

# Digital Transformation in Insurance

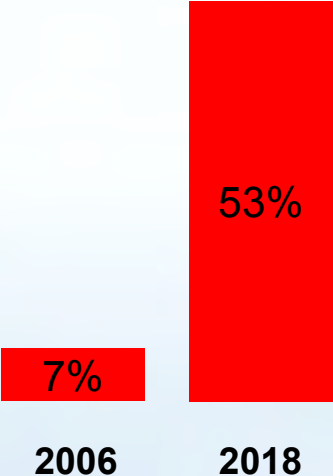
**AMIS Convención de Aseguradores  
May 15, 2019**

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Gartner Research & Advisory

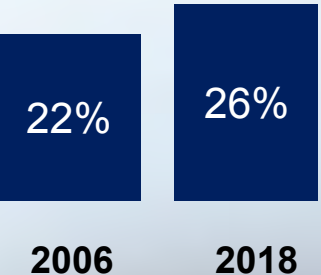
# Digital Giants Dwarf Financial Services...



Percentage of Digital Giants in Forbes Top 20



Percentage of FSI Companies in Forbes Top 20

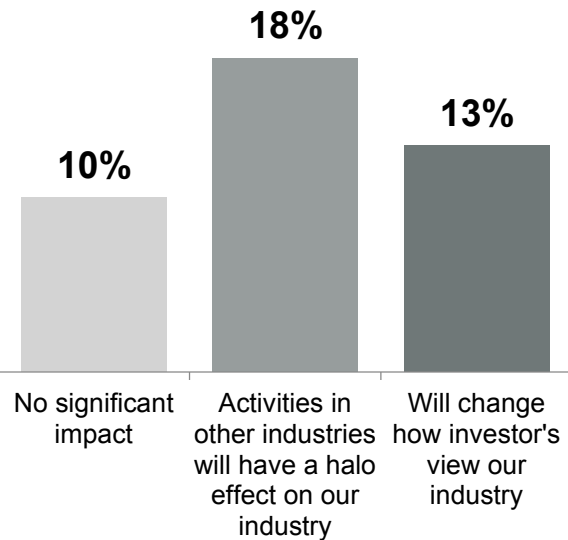


Source: Forbes 2000 (2018), Gartner calculations

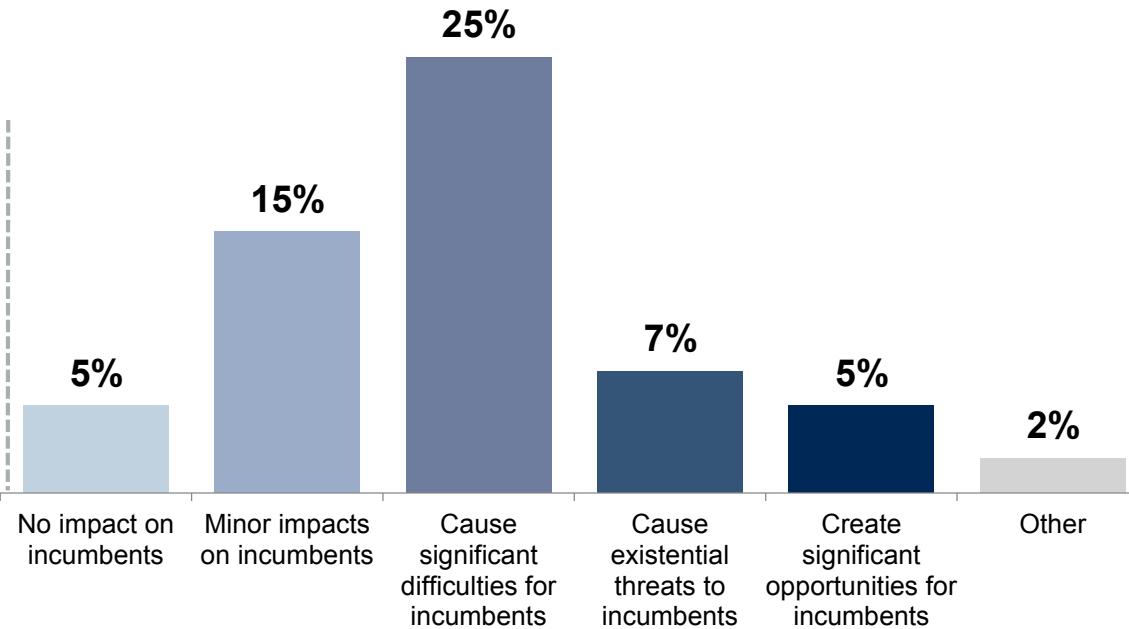
# ...And Incumbents Feel (Fear) the Impact

“Digital Giants will be in Our Industry”: 57%

## Impact on Industries



## Impact on Incumbents



Source: Gartner CEO Survey (2019), N=96

# Key Issues

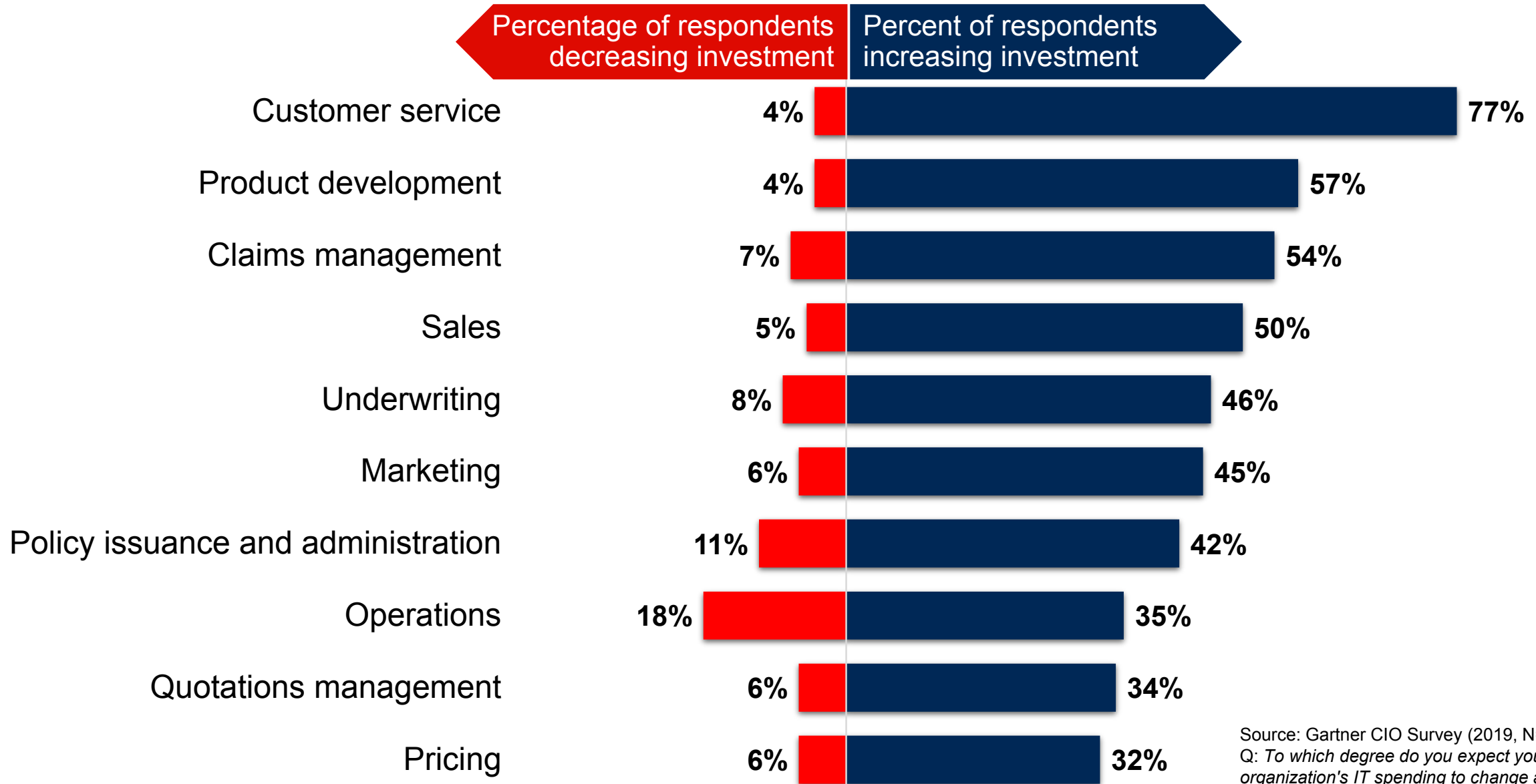
1. What's the State of Digital Business in Insurance?
2. Which are the Challenges and Risks for Digital Transformation?
3. How can Business and IT Leaders Support Digital Business?

# Top 10 Priorities for Insurance CIOs Dictate...

Priority	Focus Area
1	<b>Digital</b>
2	Revenue/Business Growth
3	Customer Experience
4	<b>Business Model Change</b>
5	Operational Excellence
6	Modernization of Legacy Systems
7	Data and Analytics
8	Automation
9	Corporate Merger & Acquisition Activity
10	New Products and Services

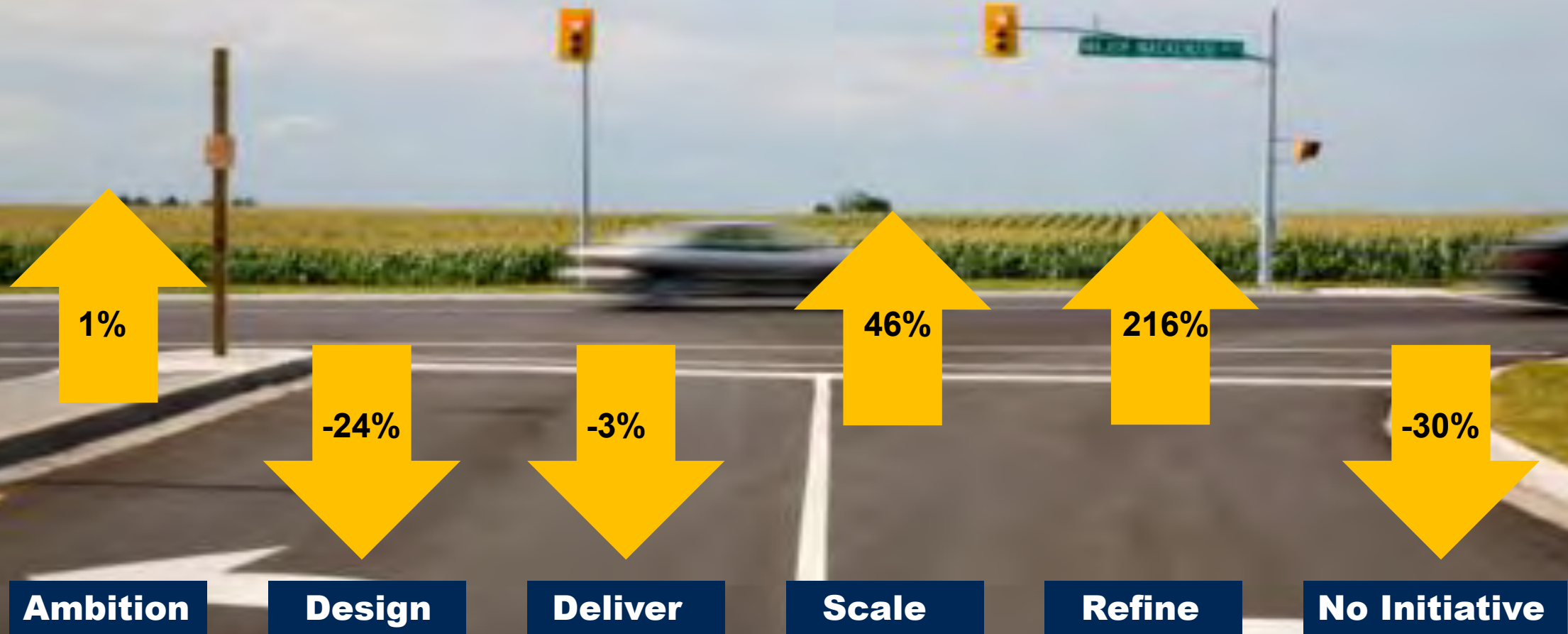
Source: Gartner CIO Survey (2019, N=138),  
Q: What would you say is your organization's top priority for 2018 and 2019?

# ... Investments Across the Insurance Value Chain



Source: Gartner CIO Survey (2019, N=100),  
Q: To which degree do you expect your organization's IT spending to change across these insurance value chain areas from 2018 to 2019?

# There Seems to be Digital Progress ...



Source: Gartner CIO Surveys (2017-2019), N=151-168),  
Q: Which of these best describes the stage of  
your organization's digital initiative - i.e., your  
organization's digitalization efforts?

# But the Insurance Industry Seems to be Stagnant

Very Inefficient\*

Very efficient\*

Making digital an integral part of business strategy and planning

11%



11%



12%



21%



20%



17%



Harvesting results from digitalization

18%



18%



20%



10%



12%



5%



2017

2018

2019

2017

2018

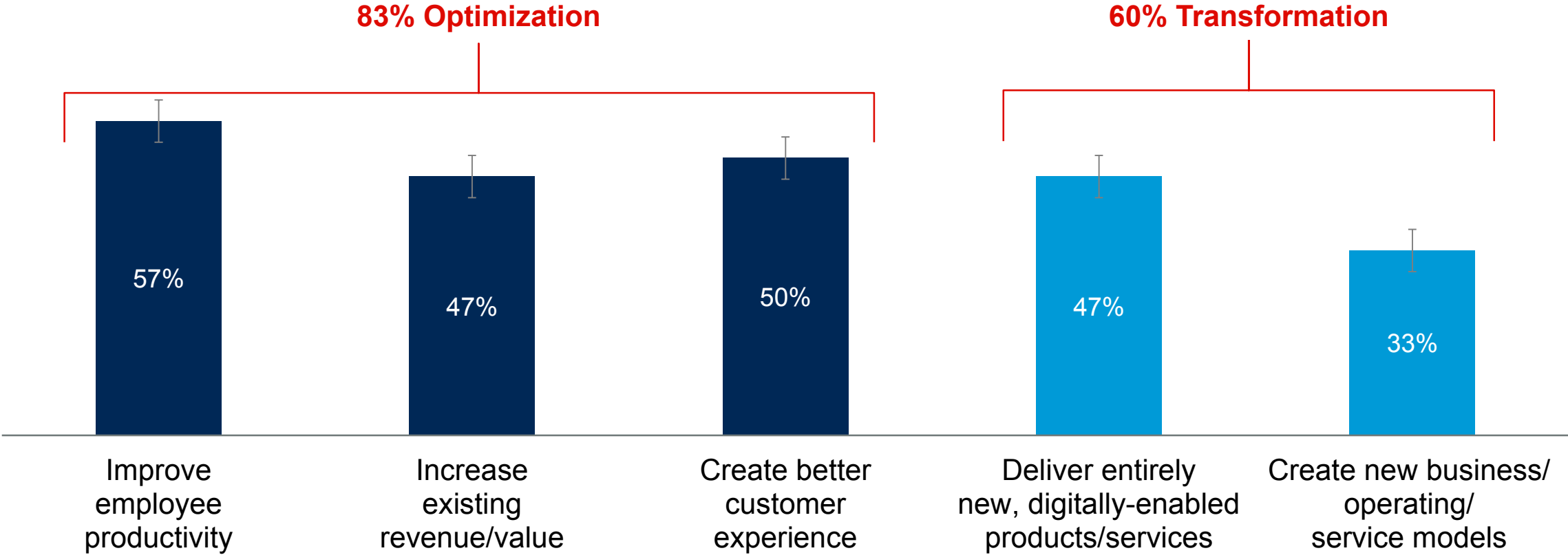
2019

Source: Gartner CIO Surveys (2017-2019), N=151-170),  
Q: How effective is your organization in...?



# Insurers Focus on Business Optimization

My organization is focused on digital business in order to ...



Source: Gartner (2017), N = 30/151

# Key Issues

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# Primary Inhibitors for Digital Transformation



*What do you think is your organization's biggest barrier to move from the initial phases of digital business transformation to scale (top 3)?*

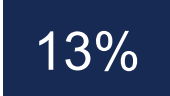
Culture



Talent



Resources



Source: Gartner (2017), N=111

# Digital Dexterity - Ambition and Ability to Apply Technology to Improve Business Outcomes

Ambition to Work  
Digitally

Ambition to Build  
Digital Businesses

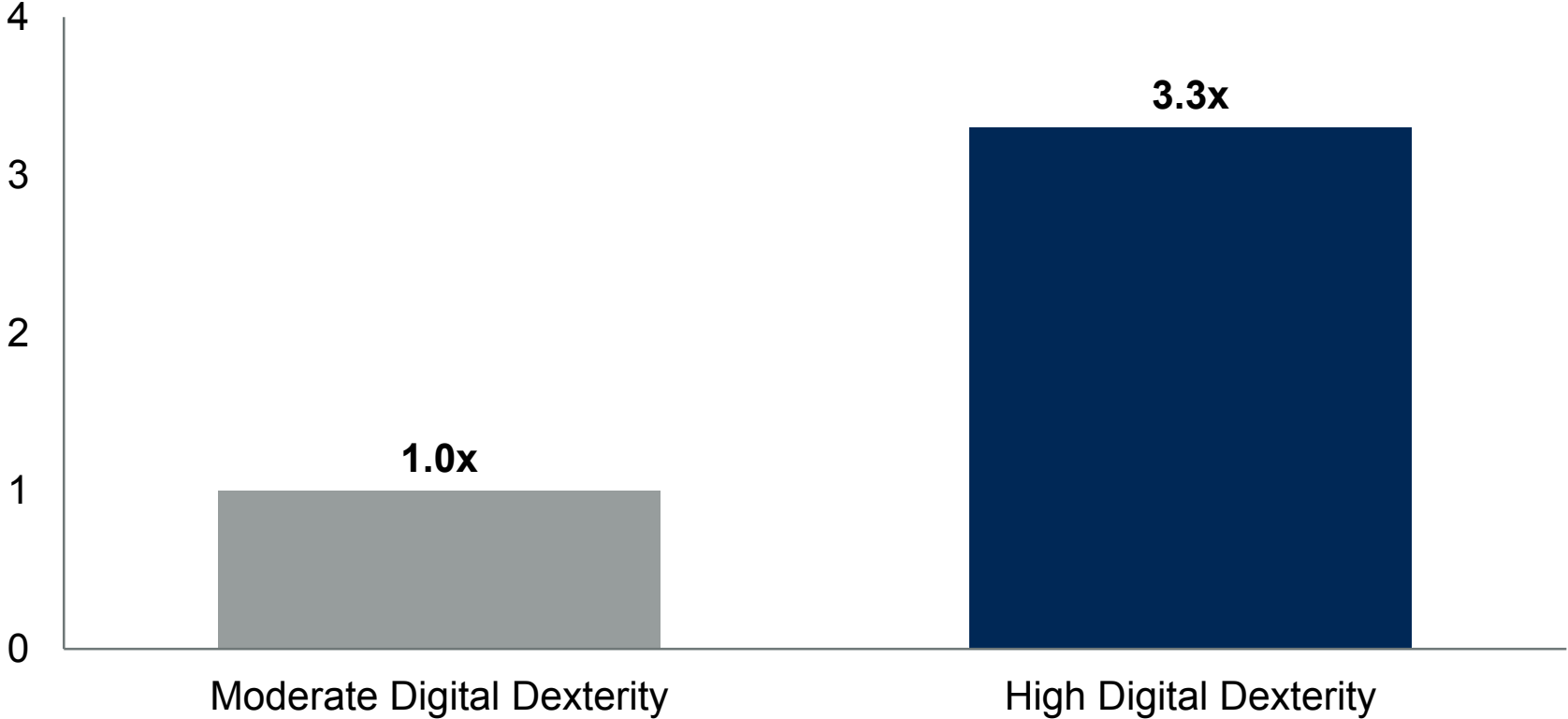
Ability to Work  
Digitally

Ability to Build  
Digital Businesses

# Digital Dexterity Matters

## The Payoff From Digital Dexterity

Likelihood of Accelerating Digital Business Transformation



*Percentage of Respondents Exhibiting High Digital Dexterity in Financial Services:*

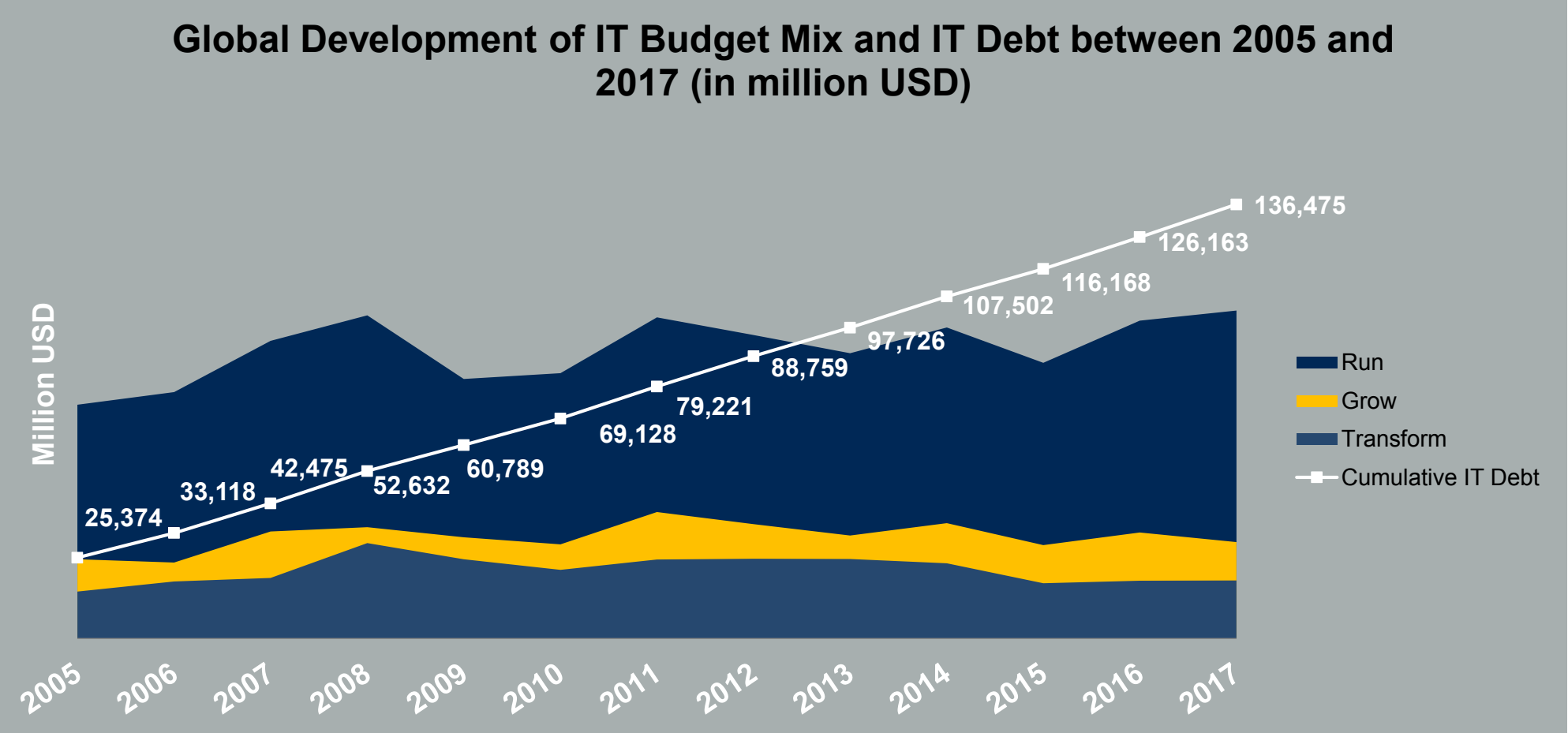
**11.1%**

Source: Gartner (2018), N = 3,481 employees from all industries and functions. Assessed in terms of ability to gain value from digital initiatives, speed to launch digital initiatives and speed to complete digital initiatives

Source: Gartner (2018), N=342

# Insurers are Stuck With Legacy IT Systems

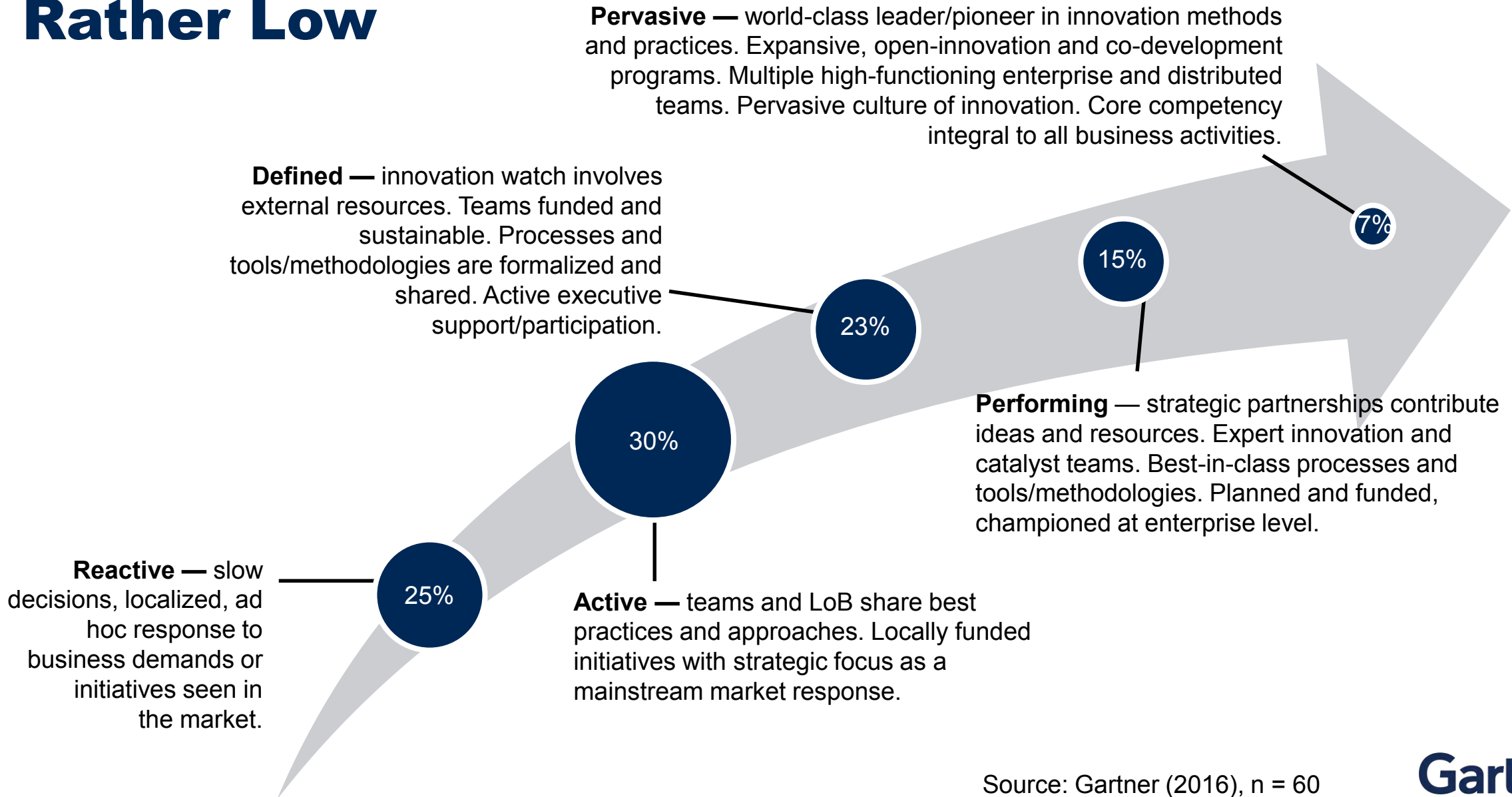
Global Development of IT Budget Mix and IT Debt between 2005 and 2017 (in million USD)



*Insurers Accumulated Globally More Than 136 billion USD of IT Debt Since 2005...*

Source: Swiss Re Sigma/own calculations (2018)

# Organization Levels of Innovation Maturity Are Rather Low



Source: Gartner (2016), n = 60

# IT Has an Execution Problem



Business Maturity

100%

IT Maturity

46%

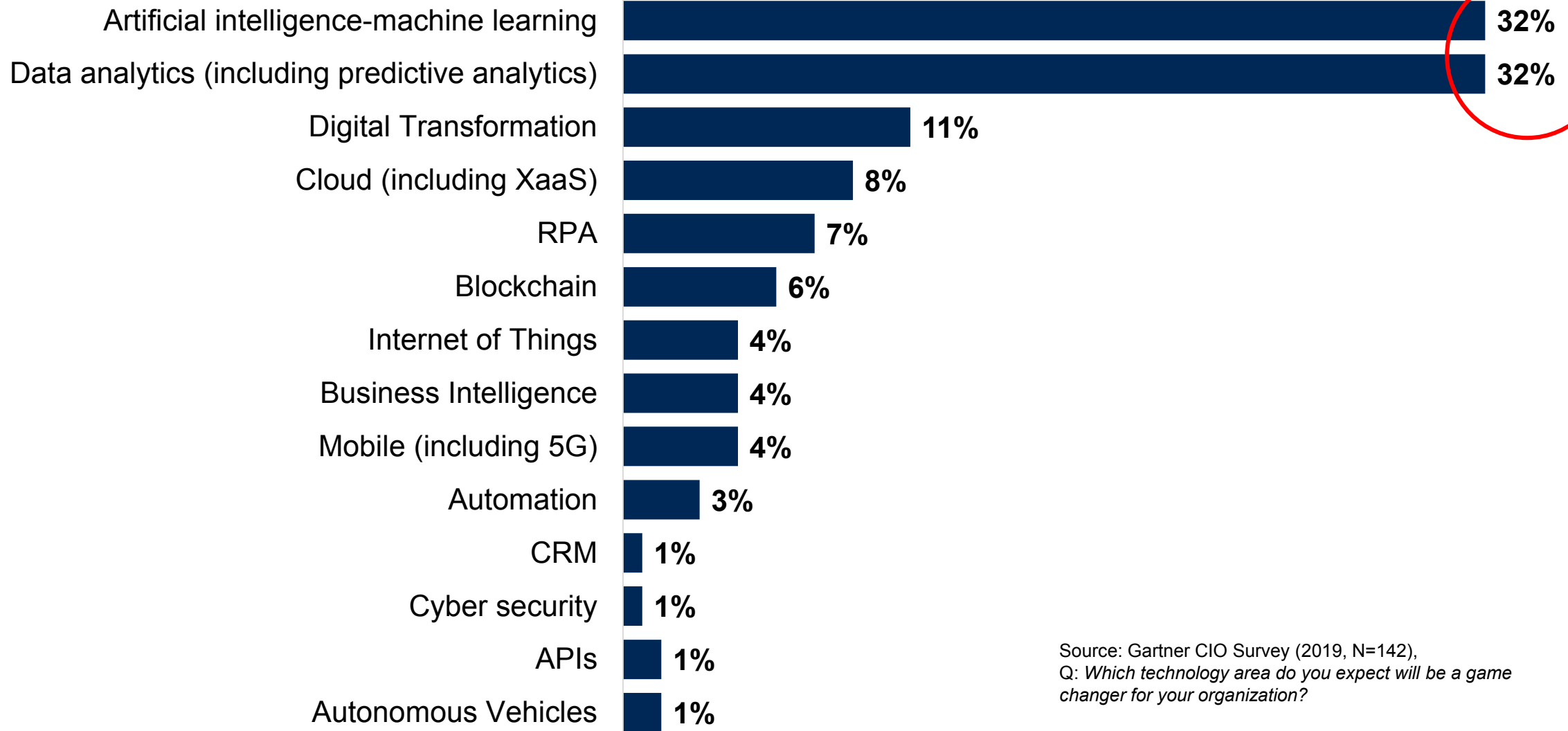
30%



# Key Issues

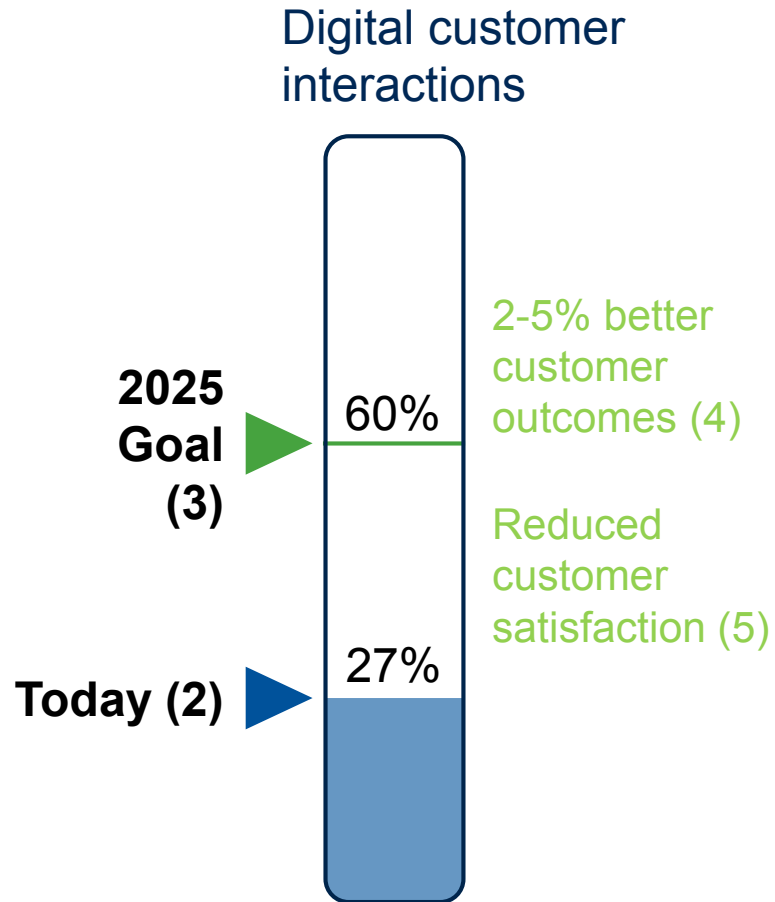
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# AI and Analytics are Game Changer Technologies



Source: Gartner CIO Survey (2019, N=142),  
Q: Which technology area do you expect will be a game changer for your organization?

# Develop the Right Set of Digital KPIs



Percentage of insurance interactions that are virtual or digital (1)

- 1. What is being measured?*
- 2. Where are we today?*
- 3. What is our target goal?*
- 4. What is our desired outcome / benefit?*
- 5. What is our balance point?*

# The Predominant Business Ecosystem Style Has Been Linear ...

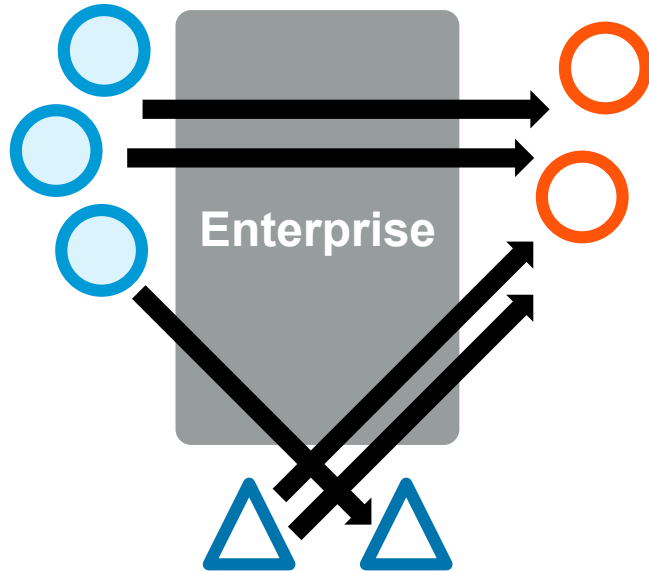
## Linear Value Chain



# ... But Now There Are New Ecosystem Styles

New!

## Platform-Led (aka multisided)

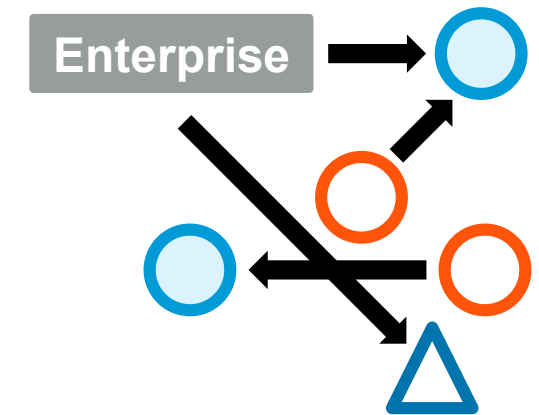


## Linear Value Chain

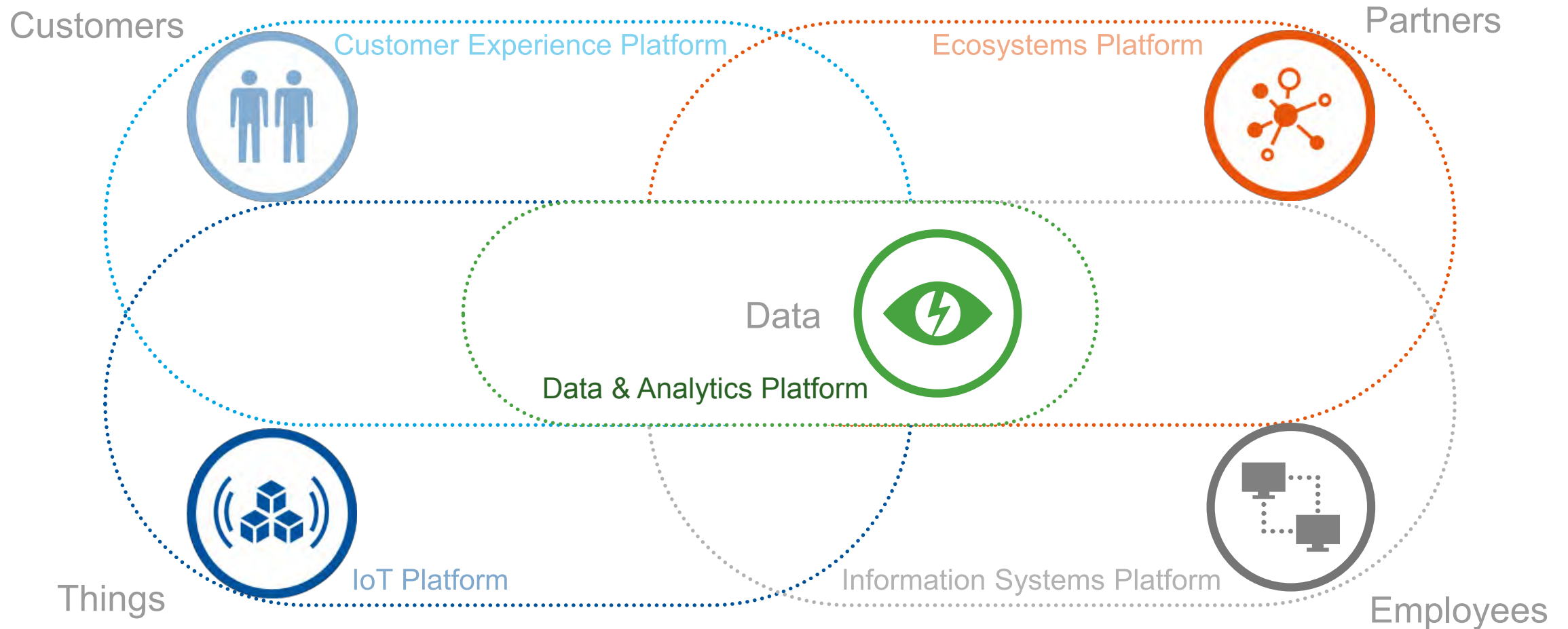


New!

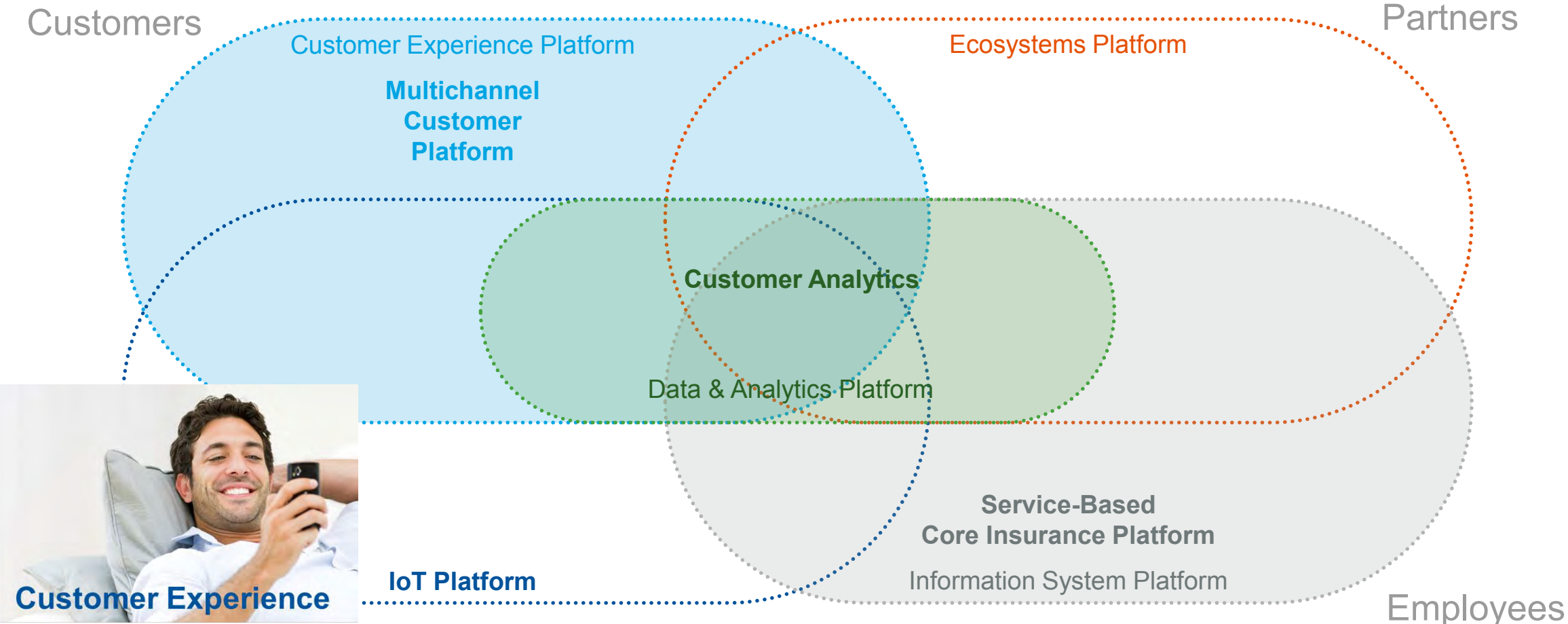
## Decentralized



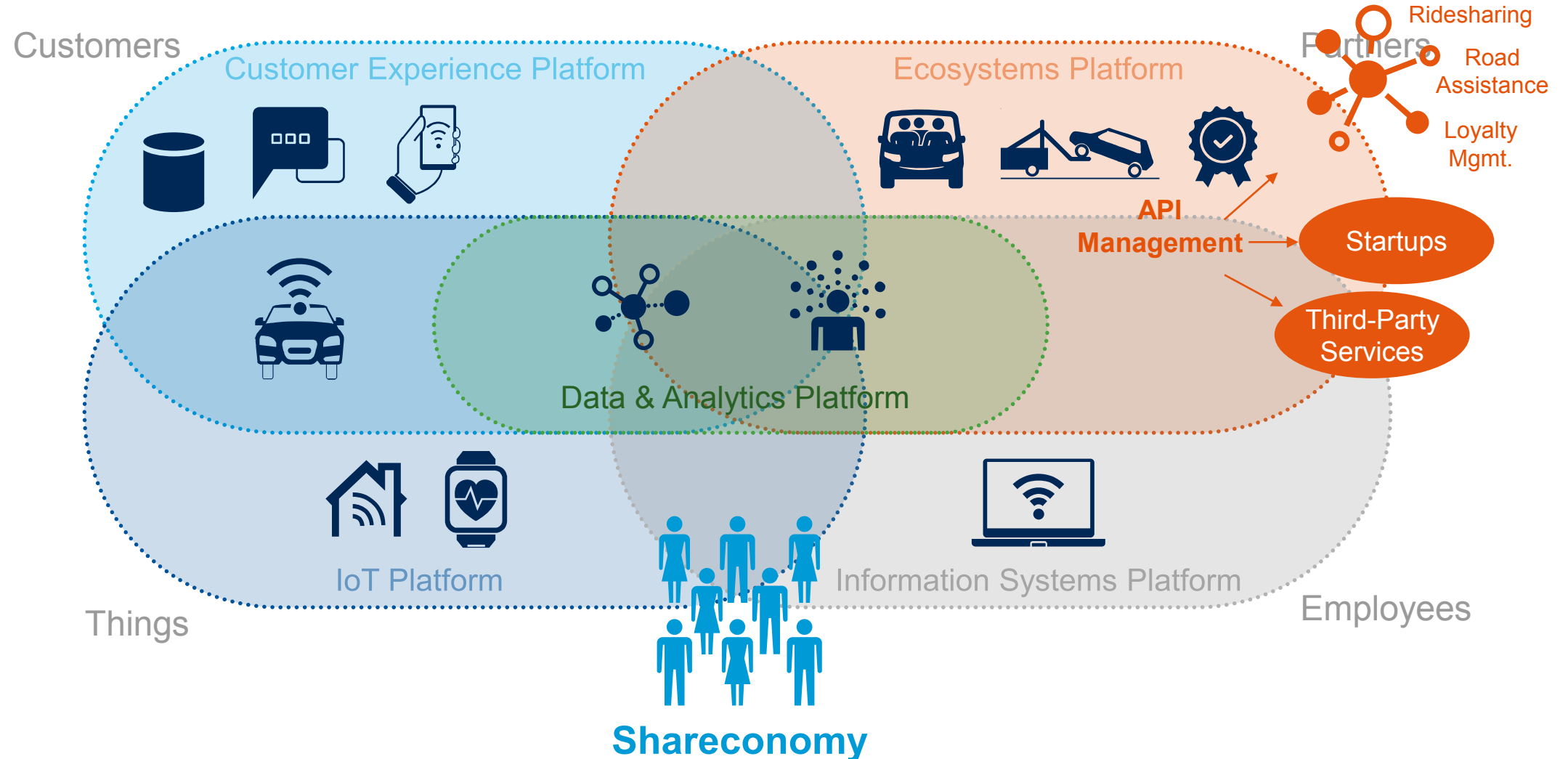
# The Digital Business Technology Platform



# Future Proof: From Digital Optimization ...

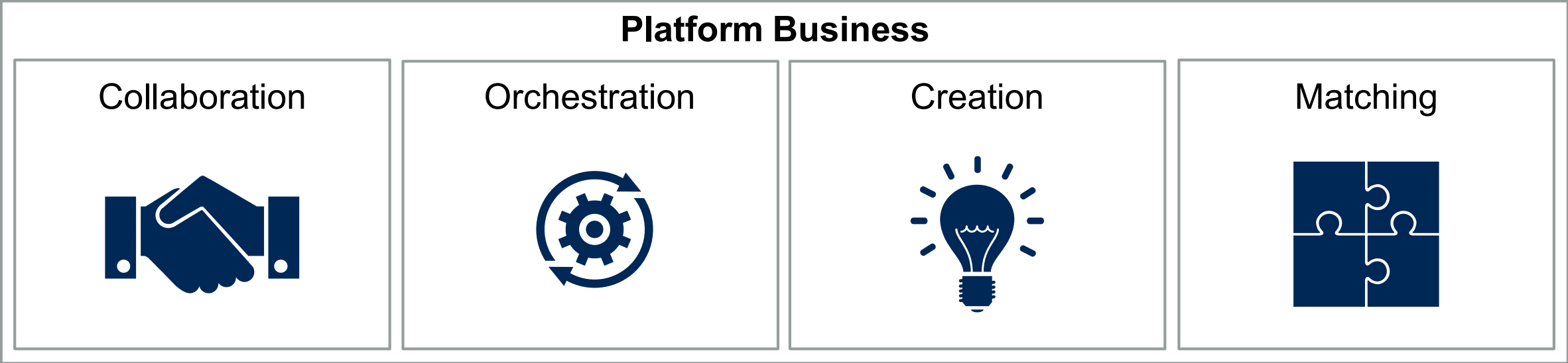


# ... to Digital Business





# From Technology Platform to Platform Business



# Recommended Gartner Research

- ▶ [2019 CIO Agenda: An Insurance Perspective](#)  
Kimberly Harris-Ferrante (G00384051)
- ▶ [Why Insurance CIOs Need a Digital Business Platform Roadmap](#)  
Kimberly Harris-Ferrante, Juergen Weiss (G00368741)
- ▶ [Measure Your Digital Progress Using Key Performance Indicators for Insurance Companies](#)  
Juergen Weiss (G00355499)
- ▶ [Toolkit: Understanding the Individual, Team and Leadership Attributes That Drive Digital Success](#)  
Matthew Cain (G00382707)

# Get Recognized for Being an Innovator!

<http://www.gartner.com/technology/eye-on-innovation-awards/financial-services/>

## 2019 Gartner Eye on Innovation Awards

Entries from financial services innovators  
should be submitted by 31 July

