Digital Insurance

Content and Community for Insurance Leaders

The Innovators

Meet the key figures behind a maturing insurance transformation movement

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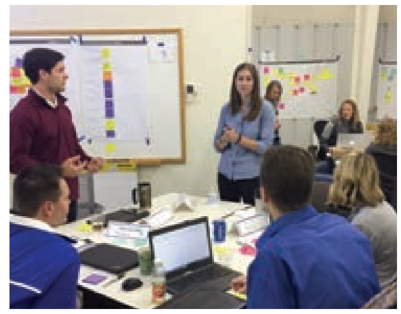

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The insurance industry could be impacted by new privacy regulations that grow out of Congressional scrutiny of the social network's stewardship of private data.

EDITOR'S NOTE

The empire strikes back

Insurtechs grabbed headlines for transforming the industry, but carrier-side innovators are on the rise.

Insurtech's rapid emergence and ascendancy, to use a *Star Wars* analogy, has been seen as "a new hope" for the industry. But now — to continue the metaphor — the empire is striking back.

The "empire," in this case, are incumbent insurers who are taking an ever-more active role in trying to shape the insurtech sector. About four in five insurtech funding deals in the fourth quarter of 2017 were done by established insurers, according to Willis Towers Watson's Quarterly Insurtech Briefing.

Some incumbents are simply looking to fill specific needs with their newly minted tech partners. They tend to invest in companies that increase efficiency in some component of the traditional insurance value chain — not insurgents looking to disrupt. There are, however, still carrier-side standouts looking to bring insurance into a new era using digital technology. For the second year in a row, we've spotlighted some of these key innovators, and their insurtech partners, for the cover story of this edition.

These visionaries include people like John Hancock's Brooks Tingle, whose commitment as a marketing VP to establishing the wearable-powered wellness program Vitality was recognized and rewarded with a promotion to CEO of the entire life insurance business. A similar story comes from Allstate's Glenn Shapiro, who embraced drones and social-media analytics as chief claims officer and is now in charge of all aspects of personal lines. One can imagine similar career trajectories for Travelers' Beth Maerz, who re-architected renter's insurance to target the millennial market; or Nationwide's Seth Flory, who is bullish on the potential for blockchain technology, as their early projects evolve.

Playing it safe is tempting, but ultimately the trend lines in the industry are clear. Whereas insurers in the past may have been more secretive and guarded about their innovations, now internal startups like Allstate's Arity and MassMutual's LifeScore Labs are looking to establish the data-driven scoring models they've developed as standards for their lines of business. They aren't worried about gaining a small edge, when they could end up leading a much bigger and more consequential transformation.

"Incumbents sent a clear message to potential disruptive outsiders: by investing heavily in start-ups and technology, (re)insurance companies appear to have assumed a semblance of control over the insurtech revolution," writes Willis Towers Watson Securities' global CEO, Rafal Walkiewicz.

In a way, insurance is at an advantage in being somewhat "late to the party" for digital disruption compared to industries like retail and banking. Insurance leaders have learned from what's happened outside the sector and are willing participants in their revitalization. **—Nathan Golia**

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The Innovators

BY NATHAN GOLIA

Transformation of the insurance industry is continuing at a rapid rate, with new technologies being adopted across the value chain every day. Last year saw increased deployment of artificial intelligence, drone technology, biometrics and blockchain, just to name a few. And 2018 shows no signs of slowing down with new product launches that take into account what's truly possible from advanced digital tech.

These innovations are all made possible by leaders who are willing to take risks and go against the inertia of a venerable sector. This year, Digital Insurance has again consulted with experts across the industry to assemble this list of 26 innovators who are leading insurance into a new generation of efficiency and effectiveness. These carriers and technology representatives profiled on the following pages are driving true change with bold new ideas and implementations.

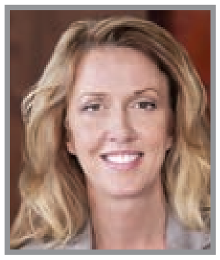
COVER ILLUSTRATION: ROBERT CARTER

The Innovators

HARI BALAKRISHNAN

Co-founder and CTO, Cambridge Mobile Telematics

Founded in 2010 by Balakrishnan, another MIT professor, and an experienced entrepreneur, Cambridge Mobile Telematics has ascended rapidly in recent years. more than 35 customers in 20 countries use its DriveWell turnkey behavior-based telematics platform and other technology offerings. The company continues to broaden its value proposition, powering driving-rewards programs to tackle distracted driving with companies like Plymouth Rock Assurance and Arbella Insurance through enhancements to its software. Balakrishnan holds positions as the Fujitsu Professor of Computer Science at MIT and a director of Wireless@MIT.



MARISSA BUCKLEY

VP of marketing, Security First

Buckley has led the way in providing a top-notch customer experience for Security First. She focuses on mobile, implementing a storm tracker on the company's app that led to 50,000 new users in the run-up to Hurricane Irma. When Irma hit the state, the mobile first notice of loss service she pushed was used by 4 in 10 claimants. In addition, she oversaw the user experience design and development of the company's JobSight app for contractors to receive claim assignments and payments, digitally and immediately. Going forward, Security First is working with its tech partners PointSource and CodeObjects to implement artificial intelligence and cognitive computing to optimize these services.

CHRIS CHEATHAM

CEO, RiskGenius

Insurers and insurtechs alike are looking to find the best application for AI in the industry, and Cheatham's RiskGenius appears to be a winner. The company's platform analyzes policy language to help insurers sell the right coverage to the right customer and identify new areas to improve in. It caught the eye of QBE, which invested in the company and announced plans to roll out the software across its North American operations. "The RiskGenius product will provide a platform for building better products and better meeting our customers' needs," says Bob James, group head of transformation for QBE. More than 125,000 QBE policies will be uploaded to the RiskGenius platform by June.

JIN CHEN

CEO, ZhongAn Online P&C Insurance

Launched in 2015, ZhongAn has quickly asserted itself as a leader in applying digital solutions to insurance in the massive China market. Chen stewarded his company to a $1.5 billion IPO in late 2017, and the company is on track to shatter its previous high in auto insurance premiums this year. Chen cites the company's heavy investment in big data and AI as the reason for its growth. In late 2016, Chen launched ZhongAn Technology to serve as an insurtech incubator within the company. That division has implemented several blockchain projects, including one for agriculture insurance that will monitor the lifecycle of chickens in rural China.

TODD FANCHER

Chief digital transformation officer, American Family

A 30-year veteran of the company, Fancher is now leading the carrier's strategic investment in AI, machine learning and advanced analytics. To accomplish this, the former life insurance unit president is building a digital transformation office, which will have up to 90 employees focusing on "building an overall infrastructure where our technologies not only integrate with each other, but also provide us with a flexible, robust and adaptable environment that enables us to offer the ultimate customer experience," he explains. "The goal is establishing new ways of working that are more data-driven in order to become more proactive." *For more on Fancher's efforts to establish the office, see feature, page 30.*

SETH FLORY

VP of IT strategy and technology innovation, Nationwide

Flory is the liason between Nationwide and the RiskBlock Alliance, a consortium of insurers working on blockchain technology use cases for the industry. Shortly after joining the group, Nationwide agreed to pilot a blockchain-based proof-of-insurance concept. The insurer has been monitoring blockchain for several years, Flory says, and this is the kind of business case that can attract people to the transformative power of the technology and drive real solutions for policyholders: "This is something that can be done quickly, expose a lot of stakeholders to blockchain as an underlying technology and illustrate the purpose of a federated ledger."

GARY HALLGREN

CEO, Arity

Arity, a company providing mobility technology and analytics for various connected-car initiatives, has an advantage few new companies enjoy: As a startup born out of Allstate it was able to ramp up quickly with a large staff and access to an even larger cache of data from the insurer's existing various UBI programs, including Drivewise, Milewise and Drivesense. Hallgren has led the company to contracts with its first external customers including National General and a hand full of ride-share and car-share companies, partnerships with Xevo and Airbiquity and the release of a software development kit that ports its scoring model to everyone across the insurance – and driving – value chain.

ALEX KUBICEK

Founder and CEO, Understory

Kubicek founded Understory, a company deploying sensors to hail-sensitive areas around the U.S., in 2012. The network of sensors provides carriers and other interested parties with ground-level data on weather impacts; its damage analytics helps estimate claims volume immediately after a storm. In 2017, Understory had a successful real-world trial of its technology with Pacific Specialty, with carrier VP Cory Candelario commenting, "Never before have we been able to correlate specific weather events with potential damage in such a granular way." The company started 2018 with 500 sensors deployed, but plans to have ten times that by the end of 2019 – providing more options for insurers.

SERAINA MACIA

CEO, Blackboard Insurance

Macia's career has taken her to many corners of the insurance industry: XL Group, where she was honored as a Digital Insurance Women in Insurance Leadership winner; AIG; Hamilton Insurance Group; and now back to AIG when newly minted CEO Brian Duperreault hired her to run Blackboard Insurance. The technology-focused subsidiary of the insurer is working to "reimagine and transform commercial insurance through digital technology, data analytics and automation" — including refining the small-business underwriting platform Attune, which Macia was a part of launching at Hamilton. Blackboard Insurance is keeping things close to the vest, but plans to launch its platform in the second half of 2018.

BETH MAERZ

VP of customer experience and innovation, Travelers

While many carriers are well aware of the need to transform the customer experience digitally, only a few insurers are applying the lessons of digital to the core insurance product. Maerz has catapulted Travelers personal insurance to the forefront by spearheading the launch of Traverse, a new renter's insurance product that has been revamped from the bottom up. The product is in market and will provide a view of where the insurance sector could head going forward. "The goal was to build a product targeting millennials and understand what their needs are," Maerz explains. "We wanted an experience that was transparent and could be serviced entirely on a mobile device."

GEORGE MATHEW

CEO, Kespry

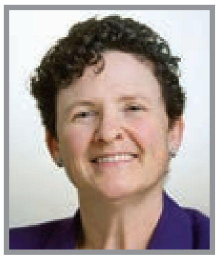
The drone-as-a-service model has been evolving since FAA regulations were loosened on commercial use of unmanned aerial vehicles, and few firms have excelled in this space as much as Kespry. Mathew took the reins at the company in January 2017 and has made significant inroads into the insurance market since, presiding over the launch of its insurance-specific offering and inking a contract with Farmers Insurance. Looking to the future, Mathew writes on the company blog that this year, Kespry will "continue adding deeper cloud capabilities, as well as enhancing how Kespry data can be experienced with integrations into the enterprise systems our customers use every day to drive their businesses."

KYLE NAKATSUJI

Founder and CEO, Clearcover

The insurtech movement is maturing quickly, to the point when veterans are finding new opportunities. Just a few years after helping launch American Family Ventures, Nakatsuji struck out on his own with Clearcover, an auto insurance startup that aims to reduce premiums by as much as half by leveraging AI and other advanced technologies and not spending as much on advertising. The company began selling policies in California this February and reached a $7.2 million premium run rate in under 90 days. "It's expensive to maintain outdated technology, buy celebrity endorsements, run commercials, and send an endless flow of junk mail," Nakatsuji wrote in announcing the launch.

The Innovators



MARTHA NOTARAS
Partner, XL Innovate

As a partner at the venture capital arm of XL Catlin, Notaras has led investments in some of the most prominent insurtechs of the past several years, including Lemonade, Slice Labs, Notion and Cape Analytics. She also has emerged as a public champion and thought leader, who is well aware of the increasing scrutiny on the sector and the need to keep moving and not re-tread already explored ground. “There are many other opportunities within insurtech that will become attractive to investors,” she wrote for DI earlier this year. “For example, commercial insurance is a $300 billion market ripe for new technology solutions and data sources — it’s about time ventures tackle the space.”

ROEL PEETERS
Co-founder and CEO, Roost

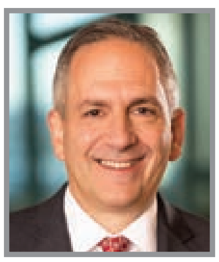
Peeters’ company is well-known in insurance for its water-leak sensors and smart batteries that have been distributed by companies including Desjardins, Aviva and USAA. But his long-term goal is to convene a Home Telematics Program that insurers can tap into for insight into what the data these devices collect says about risk, leveraging the pool of information collected by all companies. “To be statistically relevant you need to get 50,000 to 100,000 data years,” says Peeters. “With a limited investment, insurers are able to get access to that in a short period of time.” State Auto signed on as the first carrier in the consortium this year, indicating that the message is resonating in a historically guarded sector.

KARL RICANEK
Co-founder and chief data scientist, Lapetus

Ricanek’s company is playing in the emerging biometrics space with its Chronos platform. The facial analytics software that uses selfies to analyze BMI, gender and physiological age to determine life insurance underwriting risk, looking for intricate signals that dovetail with the information carriers need. Legal & General America is using the technology to power its SelfieQuote.com quoting tool, on which prospects can upload an image of themselves to get an initial quote. It’s been so sucessful in reaching a new market, LGA plans a big expansion this year. “This tool is engaging people in their mid- to late 30s,” says LGA EVP of business strategy and innovation Jim Galli.

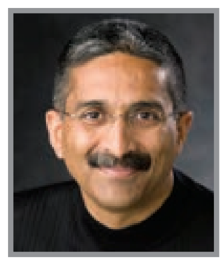
KARN SAROYA
Co-founder and CEO, Cover

Saroya and co-founders Natalie Gray, Anand Dhillon and Ben Aneesh raised $11 million in seed funding for Cover, which is unique in its use of imagery to customize insurance coverage. The company operates as a broker: Its Magicam technology uses a smartphone camera to recognize items and add them to a customer’s home insurance inventory. The platform can also identify the make and model of a car. Whichever product is desired, Cover will extract relevant data from the images and shop the customer’s risk profile to partner insurance companies. Users of the app can also input their current policy information for Price Drop Alerts; Cover will notify them if a lower price on a similar policy is available.



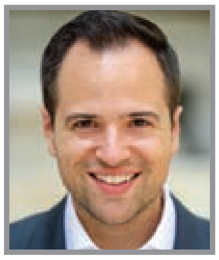
GLENN SHAPIRO
President, personal lines, Allstate

In his previous role as chief claims officer for Allstate, Shapiro took the lead in rolling out a number of key digital solutions across that organization. He oversaw the deployment of drone technology on a wide scale in the aftermath of the major hurricanes in 2017. Shapiro also brought in the insurtech Carpe Data to help it detect and prevent claims fraud using its automated scoring platform that draws on third-party and social-media data. In being named president of the entire personal lines division, Allstate says Shapiro will “accelerate the utilization of telematics and build an integrated digital enterprise,” giving him a key opportunity to implement new solutions across more than just claims.



PIYUSH SINGH
CEO, Terrene Labs

Singh is well-attuned to the data challenges insurance organizations face: He spent years as a carrier CIO at Great American Insurance Group and RLI before moving into the insurtech sector with his new company, Terrene Labs. Terrene offers an analytics product that allows insurers to underwrite policies by integrating with third-party data providers using only limited information at the point of application. “Their product allows a prospect to enter a very small number of data elements,” says Karlyn Carnahan, head of the Americans for P&C insurance at analyst firm Celent. “This not only improves the underwriting decision, but drives a very streamlined customer experience.”



WAYNE SLAVIN
Founder, SURE

SURE delivers several different kinds of niche coverages, from different insurers, through an app and website. It is a leader in episodic coverage, like for rental cars; its latest launch is a product for ridesharing passengers that protects them in case of an accident. The learnings from that product are being applied to potential coverage for autonomous cars, Slavin says: "We realize autonomous fleets will not have drivers, but what won't change is the passenger."

KATE STILLWELL
Founder, Jumpstart

After 20 years as a structural engineer, Stillwell realized that people in earthquake zones needed easier-to-access financial security for resiliency in case the worse happens. That led her to found Jumpstart, a parametric insurance product that triggers a payment as soon as a shaking event is detected in a policyholder's area, with fully mobile enrollment and communications capabilities. Jumpstart will sell its first policies this year.

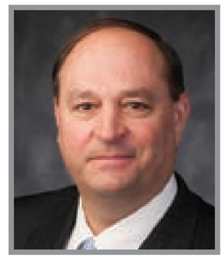
The Innovators

JOHN SWIGART
Founder and CEO, Pie Insurance

Former Esurance CMO Swigart started Pie to help better serve small companies that need worker's compensation coverage. Through a partnership with Valen Analytics, Pie will be able to more closely match small businesses' premium to their actual risk, he says, explaining that these owners are unable to shop around too much because of the labor-intensive nature of getting the coverage. "There is essentially no direct distribution for small businesses in commercial lines, but even less so for worker's comp," he says. Pie has an aggressive rollout plan: It began selling in four states in March, adding four more in May, and expects to be available in more than 60% of the workers' compensation market by the end of 2018.

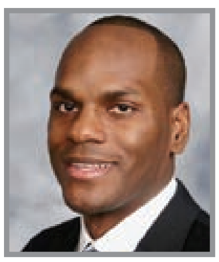
KATHLEEN TIERNEY
President, BerkleyOne

A 2013 *Digital Insurance* Women in Insurance Leadership honoree, Tierney led the launched of a new personal insurance provider within Berkley targeting high-net-worth consumers in Illinois late last year. Berkley One looks to strike a balance between high-touch agent-based service with a robust digital experience. That meant going to market with a fully customized IT infrastructure that served agents and customers with mobile and web-based portals, as well as the right attitude about this market. "It's about having an appropriate sense of self and understanding the role that insurance plays in people's lives," she says. The company expanded to Arizona and Colorado in April.



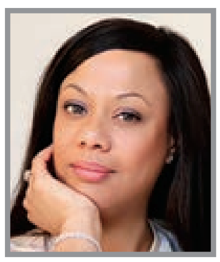
BROOKS TINGLE
CEO, John Hancock Insurance

Tingle's selection to lead John Hancock's personal lines life insurance unit has drawn the eyes of the industry because of his commitment to a new vision for the product. In his previous position as SVP of marketing and strategy, he took the lead in rolling out Vitality, a wearable-powered wellness program, that gave policyholders an avenue to reduce their premiums. He also was responsible for implementing ExpressTrack, an underwriting system that used third-party data to cut down life insurance's historically long policy-application cycle. After years of championing digital technology as a way to bridge the coverage gap in life insurance, Tingle has the opportunity to make it core to the company across all its various products.



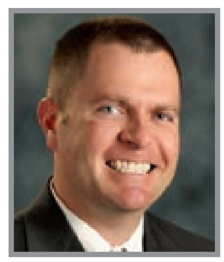
ABEL TRAVIS
Director and head of innovation, AF Group

Travis was just named director of innovation for commercial and worker's compensation insurer AF Group in March, but has been making his name known as an influential voice in the broader insurtech movement for some time before that. In his previous role as AVP and head of product management for The Hanover, Travis took a keen interest in the industry's digital transformation, with his new ideas landing him on a list of 40 leaders under 40 to watch in the Hanover's home city of Worcester, Mass. He also contributes content as the host of the Insurance Innovators Unscripted podcast, where he discusses disruptive issues for the sector with other thought leaders.



SABINE VANDERLINDEN
CEO for the InsurTech Business, Startupbootcamp and Rainmaking

Representing the insurtech accelerator community on this year's list, VanderLinden has taken a leadership position in supporting the growing insurtech ecosystem. She presided over the launch of Startupbootcamp's insurance-specific incubator program in the UK, which ended with 80% of the 21 participants getting funding. This year, she brought the program to the U.S., basing it in Hartford and revitalizing that region's strong traditional ties to insurance. The first class of insurtechs in the stateside edition graduated in spring 2018. Sabine is also a co-editor of the crowdsourced InsurTECH Book, which will be published by Wiley later this year.



ADAM WALDRON
CIO, Idaho Farm Bureau

At the helm of a technology organization at a regional carrier, Waldron is every bit as plugged-in as his peers at national companies, testing smarthome devices and working with Idaho State University on a drone program for both underwriting and claims applications. In fact, Waldron says, a heavy agriculture bent in the company's book gives it willing participants for these new technologies, with sensors and drones being newly crucial to gaining high crop yields. "Farmers are very tech-savvy," he explains. "We found a lot our customers were flying drones themselves." The college's busiess fraternity awarded him Idaho Business Leader of the Year in 2017 for his work on these key digital initiatives.

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American Family's new digital transformation office will have as many as 90 employees tackling disruption when fully staffed.

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Tackling transformation internally

Insurance carriers are re-evaluating their businesses and making internal disruption a priority in order to keep up with rapidly changing customer expectations and a wealth of newly available digital solutions.

By Anne Rawland Gabriel

Insurance is shedding its reputation for stodginess in the wake of massive digital disruption across the value chain. While a growing insurtech cohort is contributing to the change, incumbent insurers are beginning to assert themselves as leaders and define the direction of the industry going forward.

"We're definitely seeing an evolving trend toward incumbents playing an active role in transforming themselves and the industry as a whole," says Samantha Chow, senior analyst with Aite Group. "The actions of major players have grabbed the most headlines, but we're seeing many innovation efforts at smaller carriers too."

Insurers have begun to consolidate efforts under executive-level leadership, with mission statements and budgets to match. Some have installed newly minted "chief transformer" roles, who report directly to the company's CEOs and are tasked with moving their business and, by extension, the industry toward a more nimble future. Carriers are also launching a range of innovation labs to ideate faster and easier across the enterprise.

As Guardian's Andrew McMahon puts it, establishing a formal transformation role creates a permanent agenda item among the top brass. "It ensures everybody continues to talk about our innovation agenda and what we need to do as a 158-year-old company to transform ourselves and our industry," says McMahon, who was named EVP of strategy and customer development late last year and charged with developing enterprise strategy and bolstering the life insurer's digital customer experience.

In fact, industry experts say the move to giving transformers a seat at the C-suite table is fundamental to innovation leadership success. "Support from the very top of an organization is critical," emphasizes Robert McIsaac, SVP of research and consulting for Novarica. "CEOs and presidents must create an environment where it is culturally okay for things to be tried that are different, new and unique. This includes making it just as safe to fail, learn and move on – even if the investment is significant – as it is to succeed."

Despite these common headwinds, Guardian and others are committed to transformation leadership by also making Silicon Valley practices a priority. McMahon's company is focused on becoming more data-driven and is preparing to unveil a number of transformation-related projects later this year.

"We're working toward creating a culture where we'll have the human capital to allocate as quickly as we can allocate financial capital," McMahon says. "To start, we're training all 9,000 of our employees, spread across the country, in agile methodology. Then, we'll begin to apply that to all areas of our business."

"We're definitely looking at ways to combine historical data with third-party sources for looking at leading indicators, rather than only lagging indicators, to determine potential policy holder behaviors and provide relevant customer experiences," McMahon continues. "In the end, we want to have a more satisfied client."

Squads fail fast at Argo

One key for incumbents that aspire to transformation leadership is adopting the fail-fast Silicon Valley operating model insurtechs have introduced to the industry. A pioneer in this is Argo Digital, which was formed in August of 2016 with the hiring of Andy Breen for the new position of SVP of digital for Argo Group.

Externally, Argo Digital is pursuing the increasingly common strategy of supporting a venture capital unit for driving innovation while also supplying potential technologies the carrier can use via partnership or outright acquisition.

Internally, however, Argo Digital takes a far more novel approach. Small teams, called digital product squads, tackle business problems of all types by applying iterative methodology to quickly determine which ideas could solve the problem and which should be learned from, but abandoned.

"For instance, we discovered many small businesses customers are actually more time sensitive than price sensitive," says Breen. "Customers express frustration with the historical commercial insurance quoting average of more than two days as it delays projects, loans and other imperatives. Our charge was figuring out how to reduce quote times to two minutes."

Functionally, Argo Digital's squads are composed of about five people. "Teams beyond that size require overlaying structure, process and associated reporting," Breen explains. "This inhibits creativity, interpersonal relationships and — due to activities like reporting — output."

While composition varies depending upon needs, each squad is formed at a project's outset, rather than working from provided documents, and is led by a product owner. Other expertise includes business analysts, designers, data scientists and engineers.

When squads complete their work, successful projects are transitioned to IT and team members move on. In practice, about half of Argo Digital's current projects incubated out of a previous one, where a new opportunity was uncovered. "In such cases, one or two individuals from the original project will stay with the new one, with others added to fill out the needed skill sets," Breen says.

The genesis of Argo's squads occurred about five years ago, when CEO Mark Watson looked to implement a plan to get a jump on the digital revolution. Watson tapped into Breen thanks to the expertise he demonstrated as an adjunct professor at the NYU Stern School of Business, combined with his 20 years of past experience bringing digital products to market for various companies — none of which were insurers.

"During my academic work I created an 'impact vs. complexity' framework that we've expanded at Argo for vetting new ideas," Breen says. "Essentially, we assess the impacts on our customers and our business of an idea versus the technical, operational and regulatory complexities to execute it."

"We assess the impacts on our customers and our business of an idea versus the technical, operational and regulatory complexities to execute it."

—Andy Breen, SVP of digital for Argo Group

Interestingly, Argo discovered the outcome of its vetting framework is non-binary. "Instead, it's definitely no, definitely yes and not now, meaning it's worth re-evaluating quarterly until it becomes one of the other two," says Breen.

With the market competition for related talent high, Breen must go beyond compensation to entice candidates. "We present our industry as one of the few that hasn't been disrupted and tell them 'if you're interested in disruption, you've a chance to do so at scale,'" he says.

It's a particularly compelling argument for veterans of startup companies, says Breen. "They're still passionate about disruption but have been burned by chasing the stock options dream," he explains. "We offer concrete compensation and a work-life balance, while still working on cool technology, such as AI and machine learning, in a cool environment. That really resonates."

AmFam's transformation hub

Another way of leveraging Silicon Valley lessons is evident in American Family Insurance's new digital transformation office (DTO), headed by the insurer's first chief digital transformation officer, Todd Fancher.

With an expected staff of as much as 90 once hiring is completed, the DTO is bringing discipline to defining business problems and then helping the associated unit collaborate with others, both internally and externally, to determine which technologies, partners and ecosystems are needed for the solution. Part of that could be determining that the solution isn't viable for AmFam after all.

"We want to ensure an individual project isn't addressing step four before completing steps one, two and three," Fancher explains. "The goal is building an overall infrastructure where our technologies not only integrate with each other, but also provide us with a flexible, robust and adaptable environment that enables us to offer the ultimate customer experience, regardless of what comes next."

Functionally, the DTO is carrying out its mandate via the activities of three teams: strategy, portfolio management and ignite.

"Although we expect the size of each teams to fluctuate over time, mirroring enterprise needs, every business initiative will flow through the three teams," says Fancher. "During the process, initiatives will also tap into expertise from other departments, including our innovation team, data science lab, AmFam Ventures, IT staff and various other centers of excellence across the enterprise."

At the start of an initiative, the strategy team assists a business unit with laying out a vision and roadmap. This involves breaking down a challenge, formulating a business case and creating a cross-functional team to work on it, which the DTO calls a "pod."

The skill set of strategy team members is akin to a business architect, says Fancher, with individuals having specialized expertise within each of AmFam business line. "At any given time, a strategy team member will understand a line's profit and loss plan for the year, what the operational struggles and customer pain points are, where the gaps are and what initiatives are currently underway or necessary to close those gaps," he explains.

Picking up from the strategy team, portfolio management determines what resources are required to address each pod's requirements, such as collaborating with a data scientist, as well as developing and monitoring key metrics that drive results. "Portfolio management team members have experience in human-centric design, lean start-up and project management," says Fancher. "They know how to break down a problem into an iterative approach in order to create a minimum viable product."

The net result of the portfolio management phase is determining whether a pod should stop, pivot or persevere. "Examples would be stopping a pod because the solution path is proving insufficient, pivoting because assumptions about the customer pain point proved incorrect or persevering because customers have confirmed that the MVP addresses the pain point," Fancher explains.

Ignite team members take persevering pods through lean customer value and lean start-up processes by applying their direct experience lean methodologies. "The ignite team works with the business to ensure a pod only digitizes needed processes," says Fancher. "Then, using lean start-up, ignite helps the business maximize outcomes while de-risking potential solutions."

For 30-year AmFam veteran Fancher, the DTO holds game-changing potential. "Among other projects, we're helping our business marry historical and real-time data to create something more powerful," he says. "Overall, the goal is establishing new, data-driven ways of working to become more proactive and valued in our customers' lives. With the possibilities that new tools and technologies offer us, it's an exciting time."

"We've been working on mortality risk scores over the last few years, and have developed algorithms for them. We realized that the industry and consumers could broadly benefit from a platform like this, if it was transparent."

—Sears Merritt, head of data science, MassMutual

Exploring new angles at MassMutual

When Sears Merritt first took over as head of MassMutual's data science program in 2013, he spent the majority of his first year building up the insurer's data science profile, which was nonexistent, he says. The company went on to open its physical lab in August 2014, and now sports 80 data scientists on staff — divided into senior, middle and junior level roles.

In September 2015, MassMutual also finished construction on a new 5,000-square-foot facility in Amherst, MA, where its data science team operates from today. Employed technologists' knowledge spans a variety of different educational backgrounds, Merritt says, including computer science, statistics, economics and physics.

In order to fill necessary talent gaps early on, MassMutual partnered with five local universities — Smith College, Mount Holyoke, UMass-Amherst, Amherst College and Hampshire College — to create a data science development program. Each year, the company takes five to seven accepted applicants fresh out of college and splits their time up between taking data science courses and working on company projects. All classes and faculty are paid for by the insurer.

"We wanted a way to grow talented junior-level science individuals into mid-level roles within two to three years, and senior roles in about 10," says Merritt. "Some applicants even choose to go forward and get their Master's degree."

The regional insurance carrier also has additional partnerships with Mount Holyoke College and Smith College for its MassMutual Women in Data Science program. The $2 million, four-year curriculum began at both schools in 2015. It's also pledged $500,000 to the University of Vermont's Complex Systems Center for a data science Ph.D. program.

MassMutual's overarching goal is to leverage data science for customer experience optimization. Algorithms built in house are crafted to match consumers up with products and services they want, and how they want it delivered, according to Merritt.

In regards to partnering with outside insurtechs, MassMutual's data science lab only gets involved if the company's venture-capital arm, MassMutual Ventures, finds startups specializing in their domain.

"We help evaluate them," says Merritt, adding that the company has no preference in where innovation comes from. "If data exists on an industrious scale, and we don't have the time to collect and curate the information a startup already has, that's a partnership opportunity. But some problems are fixed best by incumbents because we have data they can't have."

The company's investment in data science is paying off with a newly launched subsidiary, LifeScore Labs, which offers FICO-like life-insurance underwriting risk scores. The initiative was derived from major successes on bigger data science initiatives around risk modeling, says Merritt. Consumers can take results generated from up to 48 different standard underwriting inputs to any carrier for a quote.

"We've been working on mortality risk scores over the last few years, and have developed algorithms for them," Merritt says. "We realized that the industry and consumers could benefit from a platform like this, if it was transparent."

A macro focus at Liberty Mutual

The evolution of innovation labs can be best depicted by insurers' growing focus on making consumers' daily lives easier. In the last six months, Liberty Mutual's innovation center, Solaria Labs, has leveraged third-party data to deploy several new products for consumers in response to developments in the sharing economy, smart home and autonomous vehicles.

Established in 2015, Solaria Labs is treated as a part of a larger innovation ecosystem that includes the insurer's core business and partner network, including startups and original-equipment manufacturers. The lab has two locations: one minutes from Liberty Mutual's Boston headquarters and the other in Singapore, launched last summer.

Despite the disparity in markets, the labs are identical in workflow, Adam L'Italien, VP of global consumer markets innovation at Liberty Mutual says. Each begins by ensuring pitched offerings by product owners, operating as mini CEOs, have a consumer focus. These owners are also responsible for testing their ideas in market and understanding what features need to be built on. Meanwhile, Solaria's applied science team is tasked with developing algorithms needed for the projects. Software developers and designers then build out the functionality for apps and online solutions.

Total Home Score, launched in October, is one consumer-focused product born out of Solaria Labs. The offering uses a customized Shine API to get a clearer picture of residential neighborhoods through 3-D maps, rating road safety and noise levels around homes consumers may want to purchase. The platform's Road Score service also measures the prevalence of aggressive driving in selected areas, while the Quiet Score estimates the noise levels surrounding a home due to traffic or public transportation.

The insurer plans to use the same publicly available data used for Total Home Score to expand the use of Solaria Labs' API and deploy an auto offering in the near future, according to L'Italien. The envisioned product would offer a "safe route" for drivers to follow, in addition to the quickest route or toll avoiding options provided by traditional GPS systems.

In January, the innovation lab also launched Dwellbeing, designed to help homeowners maintain the infrastructure of their property. The platform offers a customized website where users can manage heating, ventilation and air conditioning systems; plumbing; common house appliances; and home safety gadgets. The technology relies on self-reported information from customers to work, but automatically sends mobile notifications to homeowners when maintenance tasks are required.

Liberty Mutual's innovation center, Solaria Labs, works on initiatives related to the smart home and sharing-economy macro trends.

"Instead of just focusing on disruptive forces, and studying them, we wanted to proactively extend protections beyond insurance," says L'Italien, who leads Solaria Labs' efforts along with lab manager Chris Moss. "Now that we have all this knowledge and expertise, we are thinking about how take action to protect people in new ways, including their experiences."

The road ahead

No matter which specific strategies incumbents pursue, the trend toward transformation leadership is expected to advance even as insurtechs continue to push the envelope.

However, it's also important for incumbents to realize that not all insurtechs, no matter how groundbreaking their innovations may seem, will survive. "Frequently the insurtechs fail to respect all of our industry's challenges, particularly around regulations that are in place to protect carriers and consumers," Chow says. "Many insurtechs will eventually hit the same brick walls that incumbents face every day."

For incumbents, this means transcending the industry's preoccupation with insurtechs to also consider and address the impacts of coming generational shifts.

"It's common for the existing dominant cohort to assume the next generation will grow up to be like them, but it's just not the case," McIsaac says. "For example, the upcoming generations are far less interested in automobile ownership. This will likely cause a shift towards insurers contracting with automakers, rather than consumers, with coverage coming packaged within payments made for leasing, or renting, a vehicle."

But for life insurance, say the analysts, upcoming cohorts seem more oriented to products that can adjust or adapt to changing life stages, creating dramatically different product needs and processes than selling and administrating fixed 50-year contracts.

The bottom line is that transformation leadership goes beyond improving existing business models and processes. "For incumbents across all business lines, it's critical to move away from the outdated concept of being all things to all people and decide where you can be competitive," says McIsaac. "This enables focusing capital and human resources effectively to truly be a leader in the transformation to digital."

—Danni Santana contributed to this article. **DI**

Anne Rawland Gabriel *is a contributing writer for* Digital Insurance.

Insurers and startups mingle at Plug and Play's insurtech expo. The insurance-specific program is one of the accelerator's largest.

CREDIT: PLUG AND PLAY

Taking a collaborative approach

Looking to guide insurtech startups in developing effective solutions for the industry, insurance companies are participating as mentors in, and providing financial support for, a range of technology accelerators worldwide.

By Danni Santana

Insurance customer expectations have skyrocketed in recent years due to the simple online experiences provided by organizations in banking and retail. As a result, carriers are looking for new partners and digital technologies to meet this changing demand, and are finding a range of opportunities from an eager insurtech cohort.

Many insurers now partner with startup accelerators, which are quickly becoming a key component of the carrier-tech disruptor relationship. Insurers cite both the speed of product development in these programs, and the ease of access to dozens of startups in one location as major reasons behind the strategy. That popularity has led to dozens of such organizations popping up in major cities around the globe.

"Accelerators have shown maturity. They have their programs they understand how to run, and are not really themselves in startup mode anymore," says Mark Breading, partner at consulting firm Strategy Meets Action. "This is a good thing because the whole insurtech movement is maturing more as well."

How it works

Early-stage companies, without a robust business model in place, often go through incubators, while accelerators are reserved for insurtechs a bit further along in development. The ones popping up in insurance all look to bring something different to the table. While all look to make partnerships with carriers and win venture-capital investment for participants, they vary in size, target specific geographical regions and attract different levels of establishment. Ideally, companies will have some early revenue, but must also have some form of product to showcase. For example, the Des Moines, Iowa, Global Insurance Accelerator works with companies that are slightly less mature than those at Sunnyvale, Calif.'s Plug and Play, which runs several accelerator programs across industries and whose participants often eclipse $100 million in seed funding before joining.

Insurers are open to all levels, however. Many partner with multiple accelerators and local incubators to access diverse ideas, Breading says. According to a January 2018 report by CB

Insights, 30% of insurers consider such programs the most valuable external resource for innovation compared to ideation consultants, industry analysts and venture capital firms.

With such an attentive audience at the ready, competition for entrance into these programs by the startups is intense. A fall 2017 market survey of 10 insurtech programs by Celent found only 2% of the more than 8,500 startup applications received in 2017 were approved by companies.

"Insurance now is one of our most successful programs in Silicon Valley. It's also the largest in just a year and a half of existence," says Ali Safavi, global head of insurtech at Plug and Play. "We are taking an ecosystem-building approach to it — meaning only 10% of everything we do is the actual insurtech program."

Insurers can connect with thousands of startups at any point, Safavi says. Carriers that come calling to Plug and Play typically start by citing a general topic they want to explore, prompting the accelerator to send a list of 20 potential startup partners to the company to evaluate. In the event insurers know the exact product they are looking for, Safavi suggests "having an IT person build it."

"Or you can come in with an open mind, not knowing anything, and learn about technologies outside of your current organization," he says.

The purpose of Plug and Play's accelerator program is two-fold, it says. First, it allows the organization's venture capital arm to find startups worldwide encompassing the skill sets aligned with insurance partners' interests. Second, insurtechs in the ecosystem benefit from more frequent contact with carriers throughout the program.

One of the biggest selling points for the accelerator is structure. With the help of its insurance partners, Plug and Play begins its selection process with roughly 2,000 applications. After two rounds of vetting, 55 are shortlisted for Selection Day, where companies pitch insurers on stage. Of this group, 33 startups are selected and split into three sub-categories: life and health, P&C and general.

The beginning

Plug and Play's insurtech vertical launched in the spring of 2016 with four industry partners: USAA, Munich Re, State Farm and Japanese insurance giant Sompo. Munich Re was the most active, Safavi recalls, due to having been a member of Plug and Play's Internet of Things program since 2015, and having personnel already based in Silicon Valley. Philipp von der Schulenburg, leader of executive innovation strategy, Silicon Valley, at Munich Re, says he pitched the idea of the insurtech vertical to Safavi two years ago. The longstanding relationship with the reinsurer is one of the reasons Plug and Play launched a new accelerator in Munich last November, according to the company.

"I helped form the direction of where the accelerator program should go over time," says von der Schulenburg. "Plug and Play has 14 accelerators, and many of them — including mobile and IoT — apply to insurance. The number of areas [in which] companies are looking to innovate is enormous."

Fresh off speaking to Plug and Play's fourth batch of startups on orientation day, Mar. 27, von der Schulenburg recalls how impressed the reinsurer was in how quickly the accelerator came to fruition. Munich Re is also an active participant in the U.K.-based accelerator Startupbootcamp and Israeli fintech/insurtech program SOSA, he adds.

Ali Safavi of Plug and Play with Shobana Sankaran, VP of insurance for Nauto, a telematics startup from the first insurance program.

The success of the Silicon Valley program has led to insurance taking a larger role in Plug and Play's global strategy. It has launched insurtech programs in New York, Tokyo, Beijing and Singapore, in addition to Munich, over the past six months. The goal is to give startups around the world easier access to local insurers.

Making the case

Signing on with an insurance accelerator is not always an easy sell to carriers for a variety of reasons. Some companies have yet to formalize innovation strategies. Others would rather innovate internally than join a consortium. Those companies that do often create dedicated roles to finding external partnerships.

The Global Insurance Accelerator asks for a substantial amount of commitment from carriers opting to join its group. And mentorship is a big part of the agreement, says Brian Hemesath, managing director of the GIA. For instance, the accelerator expects companies outside of the state of Iowa to fly in three times a year to get involved in the 100-day program. But unlike Plug and Play, the insurance carriers participating in the GIA own the accelerator.

"We don't ask them to write a check to check a box that says 'OK, we are innovating,'" Hemesath explains. "Insurtech accelerators, compared to a general accelerator, are less about the mechanics of a startup and more about making carrier connections and providing a level of insurance industry education when necessary."

The GIA's biggest selling point to insurtechs joining its accelerator is the 60 to 80 insurance carriers based in Iowa, including Grinnell Mutual, American Equity and Iowa Farm Bureau. The organization also provides free housing, and invests $40,000 in program participants in return for a 6% stake in the company.

"We are not, and do not try to be, Silicon Valley nor New York. But once startups realize just how many insurance companies are headquartered in Central Iowa, our program becomes an obvious choice," Hemesath says.

During its three-week-long selection process, the GIA and its member partners first vet interested startups during in-person group meetings, and later select 30 companies to participate in video interviews. From this bunch, a cohort of eight to 10 startups is selected each year. Results vary, but many find insurance partners.

"Communication is not limited to the 100 days," says Hemesath. "One of our startups from the 2017 program is just starting to secure pilots. Others secure them within the 100 days."

The GIA currently has 14 insurance carrier partners, and has intentionally taken a slow path to growth on that front for fear of endangering the value it can provide its members, the company says. Hemesath anticipates adding up to six more partners over the next year. Each will be responsible for appointing anywhere from four to 12 mentors. Member organizations that are not direct investors in the GIA, such as consulting firms, are limited to one or two.

"What started in 2015 as a 40-person mentor pool has now grown to over 160 hand-raisers who contribute various levels of time and expertise each year," he says, adding that investors are getting better in engaging with

Brian Hemesath, managing director of the Global Insurance Accelerator

startups in regards to proofs of concepts and direct feedback.

This results from accelerators' efforts in educating insurance companies on how startups think and work, Hemesath says. Insurtechs are small, and make decisions quickly in their fight for survival. At times those decisions are irrational, as they don't have account executives or vice presidents of sales on staff.

"Startups are also not afraid of failure. They have nine lives, probably more, and can pivot more affordably than global insurance carriers," he says. "The typical corporate environment does not encourage that."

Global phenomenon

Insurers, municipalities and industry organizations are partnering to open a range of accelerator and incubator programs worldwide. Here are some other notable initiatives besides the ones mentioned on the previous pages:

■ **Protechting**

A collaboration between Portugal's Fidelidade insurance giant, China's Fosun congolmerate and a Lisbon-based innovation organization called Beta-I, Protechting graduated a class of 15 startups in 2017.

■ **Silicon Valley Insurance Accelerator**

Located in the heart of the U.S. tech industry, the Silicon Valley Insurance Accelerator operates an innovation lab, bootcamps and networking events for insurers and startups looking to connect.

■ **DMZ**

Aviva Canada partnered with DMZ, a Toronto-based technology networking initiative started by Ryerson University, in 2016 to add insurtech to its portfolio of offerings.

■ **Mundi Lab**

A collaboration between Munich Re and the Spanish investor Mundi Ventures, Mundi Lab completed its first accelerator program with 10 startups in 2017.

Revitalizing classic hubs

Past experiences with mainstay accelerators led the likes of The Hartford, USAA, Travelers and health insurer Cigna to become founding members of a new insurtech accelerator, The Hartford Insurtech Hub. Launched in September, the program administered by U.K.-based Startupbootcamp aims to attract and retain entrepreneurial talent in the city, with easy access to larger markets like New York and Boston.

Its location-based selling point is similar to GIA's: "[Hartford] is the insurance capital of the world," says Beth Maerz, VP of customer experience and innovation at Travelers. "Startups have a great opportunity to gain access to a broad range of companies based here in P&C, health and life. You name it."

The Hartford Insurtech Hub's first batch of 11 startups underwent a demo day on April 18. The cohort was originally introduced to carrier partners by Startupbootcamp, encompassing tech expertise in areas such as artificial intelligence, big data, cybersecurity, the smart home and health.

In order to be admitted into the program, startups must have secured seed funding in the area of $150,000 to half a million dollars prior to applying. Each company also receives a $25,000 cash grant upon entering the accelerator.

"One of the major benefits of the program was that it wasn't just people with innovation in their title that would go to Upward Hartford [the incubator's base location]. We brought people over from all lines of business, and also brought the startups in on regular basis to drive conversation and engagement," says Jill Frankle, AVP of strategic ventures at The Hartford.

The Hartford, along with Travelers, is an active participant in Plug and Play, but also meets startups at conferences and through venture capital firms; a world Frankle came from before joining The Hartford in 2017. She now considers accelerators a key component of innovation, and an efficient way to listen to as many as 30 rapid-fire pitches from companies at once.

"It makes sense to be involved in an accelerator based in Silicon Valley and on the east coast," Frankle adds. "We feel we have good coverage on startups coming through."

More than half of the work insurers face in fostering relationships with insurtechs during accelerator programs is on the educational front. Lessons span topics such as regulation, the need for startups to pivot on business models to better adhere to company needs and the culture shock they will undoubtedly face when working with incumbents for the first time.

"The pace of change won't be as fast as you want, due to our regulatory environment not being as quick," says Jon-Michael Kowall, leader of property product development & innovation at USAA. "Startups pump products out in weeks, while incumbents can take years. Somewhere in the middle is the ideal sweet spot."

For young entrepreneurs attempting to secure pilots with carriers, communication is also a key skill to hone. USAA has deployed dozens of internal pilots with insurtechs, and Kowall notes the most successful startups find a niche in the market. Initial conversations also depict what problems in the insurance value chain the startup will help insurers solve, without getting too bogged down in the technical details.

"Have a clear message and find the right communication rhythm. There's a fine line between hustling and being annoying," Kowall suggests.

In many ways, insurtech accelerators to date have best evolved in their ability to aid startups in pivoting quickly, Maerz says. However, there are a few that "love their own solution too much," and won't adapt – which forces Travelers and other companies to move away.

"I tell the team to be mindful. The startup solution may not be right today, but six to eight months from now they may be doing something different," she adds.

Travelers' overall strategy around startup partnerships is to avoid making expensive two year, $2 million commitments to insurtechs as often as possible. Instead, the carrier opts for low price point, six week engagement to proof of concept opportunities.

In addition to pilots, insurtechs also stand to receive funding from insurance venture capital arms and the investment teams of accelerator programs, like Plug and Play Ventures. According to CB Insights, $2.3 billion were invested in insurtech startups in 2017, spanning 52 deals. The figure is a 36% increase from the $1.7 billion recorded in 2016 by the researcher.

Notably, 65% of industry investments in insurtech where made in companies enabling the insurance value chain. Less than 10% of total funding flowed into startups targeting full disruption of the insurance status quo. Gone are the days of startups hell-bent on kicking out incumbents, with the exception of a few.

Due to the influx of insurance dollars pumped into insurtech, and the rate accelerators continue to mature, it puts the onus on companies to jump on board now before it is too late, says Sabine VanderLinden, CEO of the insurtech business at Startupbootcamp.

"Companies cannot afford to rely entirely on their own research, but should instead buy inventions and innovation processes from others [startups]," she said. "So it is best for the corporate world, in particular those insurers that do not yet have an innovation strategy in place that include external players, to start working on these."

Kevin Dougherty, EVP of innovation and partnerships at Sun Life Financial

The integration challenge

With insurers building up internal innovation labs and practices to drive transformation of their companies, carriers have to look for the right way to strike the balance between internal development and adopting the solutions of the startup insurtechs they are meeting at incubators and accelerators.

Sun Life Financial houses a mobile testing unit within its digital health solutions lab in Toronto. Startups with which the life carrier wants to collaborate are brought in to test their capabilities with as many as 800 policyholders, according to Kevin Dougherty, Sun Life's EVP of innovation and partnerships.

"We run them through a test period and gauge the response from plan members. If it's positive, they will find themselves in our mobile offerings," he says.

Dougherty took over his newly created role on Jan. 15. He was previously president of the carrier's Canadian business. Based in Toronto, Sun Life heavily relies on local accelerators like MaRS to leverage emerging technologies. Insurtechs such as EQ Care, Akira, Maple and Lift Session are among the large number of startups the company has worked with in recent months to bolster its mobile offering.

"We have the highest rated app by plan members [on Google Play Store and App Store]," Dougherty says. "All of our products are available there."

But carriers tend to be agnostic as to the source of innovation, as partnerships with insurtech startups, internal innovation labs and venture capital funds are proven mainstays throughout the industry, says Kim Garland, SVP of commercial auto at State Auto and managing director of State Auto Labs.

The Columbus, Ohio-based company launched its own innovation lab in 2016 before creating a $25 million investment fund in the fall of 2017, in partnership with Rev1 Ventures.

"Venture capital funding is forcing changes to the status quo," says Garland. "Money flowing in to make insurance processes cheaper, faster and better has insurers thinking 'we should act this year, instead of three years from now.'"

At State Auto Labs, Garland's role is to capture all disruptions and innovations that will impact the industry. And while the lab covers many of the hot-button topics permeating insurance, especially with respect to telematics and connected sensors, finding the right balance between internal and external innovation is a tricky concept, he says.

"We recognize that innovation will happen inside and outside of insurance companies, Garland notes. "And if we ignore the innovation going on outside of the four walls of State Auto that would be a big miss."

State Auto felt it was best to have two roles within one person to get identified technologies into the core business faster, Garland added. State Auto Labs itself is a skinny organization, but has connection points to all areas of the core business.

"We decided there will be more change and disruption in the next five to 10 years than in the last 50 years combined," he says. "Insurance companies that deal with it best will be winners. Those who don't will likely be losers." **DI**

Danni Santana *is associate editor of* Digital Insurance. *Follow him on Twitter at @enterSanDan*

Adopting a challenger's mindset in insurance

It's better for incumbent companies to take risks in adapting to new customer expectations than be left behind as new entrants excel.

By Nick Frankland

The balance of power has shifted to the consumer in just about every market, and data is the fuel that enables each interaction to be consumer-centric as this transformation plays out.

In insurance, this manifests itself through new concepts like open banking, where, in exchange for allowing free access to their data, consumers can put themselves in the position of being able to choose the most suitable, best value offer that can be made to them. It offers up a cultural shift in how some customers may choose to think. "This is me, who wants me?" The implications of this are significant in terms of how companies engineer digital services and especially how they plan digital marketing.

The "Show me the best and this is me" paradigm has challenges for all and potential benefits for others, including price comparison. Over the past 17 or 18 years, insurance aggregators have developed from clunky systems to slick, transparent, clear, highly regulated comparison engines. Aggregation and comparison started with home insurance and renter insurance, and now takes in other products and services all the way through to comparing the cost of broadband service in your house, gas prices, and electricity prices.

In a word, this technological capability currently embodies the best hope for entrenched financial services companies to keep existing customers in their orbit. However, it requires a change of mindset, to one that is still a distant destination for most companies in the industry. Beyond thinking of aggregation as a technological tool or capability, companies could aggregate the entire customer journey. Showing customers that they are valued is key.

This type of thinking initially developed in the TV ad space, which promised a free gift for merely interacting with the advertiser. It is beyond the horizon for insurers. However, in my opinion, the direction the industry is moving is such that if companies don't start to adopt a challenger mindset, or alternatively put, the mindset of their challengers, they and their customers will end up in the hands of those challengers.

In all likelihood, those competitors may not even supply the product itself, but will aggregate the product better than anyone else in the market. They tell the customer, "You pick." Their primary, if not total focus is on making the whole user experience seamless, delightful and easy.

Incumbents need to think like challengers. They have everything to lose, and not a lot incrementally to gain — whereas the new kids on the block have nothing to lose and everything to gain. The only way to keep customers locked in your circuit is by making sure they see the value that they are getting from you, and making sure that the balance continues to tip in your favor.

This is exactly where ecosystems have a role to play. It's centered on the idea that a company doesn't have to physically manufacture everything it offers to the consumer. If an ecosystem is beautifully controlled and a joyous experience to use, it doesn't really matter that other people supply it, or what is offered on it.

To achieve the tech portion of this goal, there must be flawless interfaces between systems— excellent APIs are critical. Let's say, for example, that I've got some information on you, and you're in my ecosystem. You have made it clear that you love using our beautiful app, and then we launch a new service app offering travel insurance. You, as the new, empowered consumer would expect to be able to skip re-keying in information that we already have on you.

Here's where the API comes in — it's able to present your data back to you for your travel insurance application. With a few relevant details, my company can make that process easier than you'd expect it to be. Just a few questions, a quick swipe… we know you already, don't we? You've been with us a while. And we don't treat you as if you're a new customer each time you sign on for a new product or service.

This seems so natural that you'd think companies are already doing this. Yet interestingly, nearly all insurance and banking processes have a way to go towards this.

I recently had the experience of moving to a new house. Coming from a senior position in banking for the previous 15 years, and having no mortgage on the house I was leaving, I thought it would be a piece of cake to apply for a small mortgage on the new house through my bank. Well, pages and pages of applications later, necessitating the repetition of all manner of information my bank already has on me, I began to think, "What is it that makes financial services unable to think Uber?" The process doesn't need to be this tedious and difficult.

Companies have got to have good data systems and excellent user experience capability. If they don't want their customers to have to retell them who they are each time, companies have got to have good ATI technology to link to services they might also need. I am hoping that our insurance industry is starting to think like that — we need to. **DI**

Nick Frankland *is managing director of Fintech at Legal and General Insurance.*

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Fostering a culture of innovation in insurance

Insurers need to nurture 'intrapraneurs,' uniquely talented individuals that look for effective ways to transform their companies from within.

By Paul Leahy

They don't measure success by money. They don't accept the status quo. They are a rare blend of confidence and humility. And they are an indispensable part of every successful company: They're intrapreneurs.

The concept of "Intrapreneurship" was first developed by Gifford Pinchot III and his wife, Elizabeth, in 1978 while attending the Tarrytown School for Entrepreneurs in New York. Like entrepreneurs, these risk-takers possess conviction, passion and drive. The differences is that while an entrepreneur works to build something on his or her own, an intrapreneur operates within an existing organization and is motivated to move their company forward. Intrapreneurs can often be found working for a major organization — like, for example, a large insurance company — enabling them to make a significant business impact.

Intrapreneurship is mostly about conceiving an idea and playing it out in thought. Proactive by nature, intrapreneurs seek feedback about their ideas and are willing to listen to what their contemporaries have to say. Intrapreneurs take their ideas and try to overlay them on the existing organization of their business to create new products and distribution models. Once an idea has morphed into a plan, the focus quickly shifts to putting the plan into action.

For a company to address and nurture new and innovative ways of doing things, intrapreneurs must not only recognize potential barriers, but also address how to break them down. It's because of this cultural challenge that many startups and nontraditional players succeed faster and with greater results.

"It's better to beg for forgiveness than to ask for permission" is a phrase that's misused in many corporate settings. However, at AmTrust Innovation, our intrapreneurs often apply this belief to challenge the norm. Taking this step makes it possible to achieve our desired outcome and create new opportunities to reach customers through new distribution channels.

Rare finds

Intrapreneurs, like four-leaf clovers, aren't easy to find. When an employer discovers one within its organization, it should support, even empower, this individual, rather than squashing or derailing his or her ideas. Let's look at some of an intrapreneur's core attributes:

- **Self-belief –** Intrapreneurs have to believe in themselves before they can win over the support of their colleagues.
- **Fearlessness –** These forward thinkers refuse to allow fear to slow their momentum. Not being afraid to speak up and stand by what you believe in is an absolute must for moving forward.
- **Drive –** Consultant Gifford Pinchot writes that intrapreneurs are "dreamers that do."
- **Inventiveness –** Innovation is in every intrapreneur's DNA. It's a key driver of not only change, but also advancement.

Fostering a culture of innovation

To be truly innovative, a company must be willing to venture outside its comfort zone. Here are a few organizational best practices that will empower intrapreneurs, while positioning their companies for future success:

- **Blasting away barriers.** Many things can challenge a great idea, from dealing with protracted red tape to seeking buy-in and the ultimate green light from upper management. By removing these barriers, a culture of innovation will provide the ideal environment for these individuals to flourish. There are trigger statements every intrapreneur should learn to recognize. The best way to combat them – the kind dripping with doubt – is to simply ask "Why?" and then begin working on ways to refute them. Here are some examples: "We've never done it this way before." "The system can't do that." "That will cost too much." Statements like these shouldn't be deal-breakers, but rather indicators that disrupting the norm could have a positive effect on your company.
- **Rallying behind risk-takers.** Fear of failure is an anti-innovation trait we must remove from the physiology of our budding innovators in the insurance industry. One should fail often in order to find a solution to a problem. Or, in the case of insurance, take risks — an approach that isn't aligned with most disciplined actuaries. Intuition and gut feel should inform a decision or action. It's best to fail fast and often to learn. Then correct the fault; adjust the offer; and test again.
- **Promoting collaboration and cohesion.** While providing protection within an innovation unit is a solid practice, we must avoid housing our innovation people in a separate unit. This practice will almost definitely foster a "them versus us" mentality. True and real innovation only comes from inclusion across the entire company. Every employee should be encouraged to participate in innovation, not just a select few.

Remember: Intrapreneurs are everywhere, and some of their innovations have touched millions of people – perhaps even you. **DI**

Paul Leahy *is president of innovation at multiline P&C insurer AmTrust.*

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