution, with 80% of respondents stating that insurance technology was fundamental to how insurance is sold. With consumers so able and willing to shop (and bind) online, insurers are looking to build products that reflect flexibility, not lock in to a one-year policy term.<sup>10</sup> Thanks to anytime,

anywhere mobile service, customers can engage with their insurers anytime, and anywhere. For instance, UK insurer tempcover.com lets customers buy car insurance just for the day on their mobile phones, providing mobile quotes and claim service, thanks to that mobile GPS location.<sup>11</sup>

- **Super smart customer insight.** Two-thirds of our respondents told us that technology is a means to differentiate themselves from competitors. And how are insurers standing out from the crowd? Today, the most strategic asset that insurers possess is data, and insurance IT teams are fueling business needs for customer and operational insights that can be teased from big data.<sup>12</sup> For instance, the commercial insurer The Climate Corporation has embraced big data and makes it easy for busy farmers and agents to get a quote for weather insurance online, see where they stand relative to their peers in terms of risk and coverage, and automatically distribute a claim check.<sup>13</sup>

### CHANGING CONDITIONS SPUR NEW LOOK AT THE HOWS OF BUSINESS CAPABILITIES IN 2012

Insurance business and IT leaders are facing many of the same business disruptors from past years, but these disruptions are changing these leaders' priorities as they look forward to 2012 (see Figure 3). This year, insurance IT management priorities are being translated into technology initiatives, proving the industry is:

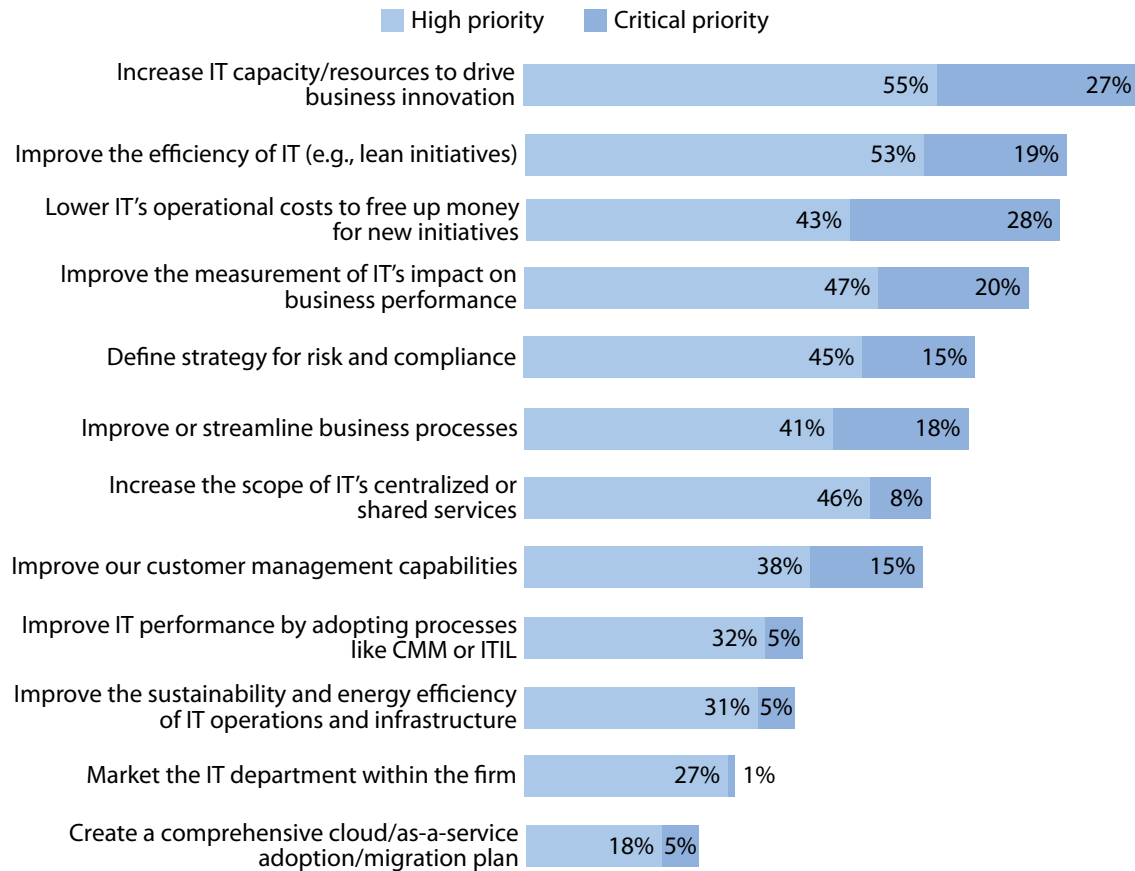
- **Craving intelligence to fuel business innovations.** IT leadership has made the shift from shutting out riskier emerging technology to figuring out how new tech can be leveraged for new insights. The biggest priority for insurance IT organizations this year will be IT support for business innovation, with 82% of respondents this year reporting it as a critical or high priority. Social and mobile are garnering great interest, with 41% and 37% of respondents, respectively, calling tech investments in social and mobile as top priorities. And figuring out which innovations to apply, and where, highlights a big appetite for business intelligence and analytics, with 74% of our respondents saying that this is a critical or high priority in the coming year.
- **Funding innovation internally through greater efficiency.** Even if the market is showing signs of turning, IT leaders know that the business isn't going to drop a bag of money at their doorsteps to pay for it all. Where will at least some of the funding come from? Insurance IT execs told us that making IT ops and business processes more efficient or streamlined (74% and 59%, respectively) and reducing IT ops costs specifically to fund new projects (71%) were their critical or high priorities over the next twelve months. These new efficiencies will be delivered through the critical and high priorities that IT is placing on infrastructure virtualization (69%) and consolidation (55%), as well as usage-based technology deployment such as as-a-service models for software (27%) and infrastructure (23%).

- **De-emphasizing priority for risk and compliance.** Just as the insurance industry is cracking open the doors and windows to new tech (and new risks), the number of insurance IT organizations that say defining strategies for risk and compliance are high or critical priorities actually declined over last year.<sup>14</sup> This year, 60% of our respondents stated that defining a risk and compliance strategy were top priorities, compared with 72% last year. Regardless, 57% of respondents called out business continuity and disaster recovery upgrades and 47% said significant security environment upgrades were critical or high priorities for the coming year.
- **Pausing to absorb new customer management capabilities.** In the biggest change in insurance IT management priorities from what we reported last year, fewer respondents placed customer management improvements in their critical or high priority buckets in 2011. This year, only 53% of respondents stated that improving customer management capabilities was a critical or high priority, compared with 82% in last year's survey.<sup>15</sup> Two factors are behind the decline: First, in a turning market, carriers can be choosier through their underwriting; second (and this is a bigger detriment to the carrier), poorly conceived strategies that failed to focus on improving a specific set of business capabilities to increase revenues or reduce costs.<sup>16</sup>

**Figure 3** IT Organizations Critical Factor In Delivering On Insurance Business Strategies

**3-1 Business performance improvement and innovation demands drive IT ops streamlining**

**“Which of the following initiatives are likely to be your IT organization’s top IT management priorities over the next 12 months?”**



Base: 74 North American IT budget decision-makers in the insurance industry

Source: Forrsights Budgets And Priorities Tracker Survey, Q2 2011

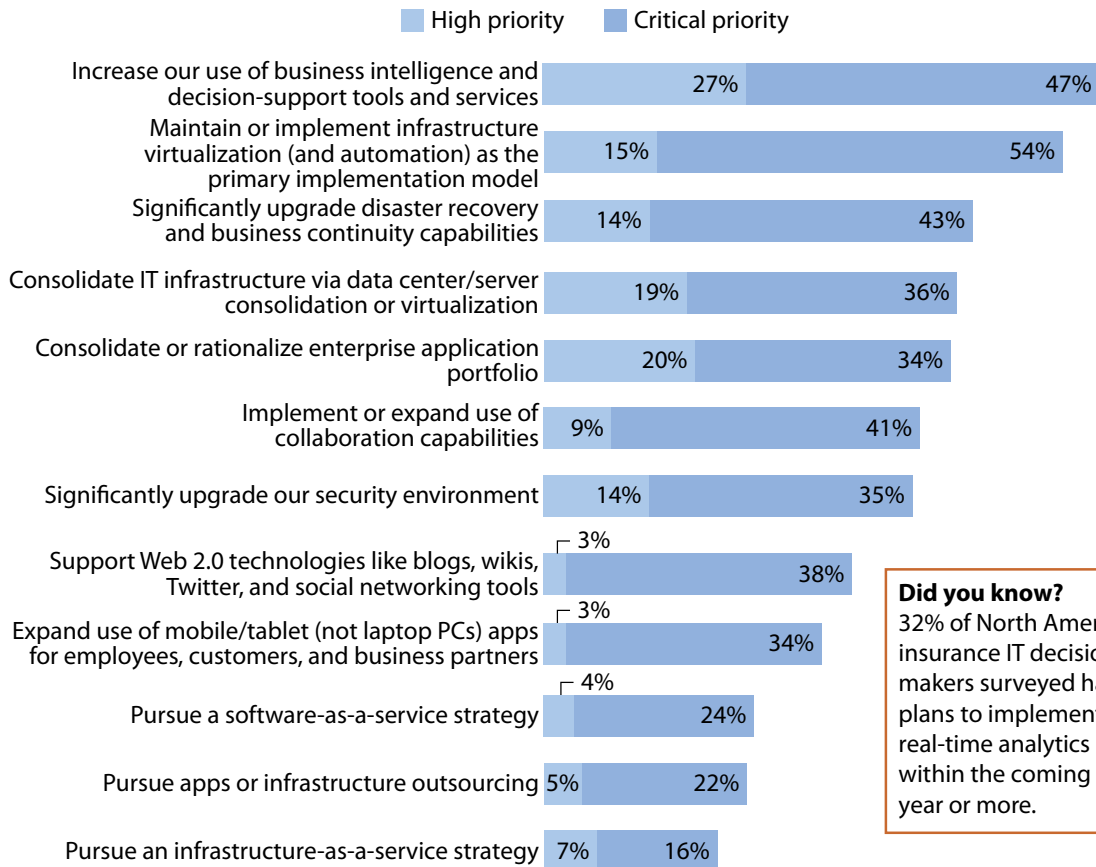
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Source: Forrester Research, Inc.

**Figure 3** IT Organizations Critical Factor In Delivering On Insurance Business Strategies (Cont.)

**3-2 Insurance IT tech priorities reflect business demands for growth and efficiency**

**“Which of the following initiatives are likely to be your IT organization’s top technology priorities over the next 12 months?”**



**Did you know?**  
 32% of North American insurance IT decision-makers surveyed have plans to implement real-time analytics within the coming year or more.

Base: 74 North American IT budget decision-makers in the insurance industry

Source: Forrsights Budgets And Priorities Tracker Survey, Q2 2011

## Insurance BT Budgets Reflect Balance Of Ongoing And New Business Priorities

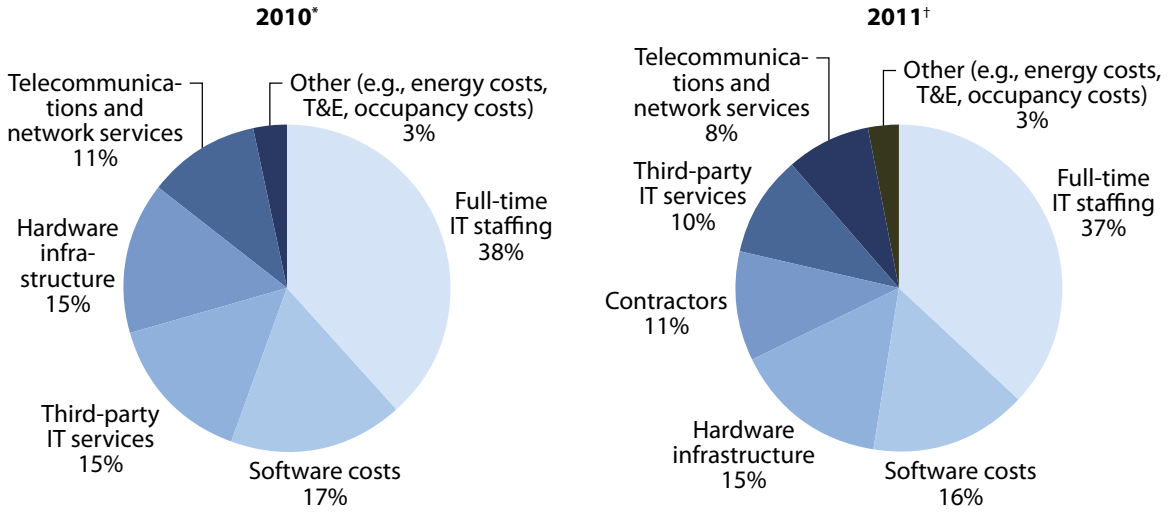
Insurance business leaders are demonstrating their reliance on technology to drive business results by:

- **Tapping into external service provider expertise.** The shrinking insurance workforce and skills gap is also shifting the composition of IT budgets. The budget for full-time IT staffing continues declining, and now represent 37% of IT budgets, down from 39% in 2008. Likewise, software costs now make up just 15.7% of IT budgets, compared with 18% in 2008. How are insurance IT shops picking up the slack? By turning to third-party IT services and contractors, which now represent nearly 21% of IT budgets (see Figure 4-1).
- **Balancing spend between new or extended IT capabilities and MOOSE.** In another example of the industry's focus on driving new business values, respondents are allocating spend between ongoing ops and maintenance, what Forrester terms IT MOOSE (54%), and expansion of IT capacity to support growth and new IT projects (15% and 31%, respectively) (see Figure 4-2).<sup>17</sup>
- **Supporting sales growth initiatives through new IT projects.** Insurers are looking to increase the conversion of online shoppers to buyers and accelerate sales performance in all channels at a time when customers are besieged with pitches regarding better pricing and service.<sup>18</sup> Core transactional business operations such as underwriting, policy administration, and claims garnered 27% of new IT project spend, while initiatives regarding sell-side operations such as new business processing amounted to 21% of the new project pot (see Figure 4-3).
- **Maintaining big portion of IT budget on applications.** The execution of insurance business capabilities are both unique to the carrier and intensely software-dependent, so it's no surprise that application development and customization captures the biggest share — 20% — of IT opex and capex. The two next biggest categories, application maintenance and the server and mainframe infrastructure, grab 17% and 12% of IT budgets, respectively, meaning that applications represent roughly half of the total insurance IT budgets (see Figure 4-4).
- **Doubling budget for emerging tech research and development.** Determining which business innovation to pursue, and how, is becoming a business and IT discipline, with formal research and development (R&D) and innovation programs being launched in a number of tier one carriers over the past several years.<sup>19</sup> While 4% of IT opex and capex might not seem like a lot, it is twice what was reported in 2010 for emerging technology R&D.

**Figure 4** North American Insurance BT Spending In Sync With Business Growth Priorities

**4-1 IT budget mix shifts to reflect changing IT deployment models, continued pressure to control expense**

**“What percentage of your IT operating and capital budget will go to each of the following six categories?”**



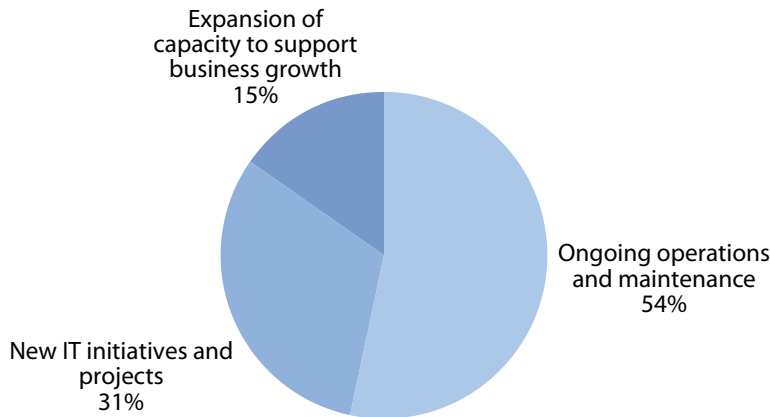
\*Base: 69 North American IT budget decision-makers in the insurance industry  
 †Base: 74 North American IT budget decision-makers in the insurance industry  
 (percentages may not total 100 due to rounding)

\*Source: Forrsights Budgets And Priorities Tracker Survey, Q2 2010  
 †Source: Forrsights Budgets And Priorities Tracker Survey, Q2 2011

**Figure 4** North American Insurance BT Spending In Sync With Business Growth Priorities (Cont.)

**4-2 IT MOOSE and growth/expansion reflect nearly equal portions of North American insurance 2012 IT budgets**

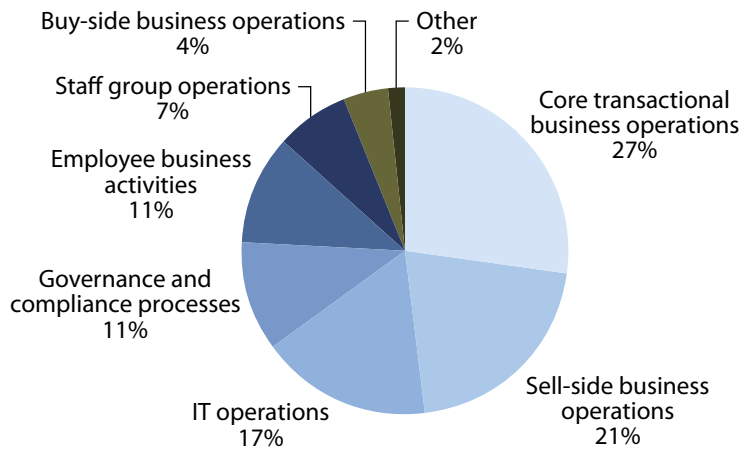
**“In 2011, approximately what percentage of your combined IT operating and capital budget will go to:”**



Base: 74 North American IT budget decision-makers in the insurance industry

**4-3 Insurers show balance around new projects that “sell and service the customer” versus “run the business”**

**“What percentage of your new IT initiatives and projects are aimed at the following areas of your firm?”**

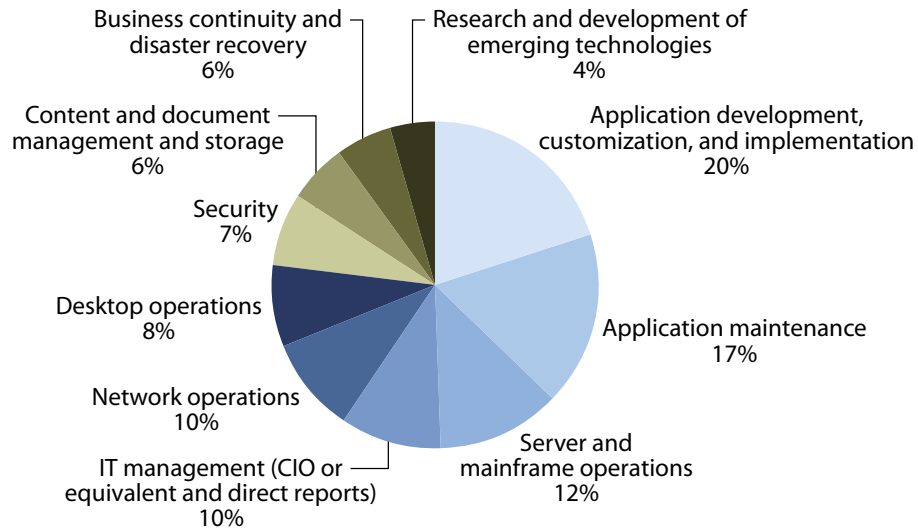


Base: 64 North American IT budget decision-makers in the insurance industry who reported at least some of their IT operating and capital budget in 2011 will go to new IT initiatives and projects

Source: Forrsights Budgets And Priorities Tracker Survey, Q2 2011

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Source: Forrester Research, Inc.

**Figure 4** North American Insurance BT Spending In Sync With Business Growth Priorities (Cont.)**4-4 Core app development and maintenance continues to consume biggest proportion of insurance opex and capex****“In 2011, approximately what percentage of your combined IT operating and capital budget will go to:”**

Base: 63 North American IT budget decision-makers in the insurance industry

Source: Forrsights Budgets And Priorities Tracker Survey, Q2 2011

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Source: Forrester Research, Inc.

**Tech Vendor Strategists Will Bridge The Gap Between Business Intentions And IT Resources**

North American insurers are serving up ambitious business plans and expecting their in-house IT shops to execute. Many of these programs are pushing the envelope of what insurance IT teams have traditionally delivered; for instance, IT's job has been to shut out operational threats, which until recently included social media. Along with embracing consumer technologies such as mobile and social that they once eschewed, IT organizations are further challenged by staff and skill deficiencies, when business is becoming more reliant on integrating different kinds of knowledge assets, from conceptual and system knowledge to routine or experiential knowledge.<sup>20</sup> Vendors will seek to fill in these gaps through their skills development methodologies, solution frameworks, and industry and cross-industry experience. Which categories of vendors are best positioned to capture insurance IT opportunities in the coming year (see Figure 5-1)?

- **BI and analytics providers fill data science roles as internal capabilities are built.** Data-driven insights this year will garner the biggest planned spending boosts. Business intelligence and analytics and information management software vendors will be on the receiving ends

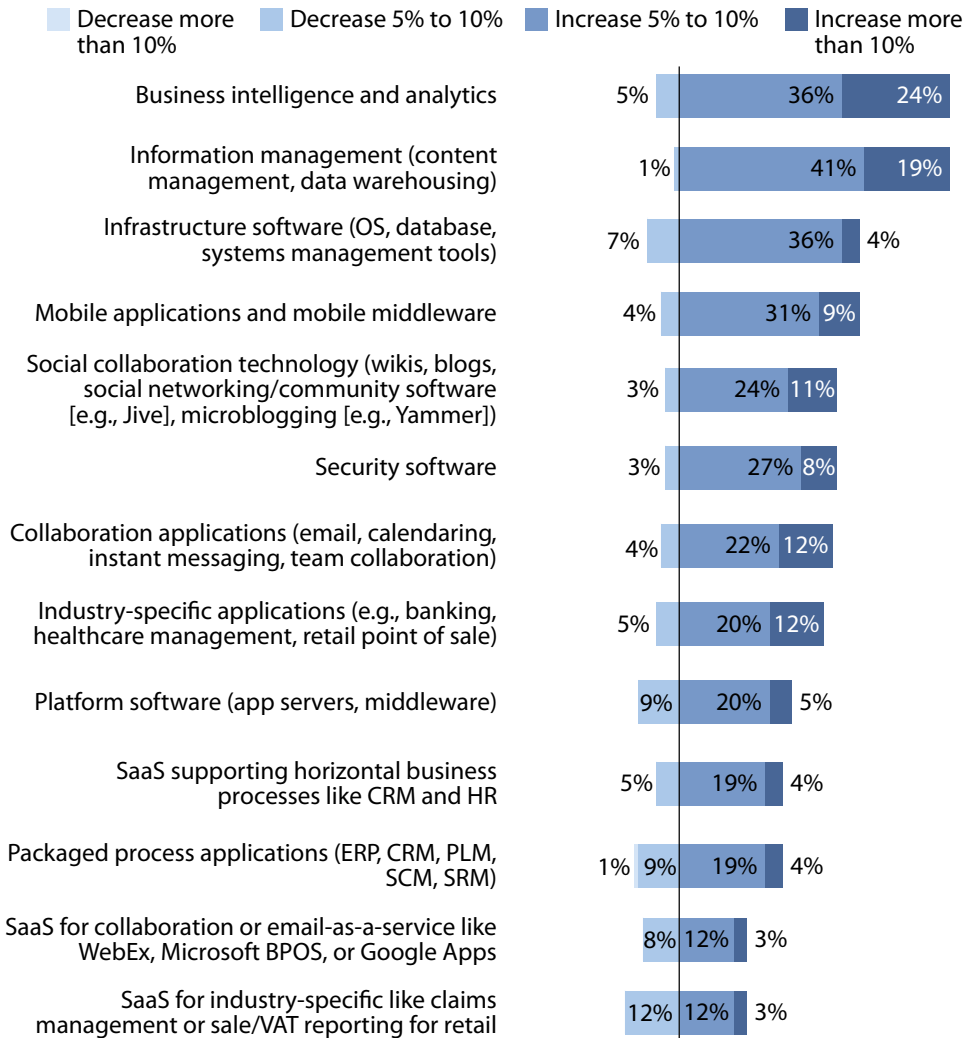
of the biggest spending increases, with 24% and 19% of respondents respectively planning to increase spend for these software categories. This will be a lucrative area for proven analytics vendors such as SAS and IBM; industry specialist business processors such as Mitchell International and Interactive Intelligence; and insurance data consulting specialists like Millbrook, SDLC Partners, and NewVantage Partners. Watch for the new data darlings to emerge: insurance big data specialists.

- **Niche specialists focus on business application of emerging tech.** Research and development for emerging tech is capturing a bigger share of opex and capex budgets in 2011 (albeit small to begin with). Determining where to place the bets with this limited pool of funding for emerging tech opens more opportunity for industry emerging tech specialists such as insurance platform and application mobilizers such as Echoworx, Kony, Estimator Technologies, and Accurrence; and telematics and M2M solutions providers such as Axeda, Cimetrics, and Walsh Vision.<sup>21</sup>
- **Offshore IT and business process outsourcing (BPO) providers free up costs for certain lines.** Even though infrastructure management and support services budgets are more likely to be decreasing, certain insurance lines, especially in health insurance, represent attractive opportunities to capture back-office business and IT operations, such as certain elements of claims and billing and remote infrastructure management. Why? Because their fee structures are under pressure from 2010's Affordable Care Act, driving big interest in vendors with insurance business and infrastructure chops such as Cognizant, Genpact, NIIT, and se<sup>2</sup> that can help them wring out costs (see Figure 5-2).
- **Systems integrators continue two-plus-year journey to app modernization programs.** In the industry's big constant — spend on supporting business applications that support business capabilities such as policy administration, disbursements, and even investment management — application systems integrators and outsourcers of all stripes will take advantage of budget boosts of at least 5% up to more than 10% in the coming year. What's behind this consistent spending level? These kinds of projects are years in the making and execution, and while CIOs might slow them down, core application projects are rarely abandoned. Recent core application software acquisitions by Accenture and Mphasis set both up for both license and integration revenue, while more nimble specialists such as Discoverture Solutions prove their mettle through the application of specific application package knowledge and playbooks.

**Figure 5** App Modernization, Data, And Offshoring Will Lead Insurance IT Service Plans

**5-1 More insurance IT decision-makers expect robust spending increases for BI, analytics, and info management software**

**“How do you expect your spending on the following software categories to change in 2011 compared with 2010?”**



Base: 74 North American IT budget decision-makers in the insurance industry

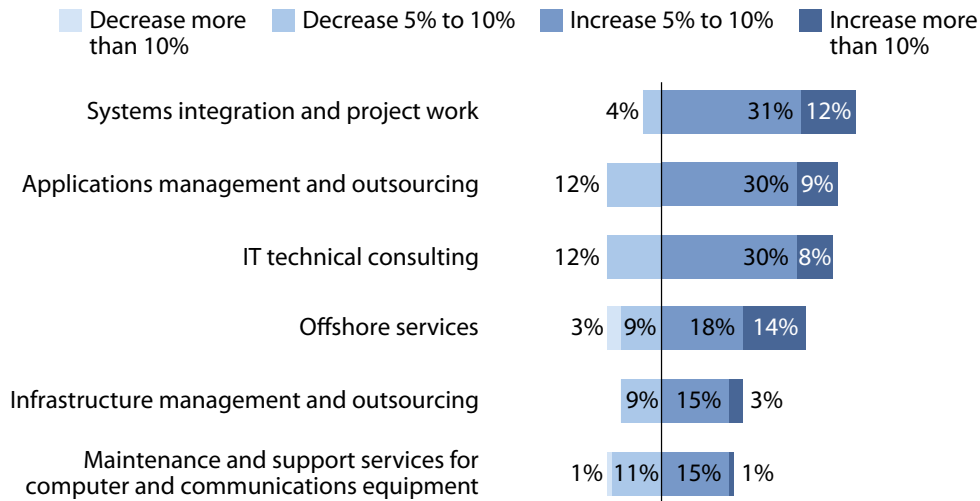
Source: Forrsights Budgets And Priorities Tracker Survey, Q2 2011

Note: Totals do not sum to 100% because we excluded the responses “Don’t know/don’t use” and “About the same” for this graphic

**Figure 5** App Modernization, Data, And Offshoring Will Lead Insurance IT Service Plans (Cont.)

**5-2 Application modernization and integration reflect biggest service spend increases**

**“How do you expect your spending on the following IT, consulting, and outsourcing services to change in 2011 compared with 2010?”\***



Base: 74 North American IT budget decision-makers in the insurance industry

Source: Forrsights Budgets And Priorities Tracker Survey, Q2 2011

Note: Totals do not sum to 100% because we excluded the responses “Don’t know/don’t use” and “About the same” for this graphic.

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Source: Forrester Research, Inc.

RECOMMENDATIONS

**FIVE SMART TACTICS WHEN PLANNING INSURANCE STRATEGIES IN THE COMING YEAR**

The insurance industry is in the midst of some big changes. Those changes introduce new pressures, priorities, and uncertainties into an industry whose business depends on stability. In these dynamic times, carriers hang their hat on what they do for their customers, even if how that “what” gets done and who does it might be changing. With so many things on their to-do lists for the coming year, insurers are turning outward for help, and, not surprisingly, these opportunities have made the insurance industry especially attractive to tech vendor strategists. With all this new attention on a very old industry, be sure your firm is considered not just a “me too” vendor by:

- **Connecting your “how” to the “what” of insurance early and often.** The “what” of insurance — business capabilities — is undergoing dramatic change in how these capabilities are executed. Vendor strategies must shift from “we sell this” to “this is how we can help” directed to each of the insurance roles tasked with delivering on the myriad

challenges of the insurance business. Especially critical are vendor solutions that can handle multiple business capabilities in the same package or at the same time — this low-hanging fruit is getting assigned higher priorities by insurance IT decision-makers.

- **Showing how you can help insurers become innovation engines.** Cool customer and supply chain-facing innovations are big priorities for insurance business and IT teams and can be enabled by emerging technology such as telematics, mobile, and social. However, they do require vendor marketing, sales, and implementation strategies upfront to address long-standing environmental and cultural constraints in the insurance industry, much of which is related to vendor, project, technology, and, of course, career risk. Since insurers are reluctant innovators, be ready to show where you've innovated before, even if the innovation was a bright idea in another industry.
- **Proving how your solution fuels the customer growth engine.** The role that technology plays in the insurance business has shifted from being just a way to reduce costs to being integrated into how business gets done. Vendor strategists need to show how technology performance has direct implications for the customer and agent experience and, by extension, insurance top lines. Proving it means that the impact has to show up where it really matters — on the balance sheet.<sup>22</sup>
- **Filling in a big-data scientist role gap.** The most valuable asset that insurers possess now is their data. With data skills projected to fall significantly short in all industries, never mind insurance, carriers will be competing for these resources and trying to protect their own data skills from being poached. That means it's an ideal opportunity for vendor strategists to step in to show how they can fill in these new must-have data science skills.
- **Remembering that the industry's business is risk management.** Emerging technology has increased the openness of insurance business process and the sharing of data throughout the ecosystem. But at the same time, insurance IT and risk managers will continue to be vigilant about protecting business and customer data assets. Do you have a cool emerging tech solution that leverages a mobile phone's global positioning system (GPS) and other customer behavioral data that can drive new protection products or benchmarks for the insurer? Be ready to help carriers argue the business case to regulators.

## SUPPLEMENTAL MATERIAL

### Companies Interviewed For This Document

Axeda	Kony
Cimetrics	Millbrook
Discoverture Solutions	MphasiS
Echoworx	se <sup>2</sup>
ExpeData	Walsh Vision

### Methodology

Forrester’s Forrsights Budgets And Priorities Tracker Survey, Q2 2011 was fielded to 2,741 IT executives and technology decision-makers located in Australia, Brazil, Canada, China (mainland), France, Germany, Hong Kong, India, Japan, Mexico, New Zealand, Russia, the UK, and the US from enterprise companies with 100 or more employees. This survey is part of Forrester’s Forrsights for Business Technology and was fielded in April and May of 2011. LinkedIn Research Network fielded this survey online on behalf of Forrester.

Each calendar year, Forrester’s Forrsights for Business Technology fields business-to-business technology studies in 17 countries spanning North America, Latin America, Europe, and developed and emerging Asia. Forrester’s Forrsights for Business Technology ensures that the final survey population contains only those with significant involvement in the planning, funding, and purchasing of IT products and services. Additionally, we set quotas for company size and job function as a means of controlling the data distribution and establishing alignment with IT spend calculated by Forrester analysts. Forrsights uses only superior data sources and advanced data-cleaning techniques to ensure the highest data quality.

We have illustrated only a portion of survey results in this document. For access to the full data results, please contact [Forrsights@forrester.com](mailto:Forrsights@forrester.com).

### ENDNOTES

- <sup>1</sup> According to the Insurance Information Institute, there were 550 natural catastrophes during the first nine months of 2011 around the globe. These events caused approximately \$68 billion in insured losses. The first nine months of insured losses were nearly five times greater than the first-half average for the past decade. Source: Insurance Information Institute ([http://www.iii.org/facts\\_statistics/catastrophes-global.html](http://www.iii.org/facts_statistics/catastrophes-global.html)).
- <sup>2</sup> Verzekeruzelf.nl, a Dutch direct writer, is crowdsourcing new product ideas.
- <sup>3</sup> Even in the face of \$260 billion in global economic losses as a result of 2011’s mega-catastrophes, of which approximately \$55 was insured, the industry’s financial performance has been very good. Source: “2011 — First Half Results,” Insurance Information Institute, October 7, 2011 (<http://www.iii.org/articles/2011-first-half-results.html>).

- <sup>4</sup> Source: Dr. Robert P. Hartwig, “U.S. Insurance Market Briefing and an Update of Dodd-Frank Implementation,” Insurance Information Institute, October 19, 2011 (<http://www.iii.org/presentations/us-insurance-market-briefing-and-an-update-of-dodd-frank-implementation.html>).
- <sup>5</sup> In just one surprising example, The Hartford was the lead innovation sponsor of MIT’s Media Lab 2011 emtech emerging technology conference. Source: *Technology Review* (<http://www.technologyreview.com/emtech/11/sponsor.aspx>).
- <sup>6</sup> For an analysis of US insurance employment trends from 1990 to 2011, see Hartwig, “Insurance Industry Employment Trends: 1990–2011,” Insurance Information Institute, November 8, 2011 (<http://www.iii.org/presentations/insurance-industry-employment-trends-1990-2011.html>).
- <sup>7</sup> ExpeData recognized that mobile applications for data capture needed to reflect the different ways that users would input data, so it offers mobile tablet apps as well as applications for data capture that involve digital pen technology and smart paper forms, either of which can be used by claims adjusters on roofs or insurance agents completing a customer application for life insurance at the kitchen table.
- <sup>8</sup> Three persistent business-driven models of IT have emerged, based on how IT is perceived by C-level executives and its internal customers, constraints of the industry to which the company belongs, and the company’s mission for IT. These archetypes persist whether the bulk of IT activities are performed inside or outsourced. And very large enterprises may have all three types represented in various divisions or business units. See the March 22, 2006, “[The Three Archetypes Of IT](#)” report.
- <sup>9</sup> M2M uses a variety of technologies to monitor and transfer the status of physical assets to improve business problems, such as supply chain efficiencies, often in very specific ways in industries such as insurance, energy/utilities, healthcare, and transportation. See the March 16, 2010, “[The M2M Market Is A Blossoming Opportunity](#)” report.
- <sup>10</sup> The gap between online shopping and buying will shrink, and the share of insurance sales through digital channels will grow to nearly \$14 billion in 2015, representing a nearly 11% compound annual growth rate (CAGR) and slightly more than 6% of total category insurance sales. See the April 21, 2011, “[US Online Insurance Forecast, 2010 To 2015](#)” report.
- <sup>11</sup> Tempcover.com is a UK-based aggregator offering a range of ultra-short-term motor insurance coverage as well as pay-as-you-drive insurance coverage.
- <sup>12</sup> The term “big data processing” refers to tools and techniques that handle certain types of data — extreme volumes, high velocity, in a variety of formats, and with a variability of meaning — beyond the capability of existing, mature data management technologies. Much of this data exists in large volumes or streams at extremely high data rates — 100 to 1,000 times larger than what IT systems typically handle today, and with a variety of structures — making it a poor match for mainstream database management technologies. See the May 18, 2011, “[Big Opportunities In Big Data](#)” report.
- <sup>13</sup> It should come as no surprise that there’s a big Google component to The Climate Corporation’s business model, both in terms of the backgrounds of the principals and funding. Source: Marco Zennaro, “Big Data Dirt (And The Cloud),” *WSNblog*, October 11, 2011 (<http://www.wsnblog.com/2011/10/11/big-data-in-the-dirt-and-the-cloud/>).

- <sup>14</sup> By virtue of their business personality, insurers maintain a keen focus on risks of all kinds. In our 2010 study, nearly three-fourths of the North American IT executives we surveyed told us that defining strategies for enterprise risk and compliance were critical or high priorities for them. These critical risk and compliance management initiatives are being translated into tech upgrades such as business continuity planning (BCP) and disaster recovery (DR). See the October 28, 2010, "[Tech Opportunities In North American Insurance IT Firms](#)" report.
- <sup>15</sup> In the face of big demographic changes, carriers in Forrester's Forrsights Budgets And Priorities Tracker Survey, Q2 2010 touted big interest in how insurance carriers would meet the very different risk and protection needs of emerging demographic segments and slices. See the October 28, 2010, "[Tech Opportunities In North American Insurance IT Firms](#)" report.
- <sup>16</sup> Despite the popularity of customer relationship management (CRM) solutions, business process and customer service pros struggle with how to define the right customer management strategies, re-engineer customer-facing business processes, and effectively acquire and deploy the right supporting technology solutions that will meet their needs. In 2010, Forrester surveyed business and IT executives at 99 organizations who are responsible for CRM initiatives, and we found that far less than 50% fully agreed that the "applications really improved the end user's productivity" and "business results anticipated from the implementation were met or exceeded." See the January 26, 2011, "[Trends 2011: Customer Relationship Management](#)" report.
- <sup>17</sup> In a 2005 report, Forrester defined MOOSE as the continued spending on maintenance and ongoing operations, systems, and equipment. See the October 18, 2005, "[Defining The MOOSE In The IT Room](#)" report.
- <sup>18</sup> When 7,727 online adults in the US and Canada were asked in Forrester's Q4 2010 North American Technographics® Customer Experience Online Survey how likely they were to switch insurers in the coming year, the more positive about technology consumers were, the more likely they were to change insurers.
- <sup>19</sup> Check out our discussion on R&D in eBusiness (<http://community.forrester.com/message/16059#16059>).
- <sup>20</sup> The Dynamic Knowledge Creation Model was created by Nancy Dixon, building on the work by Ikujiro Nonaka. It refers explicitly to how organizations deal with knowledge. Source: Simon Kendrick, "Dynamic Knowledge Creation Model," *Curiously Persistent . . . Persistently Curious Blog*, June 7, 2011 (<http://curiouslypersistent.wordpress.com/2011/06/07/dynamic-knowledge-creation-model/>).
- <sup>21</sup> Forrester recently published an overview of 11 emerging business technology vendors that address the business drivers and challenges of one or more insurance business capabilities through new technology and new approaches. See the October 25, 2011, "[Emerging Technology Vendors That Insurance Enterprise Architects Should Watch In 2012](#)" report.
- <sup>22</sup> The technology industry has entered a new cycle of tech innovation and growth, which Forrester is calling "Smart Computing." Smart Computing will have a highly vertical industry focus. Vertical solutions will differ significantly from vertical offerings in the past — thus the advent of verticals 3.0 as a result. See the December 4, 2009, "[Smart Computing Drives The New Era Of IT Growth](#)" report.

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## Headquarters

Forrester Research, Inc.  
60 Acorn Park Drive  
Cambridge, MA 02140 USA  
Tel: +1 617.613.6000  
Fax: +1 617.613.5000  
Email: [forrester@forrester.com](mailto:forrester@forrester.com)  
Nasdaq symbol: FORR  
[www.forrester.com](http://www.forrester.com)

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