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Digital Insurance

Content and Community for Insurance Leaders

The Innovators

Forward-thinking executives who are leading the insurance industry's digital transformation

Contents

Cover Illustration: Robert Carter

Editor's Note

Eliminating insurance's pain points

Insurance is going through a period of unprecedented innovation. Most major auto carriers are offering usage-based insurance option. Property insurers are deploying drones for claims. And all insurance companies are providing smartphone apps that allow customers to sign up for policies and engage with the companies at any time.

All of these innovations started as ideas. Of course, insurance ideas haven't always resulted in great products. Often the funding, or the backing or the vision wasn't there to develop useful technologies. And some early customer-facing technologies that seemed like good ideas didn't take hold because the end user – policyholders – rejected them. (The first usage based insurance programs actually asked customers to affix hardware in their car, then plug it into a computer to upload driving data. Not exactly frictionless.)

Today, many of those stumbling blocks have vanished into the past.

Consumers asked their insurers to provide them with digital tools that expand the relationship besides just premium-for-claim. Executives heard them and tasked IT and other business areas with meeting the demand. And now technological barriers are almost non-existent – consumers even have their own telematics devices in their pockets, if not built directly into their car.

That's opened the door for innovators to make a mark on insurance. In this issue, we're profiling 20 of them. They are of two breeds. The insurance CIOs and other IT leaders within the carriers and the innovators and entrepreneurs leading the insurance technology startups, the "insurtechs."

But if I had to pick a defining characteristic for an insurance innovator, it would be this: They are true believers in what Alex Timm, founder of Root Insurance, calls the "noble cause" of insurance. That is, innovators tend to come at the industry from the perspective of the customer. And for too long, customers have viewed insurance as a frightening, adversarial experience.

This new breed is proving that insurance can do more than collect premiums and pay claims. Michael Rudoy and Luke Cohler built Jetty around the pain points that they encountered as renters. Rooney Gleason and Greg Barats identified the Internet of Things as a key tool to reduce risk. And Scott Walchek's Trov transitioned from a simple catalog of possessions to providing single-item insurance on demand. That's how new thinking and advanced tech combine to shake up the world of insurance.

We're also moving ahead. We've recently changed our name to *Digital Insurance*. We're proud to be the only media brand focused squarely on insurance technology and transformation. The editors are committed to keeping the industry's leaders and innovators up to the moment on the critical issues, ideas and trends that most matter to their business. As the year unfolds, we invite you to let us know how you think we're fulfilling that mission.

Nathan Golia
Editor-In-Chief

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A NEW PATH FOR USAGE-BASED INSURANCE

CONNECTED CAR TECHNOLOGY IS MAKING USAGE-BASED INSURANCE EASIER TO SELL

BY NATHAN GOLIA

After a muted year for growth in usage-based auto insurance programs, several carriers are rolling out new or reworked versions of their initiatives to take advantage of consumers' own smartphones or connected cars to collect the needed data.

For the first decade of its existence, usage-based insurance (UBI) was powered by third-party telematics devices that insurance companies provided to customers for installation in their vehicles, most commonly in the OBD-2 port. Now, with telematics technology is embedded in new cars and new mobile phones coming standard with GPS, accelerometer and mobile broadband technology, that's less important.

"People are moving away from OBD-2-based devices to thinking about how they better digitally connect to their customers," says David Bassi, executive director for EY. "They're looking at those alternative methods for collecting the data they need, and how they collect a fuller range of data."

This new wave of UBI products rolling out also allows the mechanism for collecting the data carriers need to serve as a feedback and interaction point with their customers, creating a better customer experience . While third-party technology isn't completely out of the picture, most insurers prefer the smartphone-app approach because customers can more easily visualize the benefits of the program, and are looking to build the best product possible through that channel.

For example, American Family rolled out its KnowYourDrive program earlier this year in two states. The new program combines a dongle with a smartphone app, both of which are manufactured by connected-car company Automatic. As a result, an OBD-2-only program that the company has had in production since 2013 is being sunsetted.

"The industry has recognized that the smartphone has become ubiquitous and has the capacity to deliver just about anything through an app," says Kelly Lien, VP of product management for personal lines at American Family.

In addition to collecting the data that powers the program, the Automatic app "provides information about driving habits, and can return tips and advice on how to improve driving," he adds. "We're excited to establish a deeper connection with the customer and allow them to earn a discount."

But it's not just the tier-one insurers finding partners for new UBI programs. Many startups, have emerged in the midst of the insurtech explosion with white-label programs for usage-based insurance that carriers of all sizes can adopt.

For example, Electric Insurance piloted a fully mobile-based UBI program, using technology from the insurtech Cambridge Mobile Telematics (CMT), in Ohio last year. The successful pilot is leading the company to expand availability to four more states on March 1: Texas, Georgia, Connecticut, and Wisconsin.

"We've been tracking and monitoring [UBI] pretty closely for a number of years, and the availability and accuracy of the smartphone data made it possible for us to be part of the space," says Mike Mucher, VP of sales and marketing for Electric.

Mucher says that in its Ohio pilot, Electric was focused on getting feedback on the user experience, reviewing all the touchpoints that it had with customers to see what worked and what didn't.

"Our product team strategically felt it was important to see how our customers reacted to it as a feedback device, in terms of attempting to make their lives safer," he explains. "Partnering with a team like CMT, we have smart people looking at the tech and thinking about how to help customers solve a problem."

THE EVOLVING MARKET

UBI veterans agree that the market for the product is changing as customers expect less friction in being able to leverage new offerings. Even Progressive's Snapshot, one of the longest continuously operating UBI programs in existence, is poised for transition, says Dave Pratt, the insurer's GM of UBI. The company launched a Snapshot mobile app in four states in December, providing a new way for customers to get involved with the program and opening up a line of communication with them.

"We give new customers a choice at sign-up: Do they want to get an OBD plug-in device or a mobile app to collect the data," Pratt explains.

In its initial iteration, the Snapshot program was not meant for long-term connections. A six-month sample of driving is used to determine any changes to the customer's rate, then usually the OBD device was removed unless the insured wants to try for a better score.

But Progressive sees the opportunity for expanded use cases associated with the mobile experience, that could keep them in contact with customers over a longer term. For example, if the app is running and someone uses the phone while driving, a report at the end of the trip can illustrate that for people in hopes of helping break the habit.

"I hope that we shift to a lot more people on mobile from the plug-in devices. It's easier for them and cheaper for us," Pratt says. "We can be more nimble with the mobile app as well, since it's so easy for people to update."

TELEMATICS DEVICES LIKE PROGRESSIVE'S ARE GIVING WAY TO SMARTPHONE APPS

In Canada, Desjardins is in the middle of a similar transition. After entering the telematics realm with an OBD-2 device in 2013, the company is planning to phase out that technology in favor of CMT's mobile offering for its Ajusto UBI product.

"We're also not going to focus on just the youth market," says Alex Veilleux, VP of innovation and strategic partnerships for Desjardins. "What we're seeing is that the program is fully in line with our normal book of business based on age. For example, 32% of our Ajusto members are 50 and up, and it represents in total about 30% of our book of business."

All of these trends add up to a big opportunity for insurers, Bassi concludes.

"I don't think people are saying 'We're just going to dabble,'" he says. "I think insurers are ready when they have an app that allows them to understand risk and create a better experience for their customers."

WHY LIBERTY MUTUAL IS DIVING DEEPER ON TELEMATICS

Liberty Mutual announced upgrades and additions to its UBI portfolio earlier this year, including gamification and driver-feedback components. Nick Grant, senior director of product technology solutions for the auto insurer, fills *Digital Insurance* in on why the company is making big moves now.

NICK GRANT

Digital Insurance: Why is Liberty Mutual investing more in telematics and UBI now?
Nick Grant: Liberty Mutual is always looking to provide new value to existing and new customers through innovative uses of data and technology. Our new products help customers become better drivers and worry less on the road.

DI: What about the profile of a UBI policyholder is informing your strategy?
Grant: We've found that more consumers are looking for personalized offers, messages, pricing and recommendations. Using the data compiled from our telematics-based apps and products such as ByMile, HighwayHero and RightTrack allow Liberty Mutual to cater to this desire for personally tailored advice, information and even policies.

DI: How are advances in connected-car technology making UBI more accessible as an option for insurers?
Grant: We are able to streamline the evaluation process, making it easier for customers to save on their insurance while learning safer driving habits. Our customers will be able to take advantage of these new mobile offerings not just with a plug-in device but with the ease of either downloading an app on their smartphone or using our new tag device that sticks on the windshield giving them multiple options for savings.

DI: How else is the Internet of Things having an impact on LIberty Mutual's business? And what does it mean for data protection and privacy?
Grant: Liberty Mutual values and respects our customers' privacy. We will not share personally identifiable usage data we collect with any third party except to service our customers' auto policies, for research, or as required by law.

INSURERS CONNECT WITH CUSTOMERS ON VIRTUAL ASSISTANTS

Amazon

THE AMAZON ECHO BOASTS THE HIGHEST PENETRATION OF CONNECTED-HOME DEVICES

BY DANNI SANTANA

With more consumers picking up voice-assistant devices to help tie their smart homes and smart phones together, insurers are moving quickly to take advantage of the technology.

By 2018, Gartner predicts 30% of human interaction with technology will be done via conversations with "smart machines." Home assistants – mostly the Amazon Echo, with its Alexa operating system, and Google Home – are now integral cogs of insurers' distribution strategies, intended to connect with tech-savvy consumers.

Early adopters of voice assistant technologies include Liberty Mutual and its subsidiary Safeco Insurance, Allstate, Progressive, Nationwide, and Grange Insurance.

"Insurers see the handwriting on the wall, that more customers are getting these home assistants and that there are advantages to letting home occupants get access to products and additional services," said Donald Light, director of Celent Research's North America property/casualty practice.

Initial insurance rollouts on Amazon Echo and Google Home have some similarities. They tend to enable customers to check payment due dates, find local agents' contact information, and learn about available policies for purchase.

Those are the key points of Allstate's Alexa application. The insurer began working on it in the fourth quarter of last year. While Amazon did the heavy lifting on voice interaction, the insurer used internal data to determine how customers would use the device and the information it would provide.

"We'll use this initial experience to build out a road map," said Roger Tye, vice president of digital and user experience at Allstate. The "skill" launched on Feb. 22. "We will continue to focus on Alexa and other devices like it to be able to leverage technology we already built."

With Tye running point, his blended team of mobile and tech personnel developed the new application to Amazon specifications in a few months. Amazon reviews all applications for Alexa, but calls them "skills."

The retailer also provides a testing environment so that companies can refine their applications. Allstate currently tests its skill by asking Alexa questions to gauge response accuracy, Tye says. That's important for raising the company's profile on the platform, similar to optimizing for online search engines.

"As the technology evolves, Alexa will become a discovery mechanism. Companies with the best answers will strive to the top," Tye says. So, when customers ask Alexa about insurance generally, if Allstate's skill has a strong score, it will be a preferred response..

In the near term, insurers can use Amazon's platform to learn how to leverage natural-language processing, says Celent's Light. And, as the device becomes more integrated with other smart-home technology, insurers may be able to tap into it to get instant notice of fires, break-ins or leaks, he adds.

Amazon is by far the leading distributor of voice assistants in the U.S., according to research group Strategy Analytics. The firm estimates 6.3 million Amazon Echo devices were sold in 2016 with significantly more sales expected this year, Motley Fool reports. The closest competition, Google Home, will sell only 1 million of its home assistant devices through the end of June 2017.

So, for the moment, insurers are leaning toward Amazon as well. Of the several early participants in the home assistant market, only Progressive has signed on with Google to launch a voice-enabled app for Google Home.

A UNIFIED EXPERIENCE

For Liberty Mutual, the appeal of Alexa was its ability to behave as a control hub for all smart gadgets, according to Brian Piccolo, e-business manager of U.S. consumer markets. Exploring the technology was natural outgrowth of an aggressive connected-home strategy at the insurer. It partners with several companies, including Nest, Notion and Vivint, with the goal of encouraging policyholders to use smart technology to monitor their risk at home.

"When we thought of initial use cases, connection to smart devices definitely swayed our decision as we could envision a future where our skills will provide value not just to our customers, but to our connected home partners as well," he said.

The Boston-based insurer began development of its Amazon skill in the spring of 2016, before launching in November. Much like Allstate, it tests and uses customer feedback to enhance capabilities in voice interactions with Amazon Echo.

Early challenges in leveraging the device are highlighted by growing pains in making the skill as useful as possible to the public, Piccolo says.

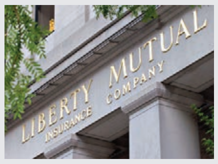
"Ultimately we will allow our customers to do business with us when and how they want," he added.

While insurers envision an expansion of current applications to include quoting and loss prevention services, among others, Light says that there are still barriers in the way. First among these is getting customers to consider insurance when opening a conversation with their Echo or Google Home.

"People who get Echo or Google Home may onlu have ten to 15 use cases in mind, and home insurance may not even be on the list," Light says. "If devices get into the home, insurers will have to learn how to play to them successfully."

5 INSURERS EMBRACING HOME VOICE ASSISTANTS

Several top-tier insurers are betting that devices like Amazon Echo or Google Home can be an important component of a larger customer experience, distribution, and corporate strategy. Here are some of the notable rollouts.

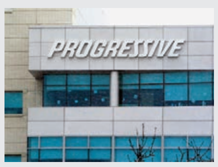


LIBERTY MUTUAL

Liberty Mutual debuted applications for itself and subsidiary Safeco Insurance in September, both on Amazon Echo. Liberty Mutual's application offers policyholders auto insurance estimates through its Guestimator tool and access to its MasterThis online resource, which suggests solutions to problems clients could have on the road or at home, like a flat tire or burst pipe. Meanwhile, Safeco's skill enables clients to learn industry jargon using an "insurance glossary."

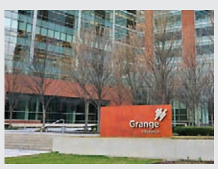
ALLSTATE

Allstate released its Amazon Echo skill in February, the fifth insurance carrier to partner with the retail and tech giant. Similar to other insurance applications on Echo, also known as Alexa, Allstate's is tailored to helping customers receive basic policy information and contacting local agents.



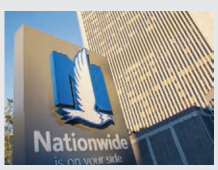
PROGRESSIVE

Progressive became the first carrier to sign on with Google Home in March. Policyholders receive information on insurance policies, car and home buying tips as well as recommendations for other smart-home technologies through the voice-activated speaker.



GRANGE INSURANCE

Grange launched its Amazon skill in December. In addition to finding local agents, users can research the carrier's home, auto, and life insurance products before purchasing policies through more traditional channels.



NATIONWIDE

Launched in November, Nationwide's Echo skill allows customers to educate themselves on the insurer's core offerings, learn "common product definitions," and receive agent contact information for a quote.

Adobe

ADDING INTELLIGENCE TO UNDERWRITING

HAMILTON AND AIG JOINED FORCES TO MAKE SMALL-COMMERCIAL INSURANCE MORE DATA-DRIVEN

BY CHRIS MCMAHON

Automated underwriting driven by big data has been popular in personal lines auto for several years. But the technologies are now making insurance underwriting more efficient and driving a better customer experience in other business lines as well.

Hamilton USA and AIG developed a unit called Attune last year that uses advanced data and analytics to underwrite small commercial insurance. Joining Hamilton and AIG on Attune's development is Two Sigma Investments, which lent expertise in data science to the project.

The companies say they collaborated on the effort because the population of business owners and sole proprietors is skewing toward digital natives who expect the same experience from their commercial insurers that they've received from auto carriers. Insurers need to update their processes to meet that demand.

"The small commercial insurance market is moving," explains Ed Pulkstenis, EVP of underwriting at Hamilton USA. "Some studies say that more than 50% of small commercial business owners will be millennials within the next few years. We think that Attune is a platform that will meet them where they're going."

Attune works by leveraging third-party data and analytics models to generate a quote with limited information — sometimes only the business's name and address. Agents are still a part of the service flow, but without having to ask as many questions to generate a quote, the experience for the end customer is smoother and not as onerous as it has been in the past.

"For small-commercial business in particular, there's been this tension between effective underwriting and ease of doing business," explains Ed Pulkstenis, EVP of underwriting at Hamilton USA. "The traditional view is that to do better underwriting, you have to ask more questions, validate more information, and do more back and forth. Attune says that is a false choice."

Today, most of the small commercial business is written through intermediaries, and so Attune was created for use by retail agents. However, the companies plan to extend access and functionality to wholesalers, and potentially add online self-service capabilities down the road.

To succeed, however, Pulkstenis says Attune needed to be a stand-alone entity and approach the small commercial market from a fresh perspective. Attune operates as a separate operating unit from the companies, not as a technology platform within the traditional line of business. So, the partnering companies end up sharing the wealth from the policies instead of being in competition. That illustrates how digital innovation changes a lot of attitudes around the nature of the insurance business, Pulkstenis explains.

"The legacy pull can be really strong. It's hard to break away from old biases, old philosophies and traditional ways of doing things," he says. "It's a new venture. By taking AIG's capacity, and using that with Hamilton's expertise on a new platform, we get the best of both worlds."

For now, Attune is being used to write only business owner policies. Over the next six months, however, AIG and Hamilton will be transitioning business from legacy systems into Attune, Pulkstenis says. The plan is to roll out an umbrella or excess and surplus product during the fourth quarter of 2017, followed by workers compensation, auto, and potentially supplementary products.

"AIG has committed a material amount of business to the platform," Pulkstenis says. "They see this as an opportunity to decommission old systems to reduce their costs, and to be a more viable participant in this new market that's emerging for small commercial."

DEALING WITH DATA

Pulkstenis says that Attune comprises is a cocktail of proprietary, esoteric, traditional, and foundational technologies. While cagey about the specific data sources Attune considers, Pulkstenis does offer some insights into the thought process. A lot of traditional underwriting questions simply were not that valuable, he says, and success comes down to understanding a relatively few number of items.

"Companies almost always ask small-commercial customers how many years they've been in business, though what's of interest is management quality. And there's a lot of external information that allows us to assess management," he explains. Rather than asking the customer a question, the system queries a number of databases that ultimately offer better information.

Much of that data, Pulkstenis says, is tangential, but insightful, and related to the company's exposures and past claims: "We then take that data and design business intelligence around it to bring it back to the underwriting theme we want to answer."

Though third-party data isn't always perfect, Pulkstenis explains, the higher volume makes up for it.

"You may have 10 [fields to populate with] data, but three could come in blank, and two more are, for one reason or another, unreliable. But by having a wide variety of answers, you can triangulate toward the right information."

"We are going to be able to find patterns and take advantage of machine learning and more sophisticated artificial intelligence."

—ED PULKSTENIS, HAMILTON USA

While Attune is applying increasing amounts of automation to the underwriting process, Pulkstenis says, for now, some manual components remain.

"As we build a book of business, we are going to be able to find patterns and take advantage of machine learning and more sophisticated artificial intelligence," Pulkstenis says. "Attune says we don't have to choose between good underwriting and ease of doing business, or between having a legacy platform or great capacity. We don't have to choose between contemporary technology expertise vs. traditional insurance expertise. The magic happens when we bring those things together."

ATTRACTING TECH TALENT

For insurance underwriting to advance, it needs both new blood and new ideas. In hopes of swaying some college students toward the industry, AXIS Re hosted its inaugural "Future of Insurance" hackathon event in April at the Siebel Center for Design on the campus of the University of Illinois.

AXIS provided an anonymized data set and challenged students to build data visualization software for underwriters to assess the potential impact of catastrophic events, including floods, hurricanes, and earthquakes in a particular region. The tools, leveraging data analytics, computer programming and risk modeling technologies, were created over an eight-hour period.

"In the insurance industry, information and data are critical to the work of underwriters," said Jon Colello, president and chief underwriting officer of AXIS Re. "The ability to quickly analyze and make intelligent decisions from information and data can be the difference between underwriting at profit or taking a major loss for your company."

The winning team used maps to overlay exposure data, historical storm patterns and other natural catastrophe models to create an augmented reality system that could be navigated using hand gestures, Colello says.

As event organizer, Colello selected the University of Illinois to host the inaugural competition due to a long-standing relationship with the school's Office of Risk Management and Insurance Research. The two have collaborated on similar projects in the past, including semester-long challenges where students developed products around risk mitigation.

""Last year, students developed a weather app that has evolved into a product used by some of our underwriters," Colello notes.

Events like this are important so that insurers can build a pipeline of new talent to lead digital enterprises in the future, Colello says. As many as 400,000 of today's insurance professionals are set to retire by 2020, according to the U.S. Bureau of Labor Statistics, with limited personnel to pick up the mantle.

"Non-traditional events such as this allow us to tap into an entirely new set of potential insurance professionals, many of whom won't necessarily come from the traditional insurance programs like actuarial science or risk management," he explains.

—Danni Santana

Forward-thinking executives who are leading the insurance industry's digital transformation

The Innovators

BY NATHAN GOLIA

It's an exciting time for insurance. Startup activity and investment — $1.7 billion in 2016, according to CB Insights — are at an all-time high as the growing cohort of "insurtechs" targets legacy processes for digital reinvention. On the carrier side, visionary executives are spearheading internal efforts to emulate those companies' abilities to ideate, iterate and execute on a 21st-century timeline.

Over the past several months, *Digital Insurance* consulted with experts across the industry to assemble this list of 20 innovators who are truly leading insurance into a new era defined by digital efficiencies and effectiveness. These leaders are transforming an industry known for paper forms and overnight batch processing into a fully digital experience from quote to claim, leveraging real-time data from connected devices and advanced analytics to create new insurance products that meet modern needs.

Alex Timm
FOUNDER, ROOT INSURANCE

Insurance is often a family business, and it was for Alex Timm, the founder of Root Insurance, a usage-based insurance company that handles everything from data collection to quoting to policy servicing through its smartphone app.

Timm's first job – at age 14 – was in insurance, making phone calls on behalf of his father's agency to help customers manage policies. But despite that baptism by fire, he fell in love with the industry.

"When your neighbor's house burned down, insurance was right there to help them pick up," Timm says. "It's a very complicated, mathematically driven industry, but I've always loved that there's this 'noble cause' at the same time."

Eventually, Timm he got into the actuarial side of the industry and worked at State Auto and Nationwide, the big insurance companies located in his hometown of Columbus, Ohio. That's where he first began to notice that the insurance industry needed to make some changes. While he was working as a consultant for Nationwide, "[the insurance industry's] digital satisfaction ratings were worse than government services," he says. He saw an opening to create a new kind of insurance company that was more customer-friendly.

"There was very little innovation in the space, and it was frustrating," he says. "There were some really obvious things that were going on like big data – it was fairly obvious that it could tell us a lot about risk profiles. But we didn't know how to get it or make sense of it. That's an inordinate amount of inefficiency that consumers are paying for."

Timm set out to build a data-driven insurance company from the ground up that could incorporate the full potential of advances in analytics, digital channels, and self-service with the singular goal of making insurance a better product for policyholders. So in March 2015, he began working on Root.

Root's goal is to lure good drivers with the promise of lower rates. Once someone downloads the app, it collects data about that driver's habits over a period of about three weeks. After that time, a quote is generated.

"We pull the data that we collect from the car, pass it to the data science team and run predictive analytics on it" to get a handle on how a driver operates, he explains. "The smartphone data is unbelievably granular – an accelerometer can pick up very minute details."

Root's early days were "much like starting a technology company" Timm relates. That's because his goal from the start was a fully integrated app experience.

"We were focusing on the app, because the first big piece was the technology. Consumers want to do business on a smartphone, there shouldn't be 100 different fields to fill out with two thumbs. It should be easy, not confusing."

Twelve of the company's 20 employees are in the technology department, a 60% ratio that Timm expects to keep up even as it expands into new markets. The fact that Root doesn't rely on legacy systems and is building everything from scratch is to its advantage, he says.

"Technology changes so quickly and so fast, that if you're not consistently reinventing your entire code base you're going to be left out," he says. "We have that agile mindset that will enable us to innovate as we scale and allow us to avoid a lot of bureaucracy."

Actually taking on risk and selling coverage was a crucial component to his plan, he asserts: The idea of simply developing technology to sell to insurance companies never crossed his mind.

"You can't reinvent the industry by sitting next to it," Timm says. "Many of our startup competitors are making mobile apps and trying to sell to or partner with an insurance company. But then you have to succumb to [that company's] business model."

When discussing how his company is different, Timm is fairly critical of established insurance practices. For example, he says that the current system of pricing is "extremely broken" and not "based on the right data." But that's to be expected because of his passion for serving the insurance customer. Timm truly believes in the transformative power of digital.

"The way you do it better than everyone else is data science," he says, explaining that technology takes some of the pressure off of consumers at application time and reduces the need for esoteric links like credit scoring to refine pricing.

"What it will do is it will begin to make insurance a lot more consumer-friendly," he says. "We can cut out a lot of those naive assumptions about these old underlying variables. When we begin to measure these things better, we can make the world fairer."

At the same time, Timm and by extension Root are acutely aware of the further disruptions coming to the insurance industry. The company recently announced a program for Tesla owners who use the automaker's Autosteer driver-assistance technology. Through an integration with Tesla's onboard computer, Root can identify when drivers switch to Autosteer and provide a discount when it is on. The program is bold, but it's the data-driven approach that led Root to embrace autonomy at a time when many insurers are not sure how to respond. That comes from Root's belief that it's how you drive that matters.

"We pull the data that we collect from the car, pass it to the data science team and run predictive analytics on it."

"We believe that these self-driving cars are performing better. It's been proved very strongly in the data," he says. "Insurance is going to have to evolve, because [autonomous vehicles] will make insurance far cheaper over time."

Daniel Schreiber
CEO & CO-FOUNDER, LEMONADE

Lemonade CEO and co-founder Daniel Schreiber laments the distrust consumers have for insurers. A major goal of his company, a renters insurance carrier, is to turn that on its head.

In announcing Lemonade last fall, and in interviews and public appearances since, Schreiber explains that because customers don't trust insurers, its easy for them to rationalize misleading carriers. He believes that consumers need a bigger stake in the insurance product in order to disincentivize that behavior.

In many ways, Lemonade is like many insurtechs: It leverages smartphones heavily, as the main customer-acquisition channel and claims-reporting tool. That meets customers' demands for a modern insurance experience, Schreiber says.

However, going beyond that is the company's financial model. At the time they sign up, customers select a charity to which Lemonade will donate unused claims reserves at the end of each year. This means that customers know that they will only be hurting their cause of choice by exaggerating losses.

"We create a group, in a sense, of peers who are defined by their common cause," he explains.

Early on, Lemonade attempted to term this "peer-to-peer" insurance, but the company abandoned that term due to imprecision. "We had expected it to be something that would help people understand the model, but it generated more questions than answers," Schreiber explains.

Now, technology is more of a selling point and differentiator for Lemonade. Schreiber points to its artificial intelligence and behavioral science aspects as ways that it stands out from the crowd of renters insurance. That doesn't mean the behavioral side is ignored. Lemonade employs a behavioral economist— former Duke professor Dan Ariely – to help refine its messaging as it gets more data on its customers. But Schreiber also is working to hire additional talent and build out Lemonade's tech infrastructure.

The company operates a combination of server-side technologies – rating engines and back office tools – and front-end tech that enhance the customer experience. These include AI chatbots named after real-life employees to control claims, enrollment and customer service via its mobile app.

"The idea that you can file a claim without filing a piece a paper, without speaking to a human being, by a few taps on a phone and recording a short video of yourself so that it is all over in three or four minutes, is a pretty radical departure from the incumbent experience," he says.

Funding comes from investors including XL Innovate, Sequoia Capital, and Tusk Ventures. Lemonade is based in New York, but does some back-end work in Tel Aviv, Israel. It is licensed to sell insurance in New York and Illinois, and is hoping to be in 47 other states by the end of this year. In its first quarter of operation in New York, the company sold 410 policies, it says.

Dan Preston
CEO, METROMILE

Metromile is a trailblazer among insurtech companies. It is one of the first U.S. carriers to focus only on usage-based insurance. And CEO Dan Preston has presided over major advancements at the company since his appointment in 2014.

Preston started out at Metromile as its CTO under co-founders Steve Pretre and David Freidberg. His intimate familiarity with the company's core data model and technology platform served well as he took over the CEO role. Under Preston's watch, Metromile has become a full-stack insurer (it was a managing general agent when he took over), moved into bigger offices in San Francisco and begun an aggressive campaign of value-added services, claims innovation and expansion.

Metromile works by using on-board telematics devices to track how many miles customers drive each month, then charges them based on that. It's not as interested in how people drive, but rather how much. That's because, Preston says, driving less is a bigger predictor of loss than almost anything else. So the company uses traditional underwriting methods to set a price – but it's per-mile, rather than per-annum.

Of course, that means the company's model of metered insurance isn't for the general auto insurance market. Metromile targets urban drivers who don't take to the road as much. That's driven some of the innovations Preston led over the past few years. Metromile's location-aware technology is able to notify customers if they need maintenance or if they are in danger of receiving a parking ticket, for example.

"What's cool about that from a customer perspective is not only are you saving money with us but you're also getting more value," Preston explains. "You may be saving $500 a year with our insurance products, but you're also probably saving like another $300 or $400 on parking tickets and maybe a few hundred dollars on getting your car repaired correctly."

In late 2016, Metromile crossed an important boundary: With the acquisition of Mosaic Insurance, it became a full-fledged insurance carrier, licensed in all 50 states. Preston says that was a goal from the early days of the company: It never wanted to be a vendor to the insurance industry or just an MGA – though those were important steps.

"One of the challenges was that an incumbent trying to take this product to market would cannibalize their own business in such a way that it would be exceptionally disruptive," Preston says. "The only way to get this product off the ground, we felt, was to start from scratch and actually build up [to an] insurance company."

Now that it's open for business in all states, Preston says that he's excited to enter into states like New York, Florida and Texas, where the opportunities are greater for Metromile's unique model.

"I think the overall trend is toward driving less, especially in cities," he says. "The active use of Uber and other ride-sharing services, like car-sharing, better public transit, more bike lanes, means the car is being used less for commuting.

Rooney Gleason
PRESIDENT, U.S. RETAIL, ARGO GROUP US

As a broker for Argo Group, working with grocery and retail clients for the commercial carrier, Rooney Gleason identified an opportunity to digitalize store inspections, with an eye toward reducing slip-and-fall accidents. The logic was that if stores had a more regulated process for inspections, trouble spots would be caught earlier. So he started a tech company, Gleason Technology, to develop it.

Eventually, Gleason returned to Argo and brought his technology, now called Argo Risk Tech. The platform leverages mobile devices that pair, using near-field communication or Bluetooth technology, with a series of sensors, beacons or QR codes placed around a business. This allows a supervisor to track an employee's path during a safety check. Any records required during the safety checks are logged electronically and are stored in the cloud, for easy access and searchability. An array of Internet of Things devices are worked into the process — for example, for perishable item checks, Argo's platform supports Bluetooth thermometers that can send the temperature reading directly to the log without requiring any input.

When there's an incident, the employee only needs to bring their mobile device, which will walk through the process of taking pictures and recording important information. That creates a first notice of loss that is immediately sent to Argo. It can then be cross-referenced with the inspection information to help adjudicate the claim.

Now, as part of its insurance product for the grocery industry, Argo will set up Risk Tech for new clients, positioning itself as a full partner in risk management. "There hasn't been much new offered in what is a mature industry," Gleason says. "This really differentiates us because what we're leading with is tech and not insurance."

Shobana Sankaran
GM OF INSURANCE, NAUTO

For startups targeting the insurance industry, coming up with an idea that may impact the sector is one part of an equation. But marrying an idea to the actual pain points of insurance is a separate task entirely. At Nauto, a telematics startup based in Palo Alto, Calif., that's where Shobana Sankaran comes in. She is GM of insurance for the company and a more than 15 year veteran of the industry, including stints at Progressive, Esurance and Metromile.

Nauto offers a platform to help measure driver skill. The technology includes inward and outward-facing cameras, as well as sensors, to detect road conditions and monitor how well a driver reacts to them. Sankaran's experience helped her communicate the company's value proposition effectively, and a panel of insurer judges selected Nauto as the winner of Plug & Play's insurtech expo late last year.

"It's having the ability to measure risk holistically – combine driver, vehicle and contextual data and act as a prevention mechanism, so that insurers can move away from managing losses to preventing loss," Sankaran explains.

Gareth Ross
CHIEF CUSTOMER OFFICER, MASSMUTUAL

Since joining the insurer in 2008, MassMutual's chief customer officer Gareth Ross has emerged as a champion for digitalizing his company, making it a leader in the life insurance industry.

Ross led the charge for MassMutual to embrace data science, culminating in the company opening a data science lab in 2015. He also championed the development of a data talent pipeline, partnering with local colleges to support education in the field and rewarding students with positions at the lab.

From that analytics-driven foundation, Ross keyed the launch of MassMutual unit Haven Life, which uses an algorithmic underwriting engine that leverages data, mobile technology and machine learning to help customers to get life insurance in a fully online experience, often without a medical exam.

It's all part of Ross's greater vision for the company. He believes that digital's promise for changing the insurance industry comes down to providing a better customer experience.

"As a product, life insurance looks pretty much the same as it did in the 1950s, yet it's how we interact that needs to continue to evolve," Ross explains. "People now expect our customer service to be as prompt as Amazon's, our results as quick and accurate as Google's, and an interface as simple as Uber's."

Ryan Kottenstette
CEO & FOUNDER, CAPE ANALYTICS

Ryan Kottenstette is no stranger to the transformative power of technology on established businesses. Before starting Cape Analytics, he worked at a venture-capital firm, Khosla Ventures. There, he saw the trend toward using artificial intelligence to revolutionize businesses like logistics and agriculture. Cape's technology applies the power of geospatial imagery, computer vision and machine learning to extract and analyze property data that's crucial to insurers. That allows insurers to shorten the application process and get real-time visibility into their reinsurance needs, all without having to send out additional manpower to get the information.

Louis Ziskin
CEO & FOUNDER, DROPIN

Louis Ziskin started DropIn, a platform that allows insurers to use streaming video from drones and other sources in underwriting and claims. The offering has been praised by insurers such as State Farm for its flexibility and adaptability. That's all part of Ziskin's overall goal to improve the experience for all insurance stakeholders. "Typically when you improve the bottom line, it is at the expense of customer service, and vice versa. I saw the unique opportunity to improve the bottom line and customer service concurrently," he says.

Brian Hemesath
MANAGING DIRECTOR, GLOBAL INSURANCE ACCELERATOR

Great ideas need great visionaries to execute them, and that's what Brian Hemesath did as director of the Global Insurance Accelerator. At once tasked with selling insurers on the value of insurtech, and selling insurtechs on the potential for Des Moines, Iowa, Hemesath has grown the number of participating startups, insurance company mentors, and notoriety of insurtech through each of the program's three years. "We see the impact in [insurers] digital initiatives by introducing new partners that, frankly, would have never even made it onto their radar without the GIA," he says.

Snejina Zacharia
CEO & FOUNDER, INSURIFY

Distribution is one of the most-targeted aspects of insurance, but many technology companies have simply put a digital skin on the existing form-driven, agent-centered process and called it a day. Not so for Snejina Zacharia's Insurify. The MIT graduate set out to re-architect the insurance agency from the ground up, using artificial intelligence, optical data recognition, and chatbots to give customers access to insurance products from Progressive, Safeco, and more than 30 other insurers in a fully digital experience from quote to bind. Earlier this year, Insurify created a chatbot for Facebook, allowing customers to buy policies on the social network's chat application. "We are redefining the insurance distribution networks with carrier and agency partners," she says.

Tim Attia
CO-FOUNDER, SLICE

Tim Attia and his partner Ernie Hursh were among the few people who were undaunted by Google's auto insurance aggregator, helping develop the technology that connected it to insurers at their previous company, Bolt Solutions. After Google shut down that aggregator, Attia and Hursh resurfaced in short order with Slice, an insurance company that provides coverage for the sharing economy. People renting their homes on Airbnb or similar services can purchase insurance for the contents of those homes on-demand, through Slice's app, and if there's a claim, can upload images through the same app to get paid quickly.

Michael Rudoy & Luke Cohler
CO-FOUNDERS, JETTY

One of the ways insurance is changing through digitalization is through more value-added services. That's the core concept behind Michael Rudoy (far left photo) and Luke Cohler's renters insurance startup, Jetty. In addition to providing standard renters insurance coverage – updated to reflect the new realities of young professional urban living – the company also offers surety bond products to help renters pay security deposits and meet guarantor requirements. And it takes under two minutes to apply through the company's online portal.

Scott Walchek
CEO & FOUNDER, TROV

Way back in 2013, Scott Walchek took his "digital locker" idea to AIG and Fireman's Fund and offered it to them as a benefit for their customers. Originally, Trov – pronounced like "trove" – alllowed policyholders to catalog their possessions online for easy remuneration in case of a loss. But as the insurtech industry continued to evolve, so did Walchek's vision. Today, Trov directly offers insurance coverage, underwritten by Munich Re, for those possessions. The supplemental insurance protects customers' most valuable items specifically, rather than bucketing them under other insurances like homeowners, renters, or auto, offering peace of mind around particularly expensive or rare items like instruments.

Sean Katz
CIO, VITALITY

When South African health insurer Discovery first launched its Vitality program in 1997, it was simply a way to reward members for using gyms to stay healthy. Now, nearly two decades later, the program has been spun off and is working with several insurers to help quantify biometric data from wearable technology devices like FitBits and Apple Watches. Katz runs the technology department at Vitality in the U.S., working with partners like Manulife and John Hancock on unlocking the trends revealed by customers' data and finding the right mix of discounts and perks to encourage healthy behaviors .

Mariel Devesa
HEAD OF INNOVATION, FARMERS

Farmers Insurance is taking digitalization very seriously, and Mariel Devesa is leading the charge. A veteran of the company, Devesa has served since 2013 as head of innovation, with responsibility for not just coming up with new ideas, but anticipating broader cultural shifts that could impact the insurance industry. Under her watch, Farmers was one of the first insurers to offer insurance specifically for ridesharing drivers, in 2015. And this year, Devesa keyed the launch of Signal, the company's usage-based insurance program that specifically targets distractions behind the wheel.

Farron Blanc
VP, INNOVATION STUDIO, RGAX

In his role at RGAx, an in-house incubator that's part of Reinsurance Group of America, Farron Blanc is tasked with identifying companies that can, he says, make insurance a "more delightful" experience. Since 2015, Blanc has led investments in five startups, the most recent being insurance social media platform Denim in April. But it's Everplans, a digital archive that stores policyholders' crucial documents for their loved ones to access after death, that he says, which sums up RGAx's mission most effectively. "Traditionally, the industry views payment of a claim as having solved a beneficiary's problem," he says. "It's about taking a wider view of a consumer's life stage and creating an appropriate delightful journey to provide them with protection and peace of mind."

Andrew Rear
CEO, MUNICH RE DIGITAL PARTNERS

Munich Re is one of the most active insurers in supporting startups, and leading that charge is Andrew Rear, head of the company's Digital Partners division. Digital Partners currently works with eight startups and intends to grow partnerships by at least 10 each year. It currently backs some of the most prominent insurtechs in the market, including Trov and Slice, providing financial backing for their nontraditional insurance products.

Greg Barats
PRESIDENT & CEO
HARTFORD STEAM BOILER

In his position as CEO of Hartford Steam Boiler, Barats has led the company's commitment to leveraging the power of the Internet of Things for commercial lines. Under his watch, HSB has acquired two companies that make management platforms for connected devices: Meshify and Waygum. The carrier also provided the technology powering a model smarthome at sister company American Modern. Most recently, it partnered with Church Mutual to install smart leak-detection devices at several places of worship, which tend to have problems with older pipes that can freeze, burst and cause water damage or mold build-up. "This use of sensor technology provides an easy and effective way to help prevent losses and reduce the damage when a loss does occur," Barats says.

Kuang Chen
CEO & FOUNDER, CAPTRICITY

For life insurers, gleaning information from paper forms has been a challenge. Kuang Chen's company, Captricity has emerged as a leader in document digitalization in that sector, not just with the actual conversion projects but also by making those documents searchable and applying analytics to the data within them to help life insurers better understand their customers and design products to serve them. Captricity's platform is currently in use by 13 life insurers. "Now more than ever, insurers need high-quality, normalized data to deliver revenue-generating business insights," Chen says. "unlocking the hidden value in customer data presents a unique opportunity to drive growth and customer acquisition."

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Digital Insurance

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SourceMedia | Digital Insurance

Entering the storm season, several large insurers have unmanned aerial-vehicle fleets ready to go

WHERE WILL DRONES GO NEXT?

Credit: USAA

BY ANNE RAWLAND GABRIEL

The skies above storm-damaged residences are poised to get busier this year. After several years of testing and building up capabilities, many major insurers are ready to deploy drones at claim time in order to collect crucial data for claims adjusting.

According to Novarica's president and CEO Matthew Josefowicz, about 20 percent of P&C carriers are currently deploying, or actively piloting, drones – also called unmanned aerial vehicles (UAVs) – primarily for claims. "By next year, I wouldn't be surprised if that number doubles," he says.

As Josefowicz points out, that's because a drone program is a relatively easy to establish. "It doesn't involve significantly changing or integrating with core systems," he says. "And it replaces a dangerous and expensive human activity. It's really a no-brainer."

IMPRESSIVE ADVANTAGES

If the real-world experiences of early adopters are any guide, it's no wonder nearly half of insurers could be in the game by next spring.

For instance, Erie Insurance estimates it take only about a third of the time to complete an on-site roof assessment. "In our experience, we can reduce a typical one-hour roof inspection to about 20 minutes," says Gary Sullivan, vice president of property and subrogation claims at the Erie, Pennsylvania, insurer, which began testing drones about two years ago and is in the process of putting the finishing touches on its damage inspection program.

And that's after a drone pilot has

already arrived on site.

Allstate Insurance, which announced a regionally operationalized roof damage inspection drone program in April, expects it to reduce travel-related inefficiencies. “The vast majority of costs associated with the claims process is in figuring out how much we owe,” explains Glenn Shapiro, chief claims officer for Chicago-based Allstate. “About half of that expense is [adjusters] driving to [claim sites].”

“What’s more, with traditional on-site inspections, an adjuster can only complete two to three estimates per day,” he adds. “Using drones to capture images and then delivering them to the adjuster for a desk review, the same person can complete eight, or more, per day.”

On the competitive front, speedier claims processing enables an insurer to put its policyholders ahead of the rest. “When a major weather event hits an area, we want to enable our members to have the first — and best — choices among contractors,” says Kristina Tomasetti, strategic innovation director for San Antonio-headquartered USAA, which began its drone investigations in 2013 and now is in the early operational phase for roof damage claims.

Naturally, reducing adjuster risk also factors into the drone ROI equation. “If we equip adjusters with a $2,000 tool [in the form of a drone] that keeps them on the ground, it may be more expensive than equipping them with a ladder,” says Sullivan. “But even one adjuster falling off a roof is one too many.”

ADOPTION STRATEGIES

Although drone technology solutions are relatively mature, insurers are wrestling with the same build vs. buy paradigm so familiar in past innovation cycles for establishing a drone program.

One choice is the drone-as-a-service path, in which insurers partner with third-party companies with drone experts to handle claims. Another is to buy drones and train staff to use them internally.

Josefowicz believes that the service option is more likely to take off, but it’s still early. Some insurers are even developing hybrid models, he notes.

“Within the next 12 months it’ll be like any other technology,” he says. “The decision to develop internally, partner externally or both will depend upon factors specific to the individual case.”

“Our program is about getting roof inspection images into the hands of adjusters and eliminating the need to visit the sites.”

—KRISTINA TOMASETTI, USAA

Indeed, the early-adopter strategies from Erie, Allstate, USAA and Travelers bear that out.

ERIE: BUILDING A FLEET

Erie is pursuing the in-house route as it matches the carrier’s claims culture. “It’s our philosophy for our staff to provide the personal touch in claims handling and marry that with technology,” Sullivan says. “Using our own people to fly the drones is in perfect synchronization with our philosophy.”

When selecting a drone, Erie looked at “overall ease of use, image quality and the presence of a robust smartphone app.”

—GARY SULLIVAN, ERIE

With respect to technology, Erie tested multiple options and settled on DJI’s Phantom Series multi-rotor drones. Determinants included overall ease of use, image quality and the presence of a robust smartphone app, which enables setting flight parameters, supplies real-time viewing and provides quick image capture. In addition, Erie gathers stills, rather than video, to reduce the long-term storage volumes.

For training pilots, the carrier partnered with a local flight school for classroom instruction. Flights occur at a nearby third-party location, as Erie proper falls within restricted air space.

To date, Erie has about a dozen certified pilots and drones to match, with two dozen potential pilots in the pipeline and more drones on order.

While the goal is developing a program to cover exterior damage claims, catastrophe situations and front-end risk control, Erie’s immediate plans are to deploy on a case-by-case basis for claims throughout the 12 states where it underwrites residential policies.

“For this year, as we shape our operational program, we’ll use drones to continue learning what makes sense in terms of claims events and geographic location,” says Sullivan. “This will also advance our knowledge for risk control, too.”

ALLSTATE: PARTNERING WITH AN INSURTECH

At Allstate, the decision to partner with EagleView Technologies for drone-as-a-service stemmed from a philosophy of speeding payments to customers, at scale. “Our goal was cutting days out of the process,” Shapiro says. “To do so, our program is about getting roof inspection images into the hands of our adjusters and eliminating their need to physically visit to sites. This made a vended drone solution the right strategy.”

Allstate announced its partnership intentions in late 2015, after several years of in-house investigations. Since then, the carrier has concentrated on modifying and integrating systems and workflow.

Now, when insureds report a claim, Allstate suggests a drone inspection and, upon gaining permission from the policyholder, schedules the job. This triggers dispatch of an EagleView pilot. The claims workflow then assigns cases to adjusters based on intake rather than geography. Adjusters access images and data via a web portal, where pre-populated information fields include EagleView satellite measurements.

This year, Allstate will use the process in four states – Colorado, New Mexico, Oklahoma and Texas – during wind and hail season before rolling it out elsewhere.

"There's an event almost every week in those four states," says Shapiro. "Secondarily, across those geographies there are a good dispersion of roof types to help us learn and become operationalized country-wide."

Long-term, Allstate envisions fully transitioning to virtual estimating, inside and out. "Ultimately, we look forward to using drones for the complete exterior of homes, along with other visual technologies for the interior, to reduce customer wait times and eliminate adjuster drive times as much as possible," Shapiro says.

USAA: PURSUING A HYBRID COURSE

USAA decided to combine an in-house drone program with a vendor partnership. "We wanted the greatest possible flexibility to determine


Credit: USAA

MEMBERS OF USAA'S DRONE TEAM TEST OUT A UAV

what works best, which may be different in San Antonio than in Colorado," says Tomasetti. "Pursuing a hybrid course provides us with the right resources and equipment wherever they're needed."

Over time, USAA has invested in multiple varieties of fixed-wing and rotor drones. Like Erie, the carrier is standardizing on DJI's Phantom Series. To operate them, USAA draws on individuals from across the organization with pilot's licenses as well as using claims adjusters certified under FAA rules.

Through its external partnership, USAA can obtain either drones or drones-as-a-service, depending upon circumstances. No matter who captures inspection images, they're uploaded to USAA's internal systems for adjuster access via a desktop application.

However, the adjustment model is still a work in progress. "We're not committed to a particular method," Tomasetti says. "For some of our adjusters, desk-reviewing has always been their process. We're also testing instances where adjusters accompany as an observer and where adjusters serve as the pilot."

Regardless, the insurer is currently most operationalized around roof damage from hail-related events in Texas and Colorado. This is due to the predictability of hail system damage and high concentrations of affected policyholders. In the future, USAA expects to broaden claims use cases and also will leverage claims experiences to begin identifying underwriting opportunities.

"At USAA, we concentrate on what's best for our members in terms of effectiveness and their preferences," says Tomasetti. "That's why it's unlikely technology will completely replace our traditional inspection methods. As we continue evolving our drone program, we're focused on remaining flexible in order to utilize the best approach for a given member at any given time."

Travelers deployed about 60 catastrophe response professionals trained on drone technology to areas affected by Hurricane Matthew.

If there's an overall take-away for insurers, it's not just that a drone program will soon become a competitive necessity. Like so many industry technologies, the path to successful deployments starts from the perspective that no one size fits all.

TRAVELERS: CLAIM UNIVERSITY

Travelers got an early start on drones writ large: it deployed about 60 catastrophe response professionals trained on drone technology to areas affected by Hurricane Matthew last fall. The company's SVP of claim, Patrick Gee, says that the company's mature drone program is already paying off in more efficiency. With a high volume of claims, saving time in creating a plan for getting onto roofs safely — not to mention setting up equipment — is crucial toward meeting customers' expectations.

Drone training takes place at Travelers' Claim University near its Hartford headquarters, as well as other areas around the country. The company employs about 1,500 total claims professionals and is prioritizing training based on who is most likely to encounter the kinds of damage for which a drone is best suited.

"A key part of our process is to have the same property claim professional be able to utilize the drone so it's really one-stop shopping for our customers in terms of estimating the loss and making payment," Gee explains. "We're very encouraged."

Travelers uses drones from several different manufacturers. Gee says that important components of the technology like image fidelity and ease of use are advancing at an impressive rate. So, the company is remaining device-agnostic for the time being.

"You have to think about, when you start a program like this, how you handle things like replacement parts or other logistics all around the company. There's a new version of drone hardware almost every month, if you take all manufacturers into account," he says.

Gee says that Travelers was ready to go with its drone program as soon as FAA regulations were relaxed. The agency issued Part 107 of the Federal Aviation Regulations last July, which permits drones to fly more than 400 feet above ground level, when operating within 400 feet of a structure, reduces the number of drone operators to one and replaces the a pilot's license requirement with a scaled down "remote pilot airman certificate."

"We have a large portion of the trained group on our CAT teams that are regularly deployed at losses around the country, spreading them out to assess a wide variety of types of damage," Gee says. "We are finding our use of drones is providing all the information we need."

—with Nathan Golia

STRATEGIES

CLAIMS

Digital Insurance

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CHANGING THE CLAIMS GAME

The digital economy is raising consumer expectations. After years of foot dragging, insurers are suddenly embracing the 'claims strategy of the future.'

By Elliot M. Kass

For the past half-dozen years, getting insurers to adopt a modern claims system has been like flogging a donkey.

Even as early adopters, technology vendors and industry consultants repeatedly demonstrated the advantages of a straight-through claims and billing process supported by data and analytics, a sizable majority of insurers stubbornly clung to manual and DOS-based legacy systems.

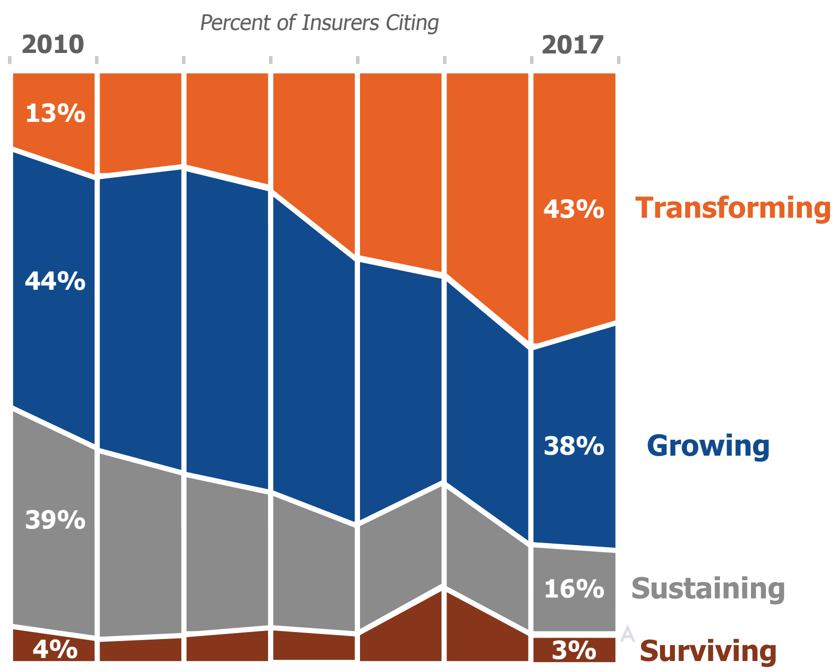
But within the past year the tide has turned and today, according to market researcher Strategy Meets Action, nearly two-out-of-three insurers are investing heavily in digital technology.

"Customers are beginning to have different expectations," says SMA partner Karen Furtado, "forcing insurers to rethink their process. Data and analytics have dramatically altered the way in which insurers can manage claims."

That too is a big change. Even a few years ago, when it came to investing in new technology, customer expectations weren't even on most insurance companies' radar. Today, it is the number one reason, a 2017 SMA study finds.

Shifting expectations means that more insurers are feeling the heat, and 40 percent of the insurers surveyed by SMA also acknowledge that competitive pressures are driving their tech investments. "With the emergence of Insurtech," Furtado says, "carriers feel intense pressure to up their game. They are having to rethink what is the claims process of the future."

Trends in the Mode of the Company



Source: SMA Research, Insurance Ecosystem 2010 - 2017

REVAMPING THE MODEL

Like the use of the term 'Fintech' by the financial services industry, the term 'Insurtech' refers to the ways that digital technology is revamping the insurance industry's current business model. Such tech-based innovations and the startups that wield them often aim at improving the customer experience by speeding up the claims process and increasing the number of touchpoints with customers.

As recently as six months ago, says Karen Pauli, an SMA principal, whenever subjects like using telematics to improve the claims process came up at a conference, "attendees would just lean back in their seats, cross their arms and glare at the presenter. Now," she says, "these same insurance execs are taking notes and asking questions. To me, this is a huge signal that we've gone from skepticism to receptivity."

Companies like Westfield Insurance are taking the plunge; the Ohio-based P&C insurer recently launched a telematics initiative to speed its claims processing. "One of the things that we're starting to do now in terms of competitive innovation is to experiment with drones," explains Robert Bowers, Westfield's national claims leader.

Westfield is using the drones to take photos of property damage and auto-estimate damages. The goal, says Bowers, is to shorten the insurer's processing cycle and help customers settle their claims more quickly.

So far the results have been positive. "The [drone] picture quality and ease of use was much greater than we ever anticipated," Bowers reports. "Getting adjusters up and ready to use the tool was relatively easy, and the speed of claims handling in many situations has increased."

Carriers like Westfield are working to build out a straight-through digital claims process that begins with the first notice of loss and continues through adjudication, settlement, claims payment and billing. This would eliminate numerous manual operations, allowing an insurer to reduce staff and cut operating costs. But it also allows for many more customer touchpoints, paving the way for entirely new ways of interacting with customers.

Early adopters first started down this path four or five years ago, when they began adding digital capabilities like FNOL automation and e-payment services to their core claims systems. These features were welcomed by customers, but they only represented the first steps towards a true, end-to-end digital customer experience.

"The industry is just starting to learn how to create these digitally enhanced experiences," says Furtado. "It's just starting to understand that high-touch customer interactions are better supported by technology than by people."

A SENSE OF URGENCY

What's different now is that insurers are starting to realize that the Insurtechs are their gravest competitive threat. Says Furtado: "These tech-centric insurers can be extremely disruptive in terms of setting customer expectations."

An oft cited example is Lemonade, a so-called 'peer-to-peer' provider of homeowners and renters insurance. Founded in late 2015, the New York-based insurer uses software called bots to deliver insurance that can be purchased close to instantly from any mobile device. Consumers also use the bots to file their claims, which according to the company are paid in three minutes or less.

"This is why Lemonade is so disruptive," exclaims Furtado. They are actually paying claims without human intervention. That's like, 'Oh my gosh! What are we going to do about that?'"

The Insurtech model is rapidly catching fire. Last August, there 500 companies with Lemonade-like business models; today there are more than 850. Financially and in terms of market share their impact has been relatively small to date, but the established carriers see the writing on the wall and their sense of urgency to change has become immense.

"For the industry," says SMA's Pauli, "this is a work in progress. Insurers are working to understand where they can introduce a digital experience to meet individual consumers' requirements." At the same time, though, "They are also beginning to realize that consumers don't want every claims process to be digital. In many instances, they still want to talk to a human being."

Which is where established carriers like Westfield have an advantage. The company has been pursuing its claims transformation project starting as far back as 2010 (see sidebar), and at every major juncture it has gauged its progress with extensive customer surveys. That has allowed it to zero in on those technologies with the biggest potential impact on overall client satisfaction.

"Getting adjusters up and ready to use the tool was relatively easy, and the speed of claims handling in many situations has increased."

Its telematics initiative is a case in point. Deploying drones has made it possible to compress its claims cycle, a key concern for both its consumer and commercial customers.

The drones have also been a boon for the insurer's adjusters. "From an employee safety perspective," says Bowers, "we found that we were able to access areas that we previously would've been concerned about or would've taken more time to set up."

And there has been at least one other advantage as well. "Our adjusters had a lot of fun with the drones," laughs Westfield's claims leader. "Integrating new tech into your operation creates excitement and that's always a positive." ■

Falcon Insurance and Insuresoft Expand Partnership, Collaborating to Automate Claims Letter Processes and Beyond

Linde Wolff, VP of Client Services, Insuresoft

Since its inception in 2013, Falcon Insurance Company has experienced rapid growth and diversification. Now writing in three states, the company wrote over $52 million in 2016. To accommodate their growing number of policyholders and the resulting claims, Falcon has increased its claims staff to over 50 personnel and opened a claims office in Dallas, Texas. As with any company's swift success comes some growing pains, and there became a need to identify and implement new and efficient ways to manage and process the increased volume. In times like these, a technology partner can bring expertise and a fresh perspective to help identify and develop improved business processes. Falcon, an Insuresoft partner since 2013 (they implemented the Diamond Suite to automate policy, billing, and claims administration) turned to us to explore new ways to help manage their outgoing letters and claims correspondence.

Prior to Dynamic Claim Letter Processing

Early on, Falcon's claims management developed and maintained a catalog of standardized claims letters. The letters were made available to the adjusters and clerks via a shared file folder. Adjusters would create and customize the documents as Microsoft Word documents outside of the Diamond claim system and then attach the correspondence to the particular claim file. Adjusters and the clerical support were responsible for printing, assembly, and mailing of their claim letters. As Falcon's business grew and diversified into additional states, management identified the need for a more efficient and state specific print and mail solution.

Enter Diamond's Dynamic Claims Letters

Falcon and Insuresoft collaborated to identify an automated and more efficient process by designing a fully functional, dynamic claims letter solution. Falcon implemented the initial version for Illinois in November 2016, and released the latest version for Indiana in March of 2017. All the policy and claim information in Diamond is available to pull into the letters. Falcon automated the mapping of address and claim information, while still being able to enter dynamic data into the letters. The dynamic letter solution provides Falcon consistent formatting of letters, while maintaining proper structure and content. Letters are now available in nightly batches to be printed and/or sent to the fulfillment facility. Separate jobs were created for the printing of certified letters and those that need to be sent with additional documents. All other letters are created as PDFs and sent electronically to a fulfillment facility for pre-sorting, assembly, and mailing. The letters' addresses are aligned to a fixed position that the fulfillment facility needs in order to process. Cover letters are designed into the letters where the fixed address position is non-applicable. Batch was enhanced to be called from a command line. This allowed Falcon to automate the execution of Publisher (Diamond's on-demand document platform), creation of PDFs, and electronic packaging and sending of letters to the fulfillment vendor for proper assembly and mailing on a daily basis.

Business Benefits

With automated dynamic data letters Falcon has fully transitioned to an outsourced mail processing facility. Falcon's utilization of the dynamic letter process has increased adjuster productivity an estimated 10-15%. With the increase in efficiency, employees are increasingly satisfied with their ability to focus on managing claims and not having to deal with more clerical functions. Showcasing the power of Diamond with this successful effort, Falcon will look to expand their partnership with Insuresoft to help optimize other functions within the claims operation. Falcon has several projects in progress now, including automated identification of coverage issues, SIU scoring, and improved vendor integrations for the salvage and appraisal processes. Future collaborations include automated adjuster assignment and automated work plan and productivity tracking.

Falcon is now equipped with an automated letter management process that will adapt with their growth for years to come. This project began with a conversation around a need for efficiency, and resulted in a successful endeavor saving Falcon time and money within their claims department. At Insuresoft, we consider ourselves "purposeful partners", meaning we are with you every step of the way to help solve business challenges and make you more successful. Falcon is a great example of how working together can bring efficiencies way beyond the original scope of a core system integration. We are creating innovations for our partners. They rely on us to bring the highest standards, and innovative solutions that stand out amongst the competition. Is your core system provider a purposeful partner?

6 WAYS A MODERN CLAIM SYSTEM SHOULD EMPOWER A CARRIER

Boyd Fittes, Vice President, Product Management, StoneRiver – a Sapiens company

From 2003 – 2010, many new claim systems were deployed that included some configuration capabilities and even some workflow. However, strong claim systems of the early 2000's have hit snags to doing business today, causing carriers to consider next steps. Should they invest the time and effort in a version upgrade and endure what is, in effect, the deployment of a new system?

Consumer expectations have exploded in the past five years, and the pace of change has exposed the earlier systems' limitations. Claim administration systems today need to focus on empowering:

• **Improved decision making across the life cycle of a claim.** This can be accomplished with a combination of rules and workflow to automate decision making and trigger tasks to the correct decision maker when needed. Examples include reducing overall exposures from coverage verification/limit checking, fraudulent behaviors of claimants/vendors, or keeping ahead of regulatory requirements.

• **Improved customer service for policyholders and claimants.** Look for systems having centralized management of customer/vendor information, including a 360-degree view of how they are involved with your operation.

"One click" access to their data helps ensure responsive customer support calls. Services for email and text messaging for communication with adjusters, managers, policyholders/claimants and vendors enable prompt staff actions. Your customers can be informed – in a modern way – throughout the life of the claim. Plus, providing simple, technically advanced self-service capabilities is paramount.

• **Increased agility, flexibility and reaction in the claims operations.** Market conditions are changing as well as policyholder/agent expectations and vendor capabilities. If your claims operation can react quickly to such forces, your organization is on its way to staying competitive. Anticipating the "change tsunami" now underway in the P&C market, StoneRiver invested in an architectural framework and service-oriented architecture and used a highly configurable approach through meta-data and rules.

The result? Carriers gain an ability to change rapidly (hours or days rather than weeks), whether it's:

• Adding a value in a drop-down

• Adding a new data element on a screen

• Adding a business rule

• Adding a work item/note/document template for a changing workflow

• Replacing a third party vendor service/interface, or

• Introducing a new line of business

• **Improved productivity and reduced operational costs.** Using workflow and assignments to ensure consistent workflow and processes across the claims organization improves productivity and internal expenses. In addition, using modern technologies and a "configuration first" approach to support more flexibility and lower cost when reacting to changing business needs reduces reliance on expensive IT resource and antiquated technology.

• **Improved data access to ensure that staff, managers, and supervisors** have the information they need to run an effective operation and to ensure that information is reliable. Today's claim systems include operational data store and change tracking, standard reports, KPIs, dashboards and ad-hoc reporting specifically focused on the P&C industry.

• **Modernized, intuitive user interface,** which is configurable through rules, to improve the overall user experience and effectiveness. Introducing a consistent, simplified method to navigate and providing the user with the ability to multi-task without losing data provides for operational efficiencies. Giving individual users the ability to set up their work views as they see fit for their specific role just enhances this efficiency. A "number of small things add up to big improvements" is what we have heard from those familiar with the new Stream® user interface. Moreover, keeping the navigation simple and consistent allows for a rapid and easy onboarding of new staff or the reallocation of staff to support catastrophe situations. Consistency breeds productivity.

If these six areas address your organization's objectives, it might be time for a claims initiative. Whether you're looking at a claims initiative next year or further out, be sure to consider what good technology should do. ■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LEVERAGING A DIGITAL PAYMENT PLATFORM

The digital payments industry has changed significantly over the past few years. Traditional payments consisted of cash, checks and credit cards. With the use of security chips in payment cards and companies like PayPal, Square, and Apple Pay, the landscape of digital payments is evolving at a rapid pace.

Today, digital payments represent a whole range of payment methods that are characterized by speed and consumer convenience, as well as being driven by new digital devices and platforms, such as smartphones, tablets and social media.

In this article, we'll discuss payment challenges that persist in the insurance industry, and how Insurity is addressing these issues through its core solutions in policy, billing and claims, by integrating a digital payment platform. Below are four payment concerns that insurers and claims organizations need to be aware of, as well as how these issues impact traditional ways of doing business:

Card Security & Compliance

In 2013, Target experienced a landmark data breach that jeopardized the security of 40 million credit card and debit card numbers and 70 million records, including names and addresses of shoppers. This breach cost the company $252 million, according to SEC filings, plus $10 million in a class action lawsuit; and banks sought an additional $19 million to cover expenses related to issuing new cards and covering fraudulent transactions made with breached data.

Since this incident, the Payment Card Industry Data Security Standard (PCI DSS) was established, and now applies to any company using credit or debit cards in transactions. For example, if an insurer accepts a credit card payment or makes a claim payment out to a card—and it stores, processes, and transmits this cardholder data—it must host this data securely via a PCI-compliant platform or hosting provider.

Today, core solutions must have an integrated digital payment platform that is PCI Level I Certified, representing a high level of card security. To achieve this standard, the digital payment platform utilizes a process called tokenization, essentially converting card information into a token, good only within the context of this vendor-consumer transaction. In this way, cardholder information is kept secure.

Streamlining Reconciliation

As inbound and outbound payments are made by insurers, back offices must reconcile payments made and received against bank statements. This process can be time-consuming and labor-intensive. In many instances, the transactions don't match up, and there's a great deal of frustration, as staff manually perform line-by-line reviews to try to reconcile amounts. Today, a digital payment platform will significantly streamline this process. This platform sits between a billing system and the banks. It tracks every transaction and matches values in batches. This reduces the reconciliation process from days to minutes, so an insurer's financial department can move onto other value-added activities.

Supporting Mobile Transactions

Consumers increasingly desire transactions that can be facilitated through mobile devices. Today, 68% of U.S adults have smartphones, and tablet ownership has edged up to 45%, according to 2015 survey data from Pew Research Center. Insurers that do not leverage a digital payment platform within their core solutions could risk being unprepared to accommodate the impending groundswell of mobile payments. For example, an insurer could leverage a digital payment platform to automatically send customers texts via Facebook Messenger, reminding them that their policies will soon expire. Using this message exchange, a customer could choose to make a premium payment and immediately renew.

Retiring Checks

For outbound claim payments, the main challenge has been the reliance on paper checks, which cost a lot of money to process and are a hassle to deal with. The Electronic Payments Association (NACHA) estimates that the average cost of processing a paper check is $8. Today, a digital payment platform integrated within a claims system, like Insurity's SIMS Claims, can facilitate real-time payments, so insureds quickly receive the funds that they're entitled to. In addition, payments dealing with dual custody and lien holders can be significantly streamlined through a digital workflow, online forms and electronic signatures. For example, with auto insurance, SIMS Claims would be able to initiate a digital payment directly to a body shop for car repairs, and for commercial lines like workers' compensation, it can help insurers more easily meet mandated turnaround times for provider payments.

Improving the Digital Customer Experience

To effectively conduct business in a digital world, insurers must meet the needs of today's consumers, who increasingly want to interact through channels like social media, smartphone apps, text and email, and even virtual personal assistants like Alexa.

By integrating a digital payment platform into its core solutions, Insurity is enabling insurers to immediately deploy a superior digital experience to customers. Insurers will be able to remind and direct customers to make premium payments digitally, and insureds can receive claim payouts in real-time directly to their accounts, cards or other streamlined means. At the same time, insurance carriers will be able to leverage a platform that secures card information, as well as delivering other operational benefits.

Brian Mack is Vice President of Sales & Marketing for the SIMS Claims product at Insurity, Inc. (www.insurity.com). He plays an instrumental role in strategic business development and has helped to grow the company through the promotion of new and expanding product capabilities, including digital payments, mobile apps, cloud hosting, and business intelligence. He is a veteran of the claims software market, with more than 20 years of sales and marketing experience in insurance software.

INDUSTRY SPEAKS

On the Digital Journey

Seven years on and Westfield Insurance has much to show for its claims system upgrade. But the P&C insurer's innovation train is still gathering steam.

By Elliot M. Kass

When Westfield Insurance first began planning its claims transformation project back in 2010, it dubbed it the Impact Program. Today, three years post rollout, the new system has more than lived up to its name.

An analytics project as much as a claims system upgrade, the initiative was designed to "provide simple, faster, more transparent service to our customers," by streamlining the claims process and providing better analytics, says Robert Bowers, Westfield's national claims leader.

Key goals were to compress Westfield's claims cycle, improve its customer satisfaction scores and provide uniform capabilities nationwide, across all of the Ohio-based P&C insurer's lines of business.

While processing times vary by line of business, Bowers says that in the wake of the upgrade the insurer has generally reduced its cycle by one to two days. This, he adds, is particularly true for smaller to moderate-size claims.

Owing in part to the speedier service, Westfield's customer sat scores have also improved. For Q4 2016, respondents to the insurer's semi-annual Customer Engagement Study awarded it a Claims Net Promoter Score of 57. This was a 22-point increase from the carrier's pre-Impact score of 35 in Q2 of 2012.

Claim sat scores also rose from 2015 to 2016 for perceived timeliness and agent accessibility, and for the first time showed a significant improvement for Westfield's FNOL process. Historically, Bowers explains, customers preferred reporting their claims through their agents, sidestepping the carrier's call center. But now, thanks to the new claims process, the call center has achieved parity with the insurer's agent network.

Although Westfield is a super-regional carrier, it receives claims from all 50 states. Reasoning that giving its auto and workers' comp claimants access to a homogenous network of provider services would make it more competitive with the larger, national carriers, the insurer used Impact to establish greater vendor uniformity nationwide.

The new server-based claims system has also made it possible for Westfield to swap data and communicate electronically with the vendors in its provider network. For example, says Bowers, "Westfield partners with Mitchell for its auto estimates, Xactware for its property estimates, and Hertz and Enterprise for car rentals. All of their systems are now integrated into Impact. Since our adjusters no longer have to access multiple systems, this makes processing a claim much easier." At present, he says, there are around 30 such system integrations all told and more are planned.

Support for Analytics

Greater integration also creates a more data-rich environment for analytics. Westfield is taking advantage of this by inputting more structured data fields into Impact to support several new predictive models.

For its workers' comp line, it has developed a model that scores claims as they come in. This helps the insurer more accurately predict the severity of the initial claim and respond accordingly. The model, for instance, might trigger an alert that a fairly innocuous looking claim is likely to develop into something much

LINDE WOLFF

VP of Client Services, Insuresoft

How does a digital claims system help improve customer acquisition and retention? What are the risks of not adopting a digital system?

In today's fast-paced world, policyholders have an expectation of efficiency and transparency. Digital claims systems allow insurers to automate once manual processes, not only improving customer service, but also simultaneously reducing costs. Today's claims systems provide policyholders insights into the activity of their claim through mobile applications and electronic communication. In addition to policyholder benefits, digital claims systems also improve adjuster satisfaction by reducing the need for manual processing, allowing the adjuster to focus on claims handling and settlement.

Why does integrating your claims, policy admin and billing systems lead to greater efficiencies and better customer service?

Having a 360° view of the policyholder's interactions with the insurer is essential to high quality customer service. Accessing all relevant customer information from a single system gives insurers the ability to not only quickly view the state of the policy, but to identify areas with gaps in coverage or the need for additional services. Integrating core systems also improves the efficiency of the claims handling process. Real-time access to relevant policy data allows claims personnel to quickly answer coverage questions and expedite the claims handling process, ultimately setting the claim faster resulting in a happier customer.

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BOYD FITTES

Vice President, Product Management

What are the biggest incentives for P&C insurers to upgrade their claims system to support a straight-through process? Has this trend accelerated during the past 12 months?

Speed clearly helps provide a positive customer experience. Workflow dynamics help carriers gain speed, and capabilities in advanced systems automate processes. Recently, we've seen more requirements for automation using rules and workflow processes. Rules and scorecarding, which can use third party information, help assign complex claims to the best staff member. Straight-through processing for simple claims relies on rules and automation. It's important to capture best practices, especially with many retiring. Their knowledge can be built into work flows, so less experienced staff still handle claims well. Time spent supporting integration to third party data has grown tremendously, so upgrading to a system that supports easy integration is critical.

Why does integrating your claims, policy admin and billing systems lead to greater efficiencies and better customer service?

An integrated core suite is designed to work with each system 'understanding' the others. With point systems, that's not the case … they may struggle against each other so information is unavailable when needed. Suites allow for centralized customer information, eliminating duplication and selecting the wrong person. Carriers can set up a standard interface for third party systems so they work the same way throughout the suite. Workflow available from an integrated solution is a real advantage for customer service. Multiple point systems result in multiple layers of complexity, resulting in a lack of agility. A suite lifts that efficiency burden from the carrier so they can provide better service.

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INDUSTRY SPEAKS

On the Digital Journey

Continued from previous page

more serious. The heads-up allows Westfield's claim managers to review the case more closely than they might have otherwise and insert a more experienced supervisor into the process.

The insurer is experimenting with a similar model to identify and weed out fraudulent auto and workers' comp claims. Thus far, Bowers says, both models are yielding positive results.

Westfield plans to build off these early successes by expanding on its digital capabilities and aggressively continuing to innovate in a number of ways.

"We're continuing to improve and enhance our system based on the feedback that we're getting from our adjusters," says Bowers. To obtain their input, Bower's team meets regularly with adjusters while they are working with the claims system either in the field or at their office. System upgrades that reflect their feedback are issued through quarterly releases of bug patches and functional enhancements.

Westfield has also begun experimenting with telematics. "We're developing business-as-usual protocols for using drones to help our adjusters," Bowers reports. "We're using the drones to take photos and auto-estimate losses. The goal is to further compress our cycle times and resolve claims more quickly than we have in the past."

An even more ambitious initiative is a planned upgrade to the carrier's underwriting and billing systems. Bowers characterizes this effort as Westfield's next step "on the straight-through processing journey." With its Impact Program, the insurer has already shortened its claims cycle and is providing more efficient service to customers. By integrating its claims, underwriting and billing systems it hopes to eliminate even more steps and further streamline the process. ■

BRIAN MACK

Vice President of Sales & Marketing,
SIMS Claims

How does a digital claims system help improve customer acquisition and retention? What are the risks of not adopting a digital system?

With companies like Uber, Amazon and Square, customers have come to expect transactions driven by digital technology. Not accommodating this trend is akin to turning one's back on the future; insurers risk losing prospects as well as existing customers to more advanced carriers that offer speed and convenience. However, by using digital systems, insurers can deploy many of the functions customers are demanding. For example, a digital claims system can leverage web-based portals that enable insureds to report claims. With mapping technology, insureds can be directed to nearby service providers, such as a body shop for car repairs, and when it comes time to receive a claim payout, they can be prompted via a cell phone to authorize and receive a digital payment directly into their accounts.

How does a digital claims process benefit from better business intelligence and predictive analytics?

Customers are under tremendous pressure to reduce claims costs. Today, digital claims systems leverage web services and APIs to bring together a plethora of information from various sources including telematics and smart facilities. With integrated business intelligence (BI), a claims system can compile this data, transform it into stunning visuals and use predictive analytics to identify areas of claims escalation. With BI tools at their disposal, insurers can distribute various stewardship reports to policyholders. In commercial lines, a policyholder could, in turn, make its stakeholders aware of trends and get everyone focused on the same goals through performance metrics. For example, a department store may want to reduce slip-and-fall incidents that impact workers' comp and general liability costs and use BI to monitor progress toward this objective.

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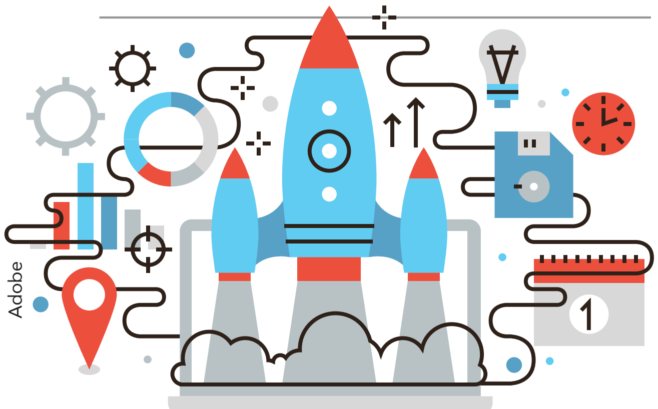
STRATEGIES
CLAIMS
Digital Insurance
PRESENTED BY SOURCEMEDIA MARKETING SOLUTIONS GROUP

8 insurance technology startups to watch

These technology companies are targeting the claims, distribution and underwriting processes with mobile tech, unmanned aerial vehicles and analytics

BY DANNI SANTANA



Adobe

BETTERVIEW

Founded in 2014, BetterView captures valuable claims data from homes using drone technology. Flyover inspections ordinarily generate 350 roof and property images in roughly 20 minutes, according to the company. Additionally, BetterView provides carriers with advanced visualizations such as 3D models and digital elevation maps to identify moisture and flood risk. The San Francisco-based startup has completed more than 6,000 roof top inspections for insurers since its inception.

LADDER

Ladder's motto is to make the life insurance customer-acquisition process shorter – traditionally, it could take up to six weeks. Its product allows prospective customers to receive a quote and apply for coverage in minutes. Founded in 2015, Ladder underwrites all of its coverage, up to $8 million, in real-time. No in-person meetings with agents or physical paperwork required, the company says. All policies written by the startup are reinsured by Hannover Re.

NEXAR

Nexar provides vision-based telematics software, leveraging smartphones as dash cams to decrease accidents, better price auto risk, and avoid insurance fraud. Computer vision algorithms are used to identify dangerous driving behavior such as tailgating and speeding compared to other cars in the vicinity, according to Nexar's website. The company's deep learning technology also alerts drivers when a collision is bound to happen through its advanced driver assistance system.

PILLAR TECHNOLOGIES

Pillar's smart sensors monitor pressure, noise, humidity, smoke and dust for construction companies. The web platform offers customized real-time alerts that help speed first notice of loss in case of an accident and reduce paper work associated with claims, the company says. All devices are connected to a cellular network and have 10 months of battery life.

JUMPSTART

Jumpstart sells supplemental earthquake insurance, of up to $10,000 to homeowners and renters. Customers sign up online and provide a phone number. If there's an earthquake, Jumpstart proactively starts a claims process: it sends a text that customers can respond to and get paid within three business days. Jumpstart's goal is to be a cheaper, easier alternative to traditional earthquake coverage as its selling point to customers – living up to its name by being a "jump start" after a quake.

WAYGUM

Waygum provides a platform to manage the industrial Internet of Things via mobile. Its app connects smartphones to machines, allowing workers to control equipment, manage inventory and analyze data, according to the company's website. Commercial insurers use data collected by Waygum to identify potential problems with heavy equipment and reduce risk associated with manually operating machinery. Hartford Steam Boiler, a unit of Munich Re, is an investor in the Dublin, California-based company.

HOVER

Hover's machine-learning platform creates three-dimensional views of homeowners' property for contractors and insurers, using four to eight simple pictures that the customers can take with their own smartphone. The models enable carriers and contractors to provide better estimates on claims by providing a baseline for what a structure looked like before a disaster hit. Hover is based in San Francisco, California.

NEOSURANCE

Italian startup Neosurance, founded in 2016, uses a smartphone virtual agent to help carriers sell micro-insurance. The platform is AI dependent and is built using the company's cloud technology. Upon signup, customers receive personalized mobile notifications with proposed short-duration insurance plans from carriers. Neosurance's mobile app is used to complete transactions.

Why data is a disruptive force in insurance

XL Catlin recently named Dr. Henna A. Karna as its chief data officer. The industry veteran had done stints at Verisk Analytics and AIG. *Digital Insurance* spoke with Karna about her plans.

BY LENNY LIEBMANN

DI: WHAT DO YOU PERCEIVE THE ROLE OF THE CHIEF DATA OFFICER TO BE IN TODAY'S INCREASINGLY DATA-DRIVEN ORGANIZATION?

Henna A. Karna: he CDO's role is about utilizing data to create deeper, extended connections with the network we serve — which, in most cases, is the customer. In effect, that means finding and creating new value capture mechanisms for the company.

If you think of data as notes on a sheet of music, the role of the CDO is to orchestrate those notes and give them the right context. A numerical view alone is insufficient. It's about weaving the quant with the context.

Context is an important concept that enables competitive analytics and helps drive a corporate strategy. For our firm, it extends our value proposition from transactional de-risking of our customers' business to something that much more broadly sustains a long-term relationship.

DI: WHAT SPECIFIC ITEMS ARE YOU EXPECTING TO BE THE TOP CHALLENGES AND OBJECTIVES FOR YOU IN YOUR NEW POSITION?

Karna: The creation of high-impact business insight from enhanced evaluation and consumption of data is not a one-person job. So one of my primary objectives is to create institutional momentum around our data strategy so that it becomes part of our company's DNA, rather than just some particular practices we adopt. Another challenge as we pursue disruptive data-related endeavors is to balance velocity, value and maximized learning in a fast-fail execution model.

> Blockchain technology is particularly interesting because data lineage and transparency are so useful in insurance.
>
> — HENNA KARNA, XL CATLIN

DI: ARE THERE ANY EMERGING TECHNOLOGIES THAT YOU'RE PARTICULARLY EXCITED ABOUT?

Karna: Blockchain technology is particularly interesting, because data lineage and transparency are so useful in the insurance industry. Genetic algorithms are also exciting, because organizations still tend to view big data in siloed blocks — and genetic algorithms overcome that limitation by enabling data elements to "breed" freely, creating new "mutations" that reveal previously opaque insights. And, of course, artificial intelligence is valuable for underwriting, pricing, and other applications for advanced machine learning.

DI: TELL US ABOUT YOUR APPROACH TO COLLABORATION WITH THE REST OF THE BUSINESS, OUTSIDE THE OFFICE OF THE CDO.

Karna: Collaboration is about understanding the stakeholder forum — which typically consists of the unwilling, those who let it happen, those who help it happen, and those who make it happen. The objective of collaboration is to bring that stakeholder forum from where they are in that spectrum to where they need to be. This must be done by continually adding incremental value as your work together evolves.

DI: WHAT ADVICE WOULD YOU GIVE YOUR FELLOW INSURANCE CDOS?

Karna: The CDO function is not about going from legacy technology to a cutting-edge platform. It's not about pulling information into a single source or about creating end-to-end governance structures. These are all table stakes that should occur in parallel with your broader, more strategic focus on creating business impact.

DI: WHAT ADVICE WOULD YOU GIVE SOMEONE WHO ISN'T A CDO YET – BUT ASPIRES TO BE ONE?

Karna: Always make sure you understand the business. All that you do, regardless of your role in any organization — let alone that of the CDO or an aspiring one — is about contributing to the objectives of the business. That should always be the core of your aspiration. As obvious as it may sound, it's incredible how often people overlook this core principle.

Tackling tech trends at State Farm

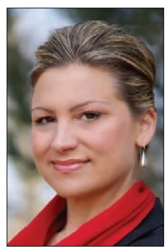
Technology research director Chris Mullen's job is to identify which digital trends will be winners for the multi-line insurance giant. *Digital Insurance* sat down with her to talk about the technologies she's following.

BY NATHAN GOLIA

DI: WHAT ARE YOUR MAJOR DUTIES AS DIRECTOR OF TECHNOLOGY RESEARCH?
Chris Mullen: I work in our strategic resources department, where I oversee the technology research division that concentrates on auto and building safety and technology, with a focus on loss mitigation and prevention. We serve as the enterprise resource for research and consultation involving automotive safety; vehicle design and functionality; automotive reparability, safety, and security; advanced technology; building safety and durability; and materials.

Our main priority is the safety of our customers, their families and their friends. Through internal expertise, research and analysis, coupled with external collaboration, we apply sound science to drive the development and the execution of evidence-based interventions that can help make vehicles and homes safer.

DI: WHAT ARE SOME OF THE MAJOR CHALLENGES INSURERS FACE FROM A TECH STANDPOINT TODAY?
Mullen: It is not a new phenomenon that the pace of technological change presents challenges for all industries, not just insurance. A key facet in successfully navigating these changes is understanding the fundamentals of the technology and assessing how it could impact our business. A wide range of external dynamics will impact State Farm customers in every market we serve. As a result, the way we serve our customers continues to evolve. Vehicles are getting safer due to advancements in technology. Economic conditions are affecting home ownership rates. Sensors are becoming pervasive in our lives, allowing us to use data in new ways. These circumstances and so many others create opportunities for State Farm to improve consumers' lives in new ways and on a scale few organizations can achieve.



"Sensors are becoming pervasive in our lives, allowing us to use data in new ways."
— CHRIS MULLEN, STATE FARM

DI: CAN YOU GIVE AN EXAMPLE OF A PARTICULAR TECHNOLOGY YOU'RE LOOKING INTO CLOSELY?
Mullen: One huge technology evolution going on right now is automated driving technology. State Farm has a long history of supporting technology advancements that improve safety for the benefit of our customers and all others on our roads, and this is no different. This technology's potential to improve safety on our nation's roadways is the key tenet of our focus to understand the likely path of its introduction and the impact it will have on our customers.

DI: HOW DOES THAT MANIFEST ITSELF IN STRATEGY DECISIONS?
Mullen: We work with the University of Michigan Mobility Transformation Center on automated driving technology. This gives us early access to the latest data and research findings in the area of vehicle automation while collaborating with top industry stakeholders. It provides us with data to learn about the risks that may be mitigated by this technology and about new risks that may emerge.

DI: HOW DO YOU WORK WITH THE IT/INNOVATION DEPARTMENTS WITHIN STATE FARM TO ACTUALIZE YOUR RESEARCH?
Mullen: The research and analysis performed by State Farm experts is completed in cooperative environments involving representatives from multiple departments all bringing their experience and expertise to the table. The research conducted by these collaborative teams serves as the company's primary resource for insights and information.

How artificial intelligence is transforming insurance

AI is giving insurance new ways to enage with their customers, process claims and adjust risk.

BY JOE MCCKENDRICK

The insurance industry seems like a natural setting for artificial intelligence to take root. Solutions providing fraud analysis against claims data has been in place for some time at many companies, enabling rapid settlements with a high degree of assurance that fraudulent claims can be spotted before checks are cut and delivered. There's also nothing new about automated underwriting at the front end of the policy lifecycle, assuring that most routine applications are processed and priced in the most expedient manner.

Yet, it appears the industry is set to move to an even more comprehensive generation of AI, one that may transform insurance in untold ways. This is set to happen very quickly – not in some far-off future. That's the gist of a recent Accenture study, which finds that insurance executives believe that AI will significantly transform their industry in just a few three years.

According to the report, three-quarters (75%) of insurance executives believe that AI will either significantly alter or completely transform the overall insurance industry in the next three years. Close to one-third (32%) believe that their own company will be "completely transformed" by AI within that timeframe. The report is based on the insights of a technology advisory board, interviews with industry technologists and a survey of more than 550 insurance executives across 31 countries.

So, with one-third stating their companies will be completely altered by AI, where and how is this set to happen? What will it look like? The authors state that AI will begin to shine as they begin to invest in AI to empower agents, brokers and employees to enhance the customer experience with automated personalized services, faster claims handling and individual risk-based underwriting processes.

What does not seem likely is a rise of robot-run insurance companies, with just a few human operators. The report's authors are very careful to state that AI will "empower," versus "replace" humans. Some industry analysts have speculated that many agents, brokers and employees will find themselves pushed aside by automated and highly interactive customer service technology. If anything, Accenture states, the rise of AI is creating new opportunities for insurance agents, brokers and employees "to deliver a better customer experience, with the technology enhancing the way sales and services are executed, facilitating faster claims processing, and enabling more-accurate, individual risk-based underwriting processes."

Where AI will be making its mark is in the way users both inside and outside organizations interact with technology. "AI is the new UI" (user interface), they state, adding that "we are seeing the rise of the 'intelligent insurer.'" AI is giving rise to technology that "is increasingly interactive, as touch displays, mixed reality, and natural language processing make it feel more human. Advanced technology is now capable of learning, with contextual analysis, image recognition and deep learning algorithms that make it seem to think more like us."

Already, AI is being employed "to streamline claims, answer basic customer queries and, increasingly, to offer straightforward advice about complex products to customers in a codified and consistent manner." The underpinning technology that makes AI possible includes automated data capture and recognition, robotic process automation and cognitive robotics.

AI is already in use in many aspects of the insurance industry. Claims adjusters are using it to simplify the triage process. Initiatives like MassMutual's Haven Life use it to support fast, simple life insurance sales and policy writing. IBM Watson supports Fukoku Mutual Life Insurance's call center in Japan, routing calls based on natural language processing

And Geico has a virtual assistant – "Kate" – on its mobile app. "She" understands natural language and can answer basic questions like: "What is the current balance on my auto insurance policy?" or "When is my next payment due?"

Moving to AI is not without its challenges, and the Accenture team explored these as well. The report found that insurers face challenges integrating AI into their existing technology, citing issues such as data quality, privacy and infrastructure compatibility.

A pressing challenge not addressed in the Accenture report is the availability of skilled personnel who can put AI in place and provide ongoing oversight and enhancement. The insurance sector will be competing with tech companies, universities and other segments for what is still rare and valuable talent to pursue AI initiatives, as well as related digital efforts.

Joe McKendrick is an author and independent analyst who tracks the impact of information technology on management and markets. He speaks frequently on cloud, data, and enterprise computing topics at industry events and on webcasts.

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By The Numbers

Insurtechs open up analytics, AI and IoT for carrier partners

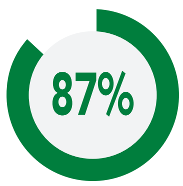
Although global investments in insurtech increased to $1.7 billion in 2016 – doubling over the past two years – traditional insurers still lag behind their banking peers for collaborating with such startups to mutually beneficial ends.

That's according to new research from Accenture, titled "The Rise of InsurTechs." However, the brief suggests that insurers are starting to increase their investments in insurtech startups.

There are a few areas where insurers can use the startup community to their advantage, according to Accenture: analytics, artificial intelligence (AI) and the internet of things (IoT), In each, Accenture reports a rapid acceleration in startup investments over the past 12 months. The trio collectively accounted about 70 percent of the total value invested. Investment by insurance companies specificially in startups relating to those technologies tripled year over year.

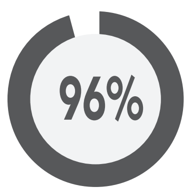
Insurtech partnerships and investments vary according to line of business. Two-thirds of 2016 insurtech deals went to startups focusing on non-life sectors, with 30% of startups targeting multi-line sectors and just seven percent on life. In addition, 38% of insurers partner with startups or universities on digital initiatives, while 14% run in-house innovation labs or incubators, Accenture found.

INSURERS ARE FACING DISRUPTION AND NEED TO EVOLVE QUICKLY



...of insurers agree that technology is no longer advancing in a linear fashion, but rather at anexponential rate

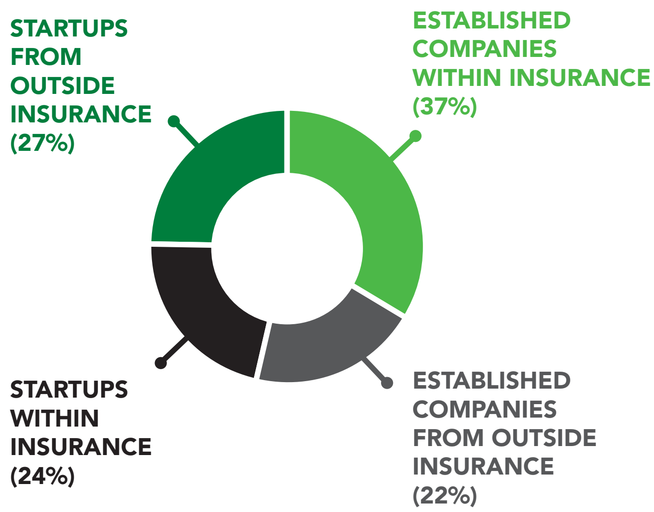
...of insurers believe they must innovate at an increasingly rapid pace simply to retain a competitive edge



...of insurers think that digital ecosystems are having an impact on the insurance industry

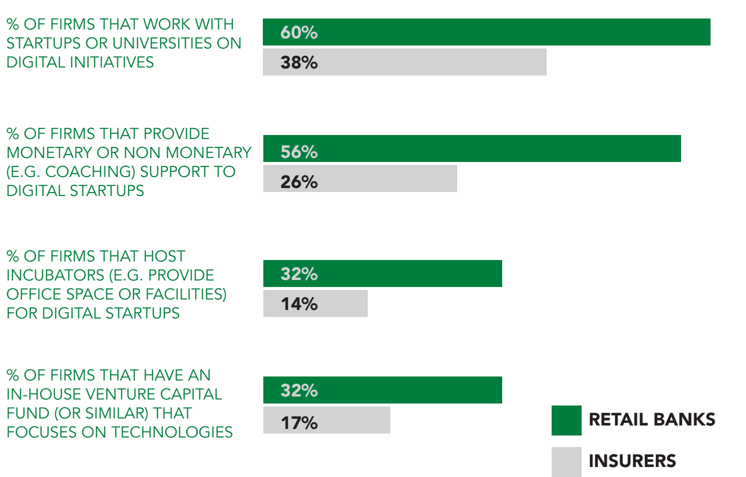
TRADITIONAL INSURERS PERCEIVE STARTUPS TO BE LESS OF A THREAT THAN EXISTING COMPETITORS

Entities viewed by insurers as posing the greatest risk of disruption to the insurance industry



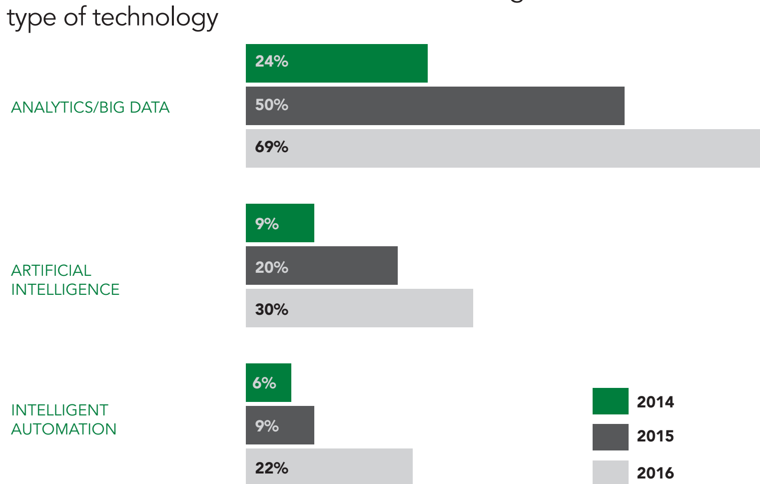
RETAIL BANKS ARE FAR MORE ACTIVE THAN INSURERS WHEN IT COMES TO DEALING WITH STARTUPS

% of retail banks and insurers engaging in each activity



THE NUMBER OF INSURTECHS FOCUSING ON ANALYTICS OR BIG DATA HAS ALMOST TRIPLED IN TWO YEARS

Number of Insurance-insurtech deals involving each selected type of technology



Source: Accenture