

The Future of Subsidence

Digital Reinvention



Tony Boobier

Worldwide Executive : Insurance

IBM Analytics

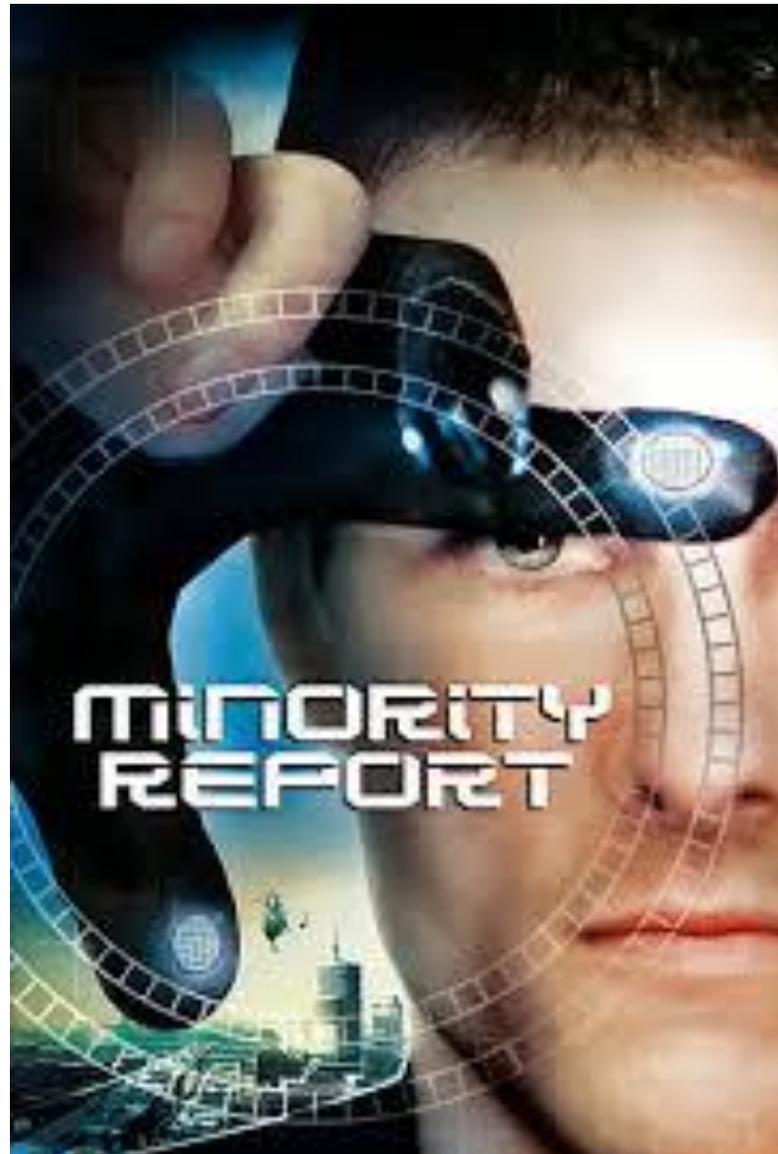
What I will try to cover

Political

Environmental

Social

Technical



The Mega Technology Trends in Insurance

Cloud



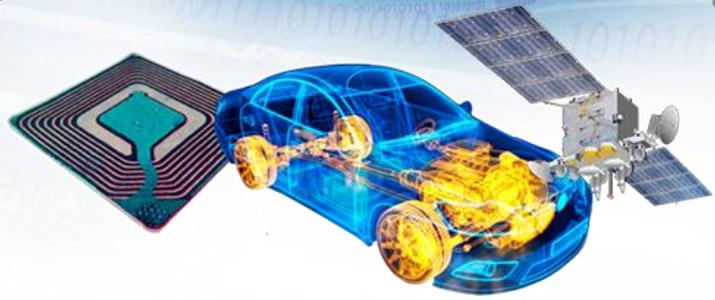
Mobile



Social



Big Data



Analytics

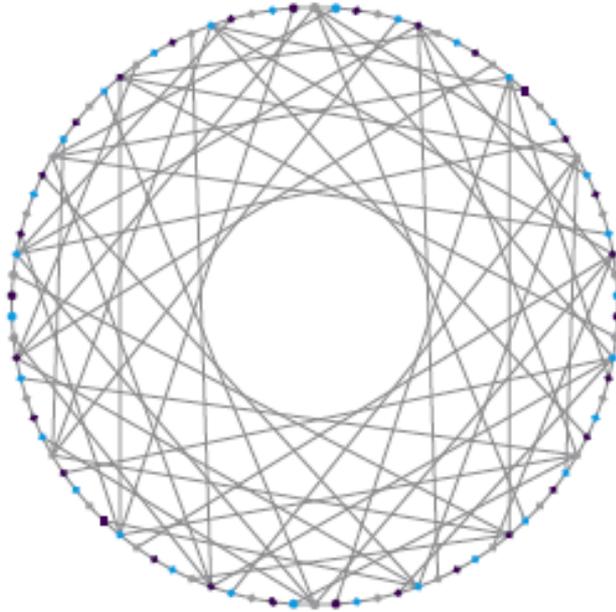
The Micro Technology Trends



Financial technology, also known as FinTech, is a line of business based on using software to provide financial services

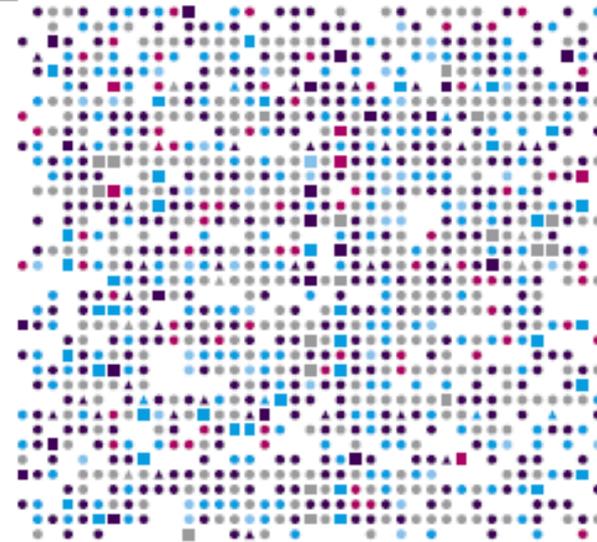
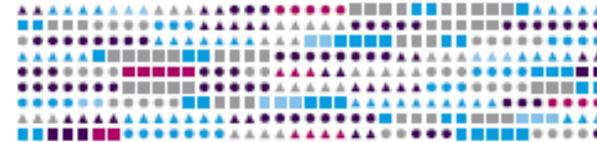
FinTech companies are generally startups founded with the purpose of disrupting incumbent financial systems and corporations that rely less on software

Context : The Era of Big Data



1 trillion

connected objects and devices on the planet generating data by 2015



2.5 billion

gigabytes of data generated every day

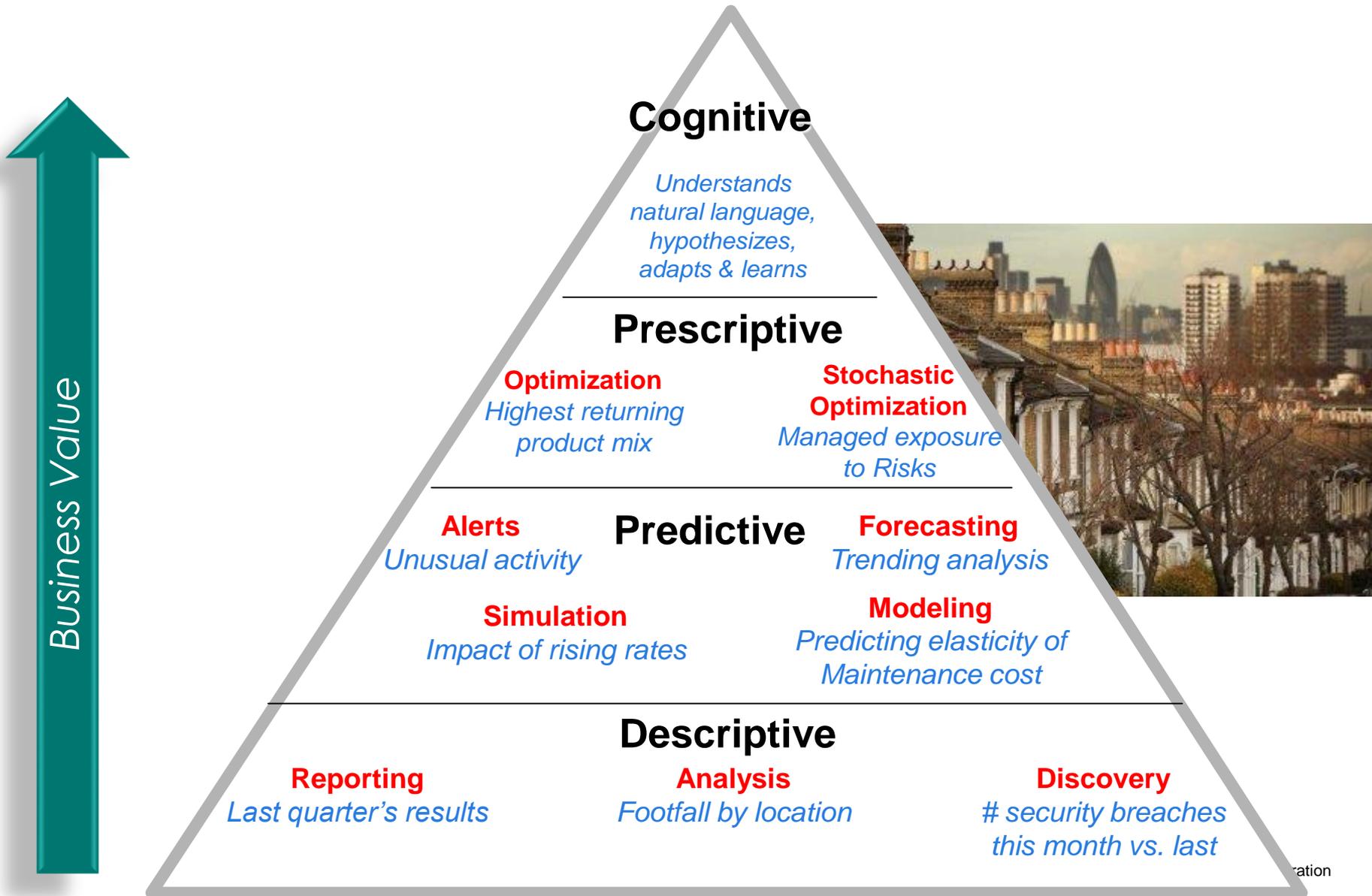
80%

of the world's data is unstructured. Audio. Video. Sensor data. Social media. All represent new areas to mine for insights.

Analytics Extracts Value from Data – But is not the Destination



4th Age of Analytic - Cognitive



Cognitive Computing?



käg-nə-tiv (*adjective*): of, relating to, or involving conscious mental activities (such as thinking, understanding, learning, and remembering)

- Cognitive computing and cognitive based systems accelerate, enhance and scale human expertise by:



Learning and **building knowledge**,



Understanding natural language and



Interacting more naturally **with humans** than traditional programmable systems

What will Subsidence Insurance look like in the era of Cognitive Computing?



To what degree can we replace intuition and judgement with automated business rules?

If The Future is Cognitive Systems: What is Client Engagement Like?

Insurer Assistance

Telecom Contact Center | Sandra Murray | Logout

Client Chat | Ask Watson

Customer: Hi Douglas, how are your iPhone 4 apps? I notice that you might be seeing blurry icons for some of your applications?

Douglas: Hi Sandra... yes that is exactly what I called in for.

Sandra: Great. You need to update your apps in App Store. I see you are chatting from your phone. Here is link... <http://updates.apple.com/icons>

Douglas: Fantastic! Thanks for the help.

Matched Sales Opportunities

- Crime Drama Data Offer** (High): 24 hrs of video / month - \$15.00 / mo. (6 months). Primary Evidence: Customer watches Drama and Live TV on phone.
- GPS Navigation Offer** (High): 30 days free trial offer. Primary Evidence: Recently upgraded to smart phone with GPS capability.
- Accessories Offer** (Medium): Free travel case with travel charger purchase. Primary Evidence: Family plan participant purchased offer.

Self Assistance

Telecom Communications | Joseph Smith | Logout

Account Overview | Current Balance

Ask Watson

Watson: Hi Joseph... how is the new iPhone?

Joseph: I really like the new iPhone and I enjoy watching ESPN on it. I am travelling next week. Is my data plan valid in Puerto Rico?

Watson: Coverage is only available in specific cities in Puerto Rico. Which city in Puerto Rico?

Joseph: Yes, San Juan.

Watson: Yes, your 3G data services are covered in Bayamon, Carolina and San Juan cities of Puerto Rico.

Joseph: Thanks, that is very helpful.

Watson: For world travelers we offer the \$20/month plan that gives you 2 GB of data usage in over 130 countries.

Joseph: Is it valid in Dominican Republic?

Watson: Yes it is.

- Ability to sustain Dialogs with Insurers and Customers
- Leverage huge masses of Information from all sources
- Makes recommendations based on Evidence, explaining the reasons behind the reasoning
- Learns from Experience

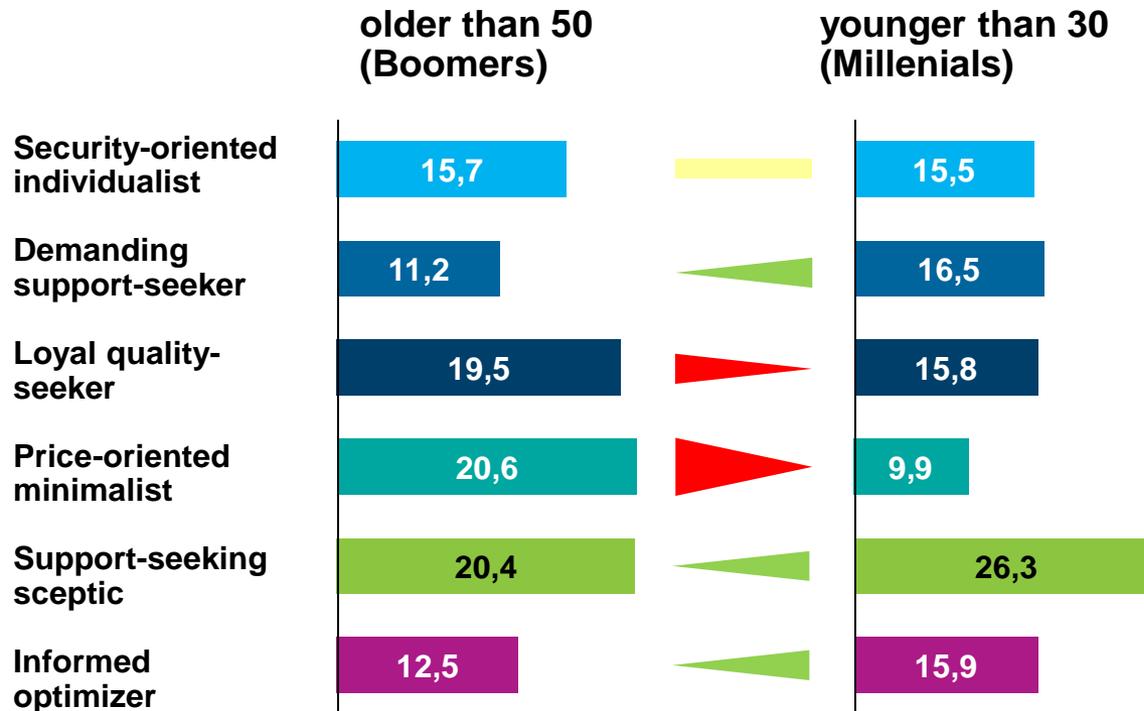
To understand how things will change, insurers first have to understand their digital customers

Attitude Cluster	Security-oriented individualist	Demanding support-seeker	Loyal quality-seeker	Price-oriented minimalist	Support-seeking skeptic	Informed optimizer
% of total	16%	15%	17%	15%	23%	15%
Key theme	"I know what I want and organize myself"	"I need personal advice"	"I trust my insurer and remain a loyal customer"	"I do not like insurers – make it cheap and stay away"	"I need advice but prefer to keep my distance from insurers"	"I take time to research to find the right thing to do"

* Note: row shows relative preference
 Source: IBM Institute for Business Value survey data 2013. n=17,594; IBV Analysis

The Way a Customer Feels is Influenced by Age

Psychographic distribution by age

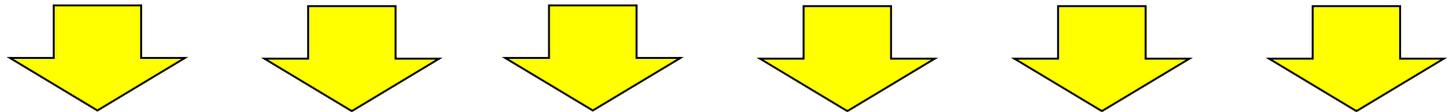


Source: IBM Institute for Business Value survey data 2013. n=7,921; IBV Analysis



How 'Attitude Clusters' might expect different types of service

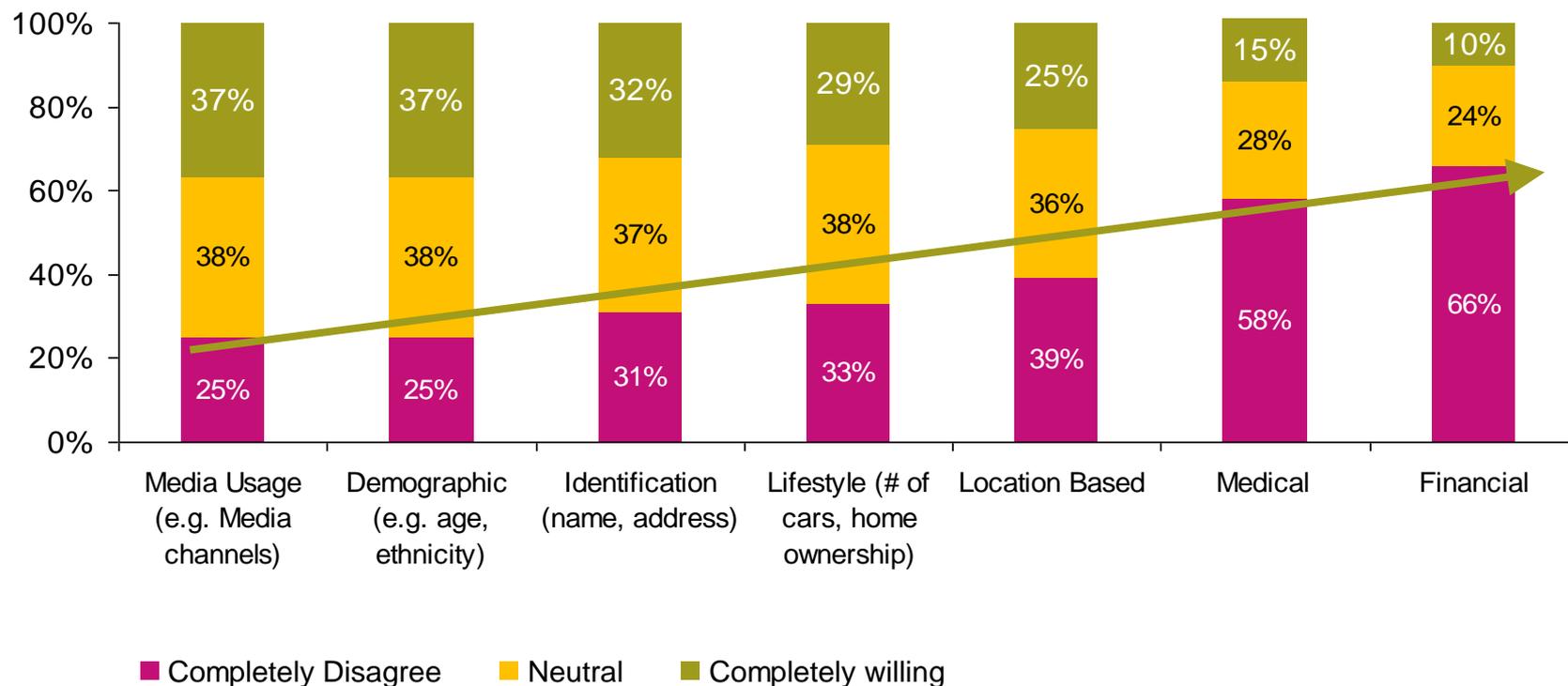
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Approach ?	I will make my own arrangements. Just give me the money	Hold my hand and keep me fully in the picture	"I trust my insurer to do a good job"	I don't really trust you either	"I want a second opinion from someone I know"	What is the problem and are you sure about the solution are you proposing?
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Information Trade Off ?

To what extent are we open to share their personal information, with the exception of financial data, when there is perceived benefit ??



Insurance providers are beginning to provide very personalised offerings

Manulife's U.S. unit John Hancock offers insurance discounts for proof of healthy living

Program would allow customers to earn points from activities like running triathlons, using Fitbits

CBC News | Posted: May 04, 2015 12:52 PM ET | Last Updated: May 04, 2015 1:25 PM ET



Wearable fitness trackers like Fitbit have become wildly popular, and one U.S. insurance company hopes to tap into the devices to improve its risk profile. (Franck Robichon/EPA)

Granular, Dynamic Pricing

– Will Improve Insurance Accuracy



- Do we fully understand the impact of this?
- Will some properties – and people - become uninsurable?
- Is that in the public interest?

What are the Social & Ethical issues involved ?



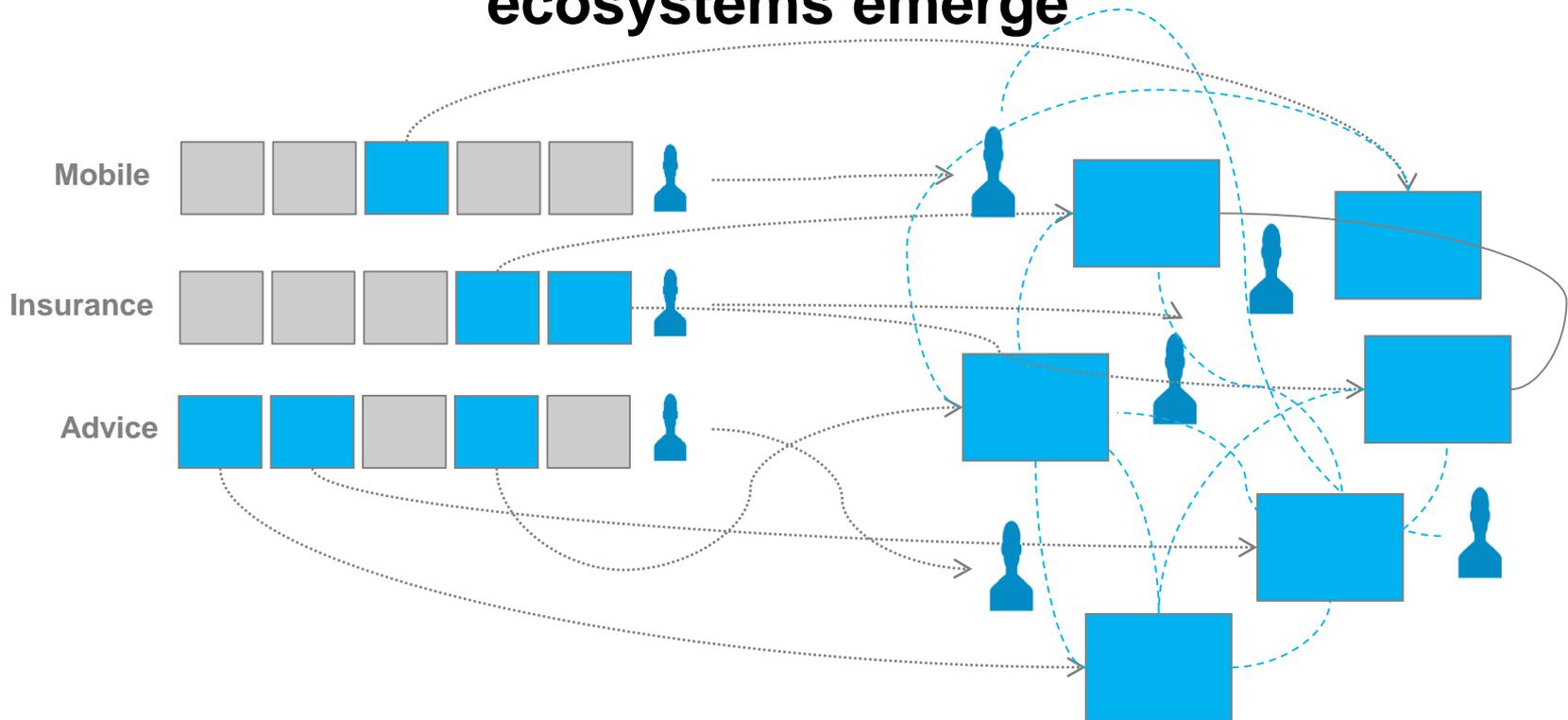
The Customer Experience will dominate the Future of Subsidence

Ecosystems are a complex web of interdependent organizations, customers and stakeholders aimed at creating and allocating business value

- Ecosystems will emerge around activities or experiences
- Ecosystems will be dynamic and be more complex than value chains
- Role of some customers will differ in new ecosystems – they may co-design and/or co-produce the solution

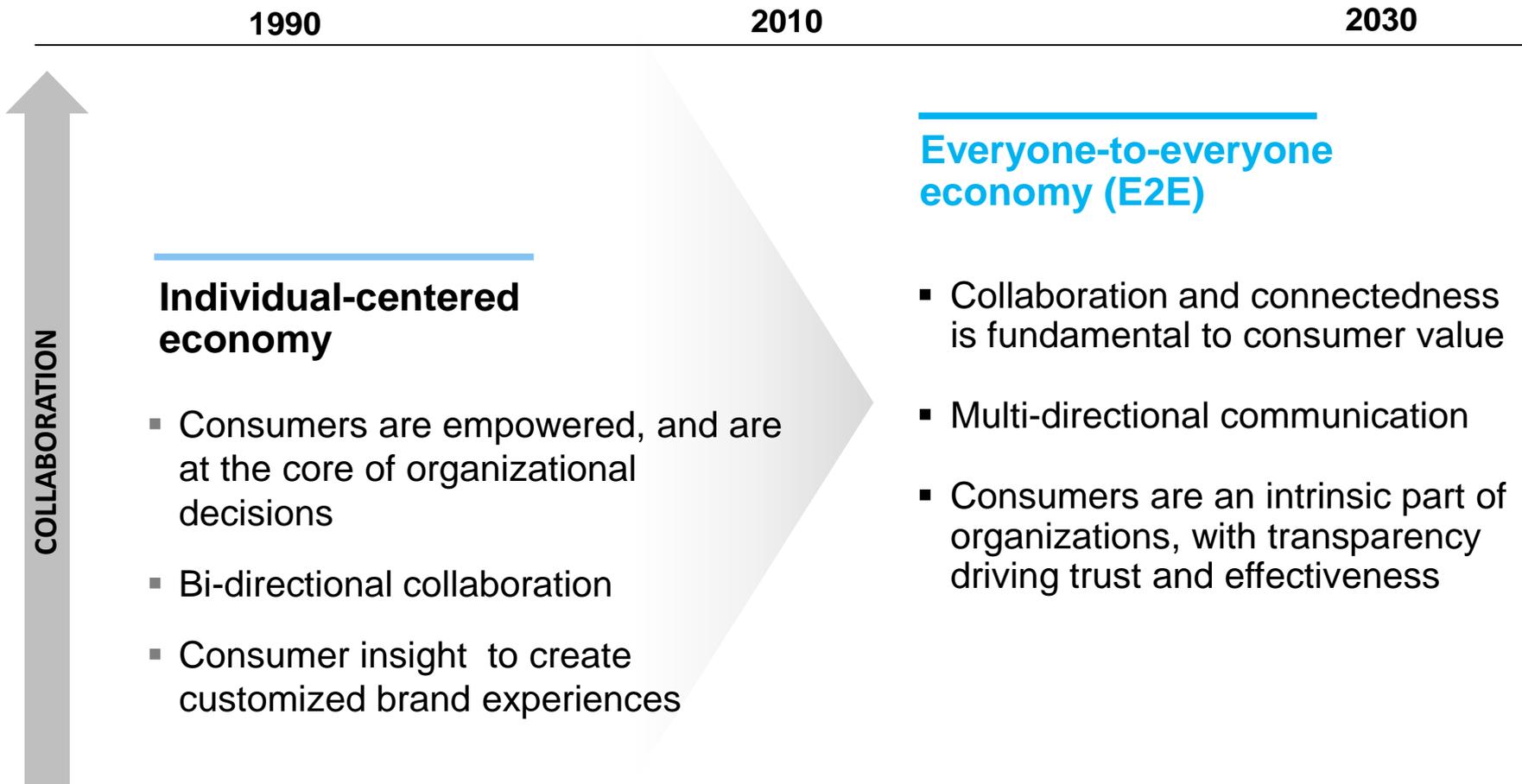
Ecosystems will be created around subsidence activities or experiences

Industries will converge and ecosystems emerge



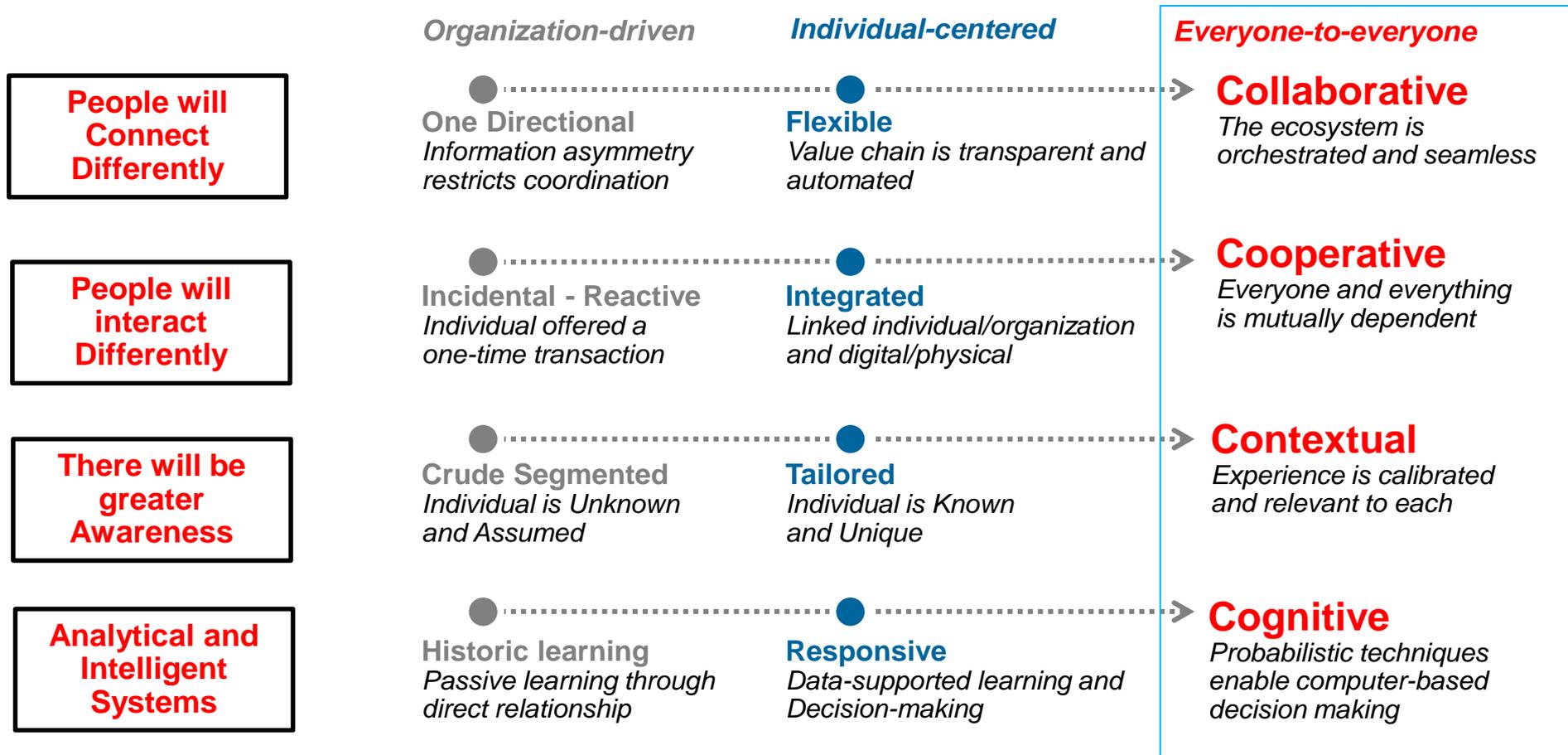


We will move to an 'Everyone to Everyone Economy'



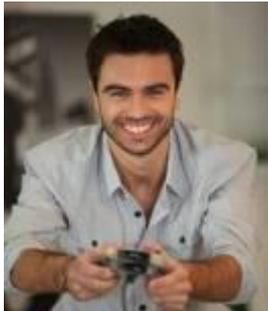
The 4 'C's of Future Subsidence

Digitization maturity model



Subsidence in the future: Gary, Informed Optimiser

Seamlessly integrating living, working and traveling



Gary

- Age 35, computer games designer
- UK citizen living near Bordeaux, France
- married, 1 child

Informed optimizer

Overall profile packaged

As the Stark family is wondering why the cracks in their building have widened, their home automation system has already diagnosed the failure, checked coverage, alerted the repair team and tentatively scheduled, subject to Gary's approval.



COLLABORATIVE

CONTEXTUAL

Raoul, Gary's OI community manager, contacts Gary for his regular semi-annual financial check. Subsidence is not part of the package, but the property parameters still influence premium – as the last ones were better than expected, Gary can look forward to a refund.



CONTEXTUAL



1

2

3

4

SYMBIOTIC

COGNITIVE



Gary has to check his annual insurance plan, the OpenInsurance (OI) app included in his financial package based a variety of factors including garden maintenance. After confirming coverage, a short-term rider is automatically added to the package to include tree management.

COLLABORATIVE

COGNITIVE



For transportation, the Stark family relies on car sharing. Later in the day, the tree repairer leaves a nasty dent in the car. Fortunately, Gary is has the man's details, and with a few additional inputs, the car handles the matter automatically.

Subsidence in the future: Connie, the demanding support-seeker

Shifting your life to the other side of the country



Connie Bartels

- Age 33, Energy consultant
- From York
- Moving to a new job in Kingston
- unmarried

Demanding support-seeker

Overall profile comprehensive

In York, the Bartels family has been working with the same insurance brokerage firm for than 30 years. She discovers some worrying cracks in the brickwork. She contacts her broker.



With all the investigations complete Connie goes to see her new advisor, Ellen, in person. A course of remedial action is quickly handled put in place based on the advisor's recommendation, with a few tweaks from Connie's own expert.



BrokerNet includes a wide range of advice-based product and service companies. Although she would prefer face-to-face meetings, this allows Connie to take care of her concern per VR conference, including remote inspections, without foregoing personal contact with the agent.



BrokerNet Kingston's new property support program, which combines monitoring per remote devices with insurance assistance. Connie signs up, and a monitoring program starts .

Political Issues – Impact of Revenue Cuts?



‘Painful though the current process is, existing plans imply a further £26bn of cuts between 2016 and 2018.

This would mean either accelerating the pace of departmental cuts or introducing major new welfare cuts or tax rises.’

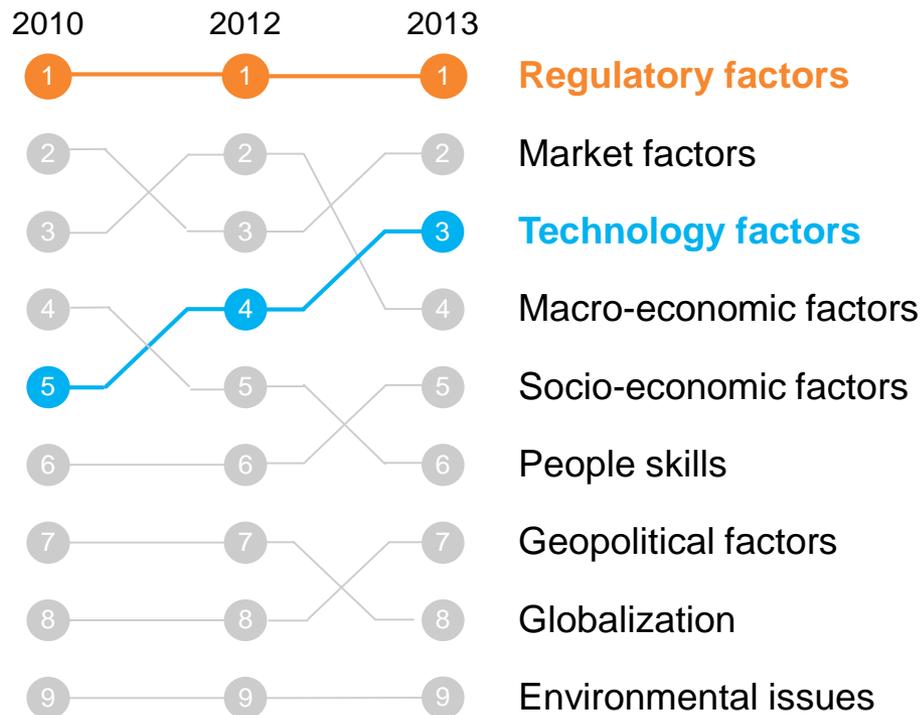
New Statesman

What will be the Impact on Street Trees ?



Political Issues : What will be the viewpoint of Regulators?

Factors insurance CEOs believe will have the biggest impact on their organization¹



93% of Insurance CEOs say regulation has the greatest impact on the industry¹

Source: [1] 2010, 2012, 2013 C-Suite Studies: "What are the most important external forces that will impact the enterprise over the next 3 to 5 years?"; (n=78; 147; 242);

Planning Ahead

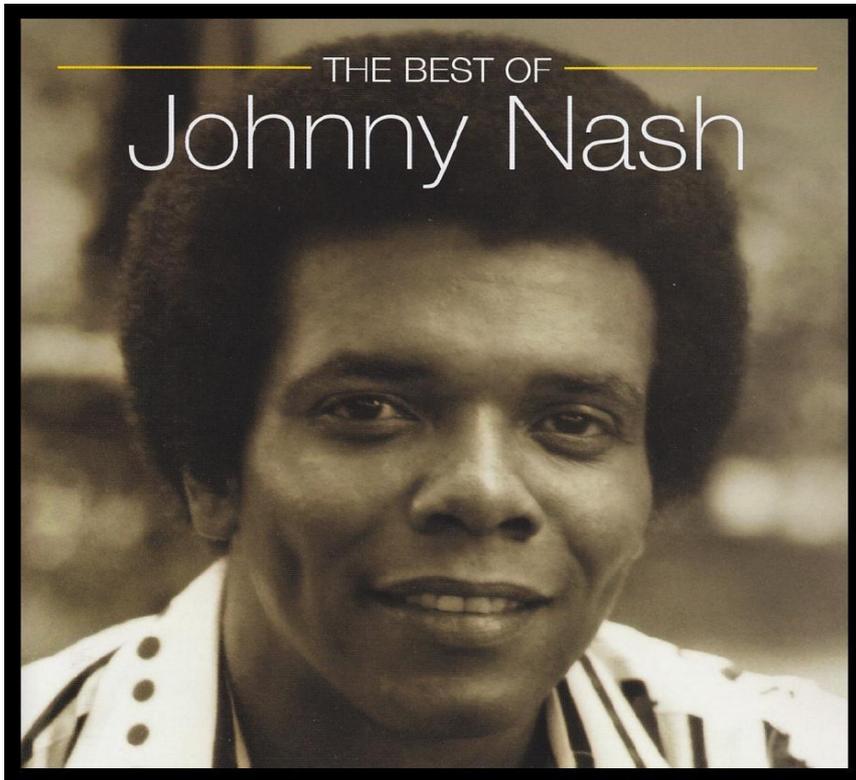
Successful organizations will think about the future differently ...

- Where to focus
- How to focus
- What new competencies will be required

... but there are things that organizations can do today

- Open up to external influences
- Connect with new ecosystems and partners
- Invest in digital

In Conclusion



‘There are more questions than answers

Pictures in my mind that will not show

There are more questions than answers

And the more I find out the less I know.....’

Thank
YOU

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