

2017 Edition

# How Insurers Can Prepare for the **Digital Revolution**

The secret to using data, communities, and channels to better serve customers and deliver results



Run Simple

## ROBERT AND BIRGIT'S POINT OF VIEW



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Dear Customers,

The digital economy and recent advances in technology are dramatically changing the way insurance is bought and sold, creating new insurance ecosystems and a new breed of competitors. We will see more change in the next 10 years than have been seen in the past 300 years in the insurance business.

We believe that the industry is heading towards a new insurance paradigm that focuses on risk mitigation and prevention, rather than on financial compensation for a loss. This trend will transform policy holders into customers, and leading insurers are already engaging with their customers in conversations about lifestyle, health, travel, driving, and recreational activities. We have already observed how this approach results in new products and engagement channels that turn insurance into a live business.

By 2019, there will be an estimated 2.5 billion people connected on personal and business social networks worldwide.<sup>1</sup> Plus, an estimated 200 billion devices will be linked to each other through the Internet of Things.<sup>2</sup> Connected cars, homes, and health will enable a connected digital economy that will change how we work, live, and function as a global society.

Successful companies are reimagining their business models, transforming their business processes, and enabling their workforce to deliver new customer value and live business outcomes in the connected digital economy. In working with leading companies across the globe, we see investments and energy around five strategic priorities:

- **Digital lifestyle insurer**
- **Connected insurer**
- **Data-driven insurer**
- **Consistent and customized omnichannel experience**
- **Product agility**

SAP is supplying innovation that allows real-time access and processing across these priorities. We also provide cloud options across the full enterprise to provide flexibility not previously seen. These innovations are transforming restrictive legacy environments into modern connected platforms that help insurers leapfrog the market.

In this paper, we will explore the emerging trends and answer fundamental questions about the future of insurance. We are looking forward to joining you as a trustworthy partner and advisor on this transformation journey to the digital economy.

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# THE DIGITAL ECONOMY

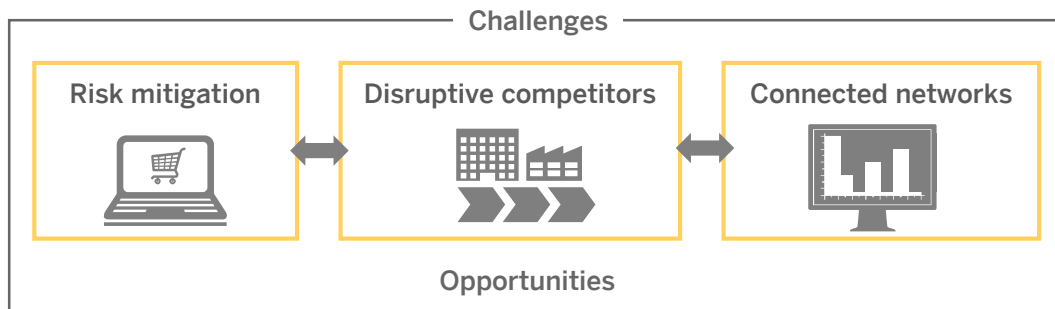
## Big Picture: The digital economy is reshaping insurance

In order to take advantage of the digital economy, insurers need to address three key challenges. First, they must better manage risk mitigation by evolving from a pure financial loss compensation focus to a physical risk prevention mode. Next, they must meet the challenges from disruptive competitors by adopting an innovative approach that enables rapid solution development and rollout. Last, they must manage the enormous amount of data generated by connected networks to develop and deliver leading-edge products and services.

Technology trends



Digital business models are disruptive. The rules have changed.



Addressing these challenges not only requires a business mind-set and dedication, but it also requires a digital business core to facilitate transformation. This digital environment must be managed by modern technologies that can interact across all customer engagement channels as well as the Internet of Things (IoT). Insurers must keep this in mind as they consider changes to their business models.

Let's consider some of these new technologies and how they impact the industry. Artificial intelligence and machine learning enable more secure processes and transparency to accommodate risk mitigation. Cloud-based solutions that are easily enhanced and quickly rolled out allow insurers to better meet the increasing expectations of their customers. The ever-growing amount of IoT data provides an opportunity to connect this information and deliver innovative products and services, which will improve customer loyalty and satisfaction.

Insurance has traditionally been slower to change than other industries. However, the time has come for insurers to reimagine their entire business to take advantage of opportunities offered in the digital economy. In order to do this, they must define the strategic priorities which will guide their digital transformation.

Do these look like traditional insurance services?

- **Esurance** insures 5 million people. It was founded in 1999 as an online-only business and has grown rapidly.<sup>3</sup>
- **Haven Life**, a spin-off of MassMutual, announced it can approve consumers for new term life insurance policies in roughly 20 minutes.<sup>4</sup>
- E-aggregators launched **Moneysupermarket**, a new channel allowing consumers in the United Kingdom to compare prices and buy insurance and other services online.<sup>5</sup>
- New business networks from **State Farm** and **ADT** offer protected, connected homes.
- **Volvo, Mercedes Benz, and Google** will cover damage caused in self-driving car crashes.<sup>6</sup> Which role will insurers play in this scenario?

METEOPROTECT

8x

Faster scenario pricing for policies with the SAP HANA® platform<sup>7</sup>



94%

Faster reporting on aging and rediscount processes (from 2 working days to 1 hour)<sup>8</sup>

# THE DIGITAL ECONOMY

## The Future: Priorities for insurance companies

### Strategic priorities for insurance companies

In this situation, where the opportunity is huge, but at the same time new market entrants are threatening traditional insurance companies, it is essential to focus on the right strategic priorities to drive digitalization across the business.



- 1. Digital lifestyle insurer:** Insurers must analyze their customer's behavior and points of view in order to succeed in the digital age. This lifestyle view will drive what products are created and what services are offered when and where. Specialization of customer requirements will continue to grow, impacting every aspect of the insurance value delivery.



- 2. Connected insurer:** Insurers need to capture and monitor customer experiences through sensors and devices, and this data is growing exponentially. It is critical for insurers to track this customer behavior by leveraging data from the intelligent connections between people, processes, devices, and data. Then they must be able to share this meaningful, actionable sensor information across their enterprise on one secure platform to optimize channel management, product creation, and service delivery.



- 3. Data-driven insurer:** Insurers need to take action on key insights provided by IoT applications and related insurance services. They must simplify the process of collecting customer data from disparate equipment types to make more effective, informed decisions and realize the full value of IoT.



- 4. Consistent and customized omnichannel experience:** Insurers have to attract, cultivate, and retain customers by managing an integrated, multichannel environment with solutions that maximize customer engagement throughout the entire customer lifecycle. They need to create consistent loyalty-building experiences that will help them meet the expectations of customers in today's digital world.



- 5. Product agility:** Insurers have to deliver innovative products to market quickly while maintaining existing products more efficiently. Insurers should be able to bundle products across lines of business, even with non-insurance products and services, to deliver tailored products to specific customer segments and distribution channels.

Successfully embracing the opportunities from new technologies and consequently addressing these five strategic priorities will be the foundation of successful digitalization in order to stay ahead of the innovation curve.

### REIMAGINING

But how do you achieve these strategic priorities? The starting point of the digital journey is the ability to reimagine your business together with customers. That means reimagining your business models, your business processes, and your work. The potential is huge:

**10%**

Of the data in the digital universe will be coming from embedded systems by 2020<sup>9</sup>

**\$6.2 trillion**

Is the estimated global worth of Internet of Things technology by 2025<sup>10</sup>

**\$1 trillion**

Is the estimated size of the machine-to-machine (M2M) market by 2020<sup>11</sup>

**33%**

Of companies are already using or developing IoT projects, and another 25% are actively evaluating IoT projects<sup>12</sup>

## DIGITAL TECHNOLOGIES

### Three Technology Trends Changing Everything

Digital technologies are driving an unprecedented wave of innovation. Each of the three technology trends below is rapidly ascending from breakthrough idea to commercial scale and is enabling value creation in a digital world. These technologies are providing the digital tools to address the challenges and opportunities facing the insurance industry.

#### ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING: Risk mitigation



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Artificial intelligence and machine learning are fast becoming the new normal, allowing insurers to make data-based decisions in real time. These technologies provide sophisticated analytics that enhance risk mitigation strategies, such as those used during the policy application and claims management processes. For instance, models can be built to help identify the likelihood of a policy applicant to commit fraud, helping to weed out bad-risk customers. Likewise, other models can be developed to assess the likelihood of a claim being fraudulent, which supports the prioritization of the claim caseload and the overall effectiveness of the department.

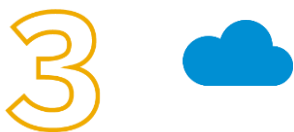
#### INTERNET OF THINGS: Connected networks



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With the Internet of Things, the intelligence of the external world is brought to insurance companies, enabling them to create new value or enhance value from within the countless connections all around. Technologies like sensors are becoming more widespread, and customers expect their insurers to use and innovate with these technologies. For instance, with a connected car, services might include parking or roadside assistance. For a connected home, the service could be real-time responses to sensor-detected issues, such as automatically dispatching a plumber to the house in the event of a water leak.

#### CLOUD: Disruptive competitors



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The speed of solution development from insurtechs needs to be met head-on with a real-time platform that supports rapid solution innovation. With cloud-based standardized solutions, insurance companies can innovate faster and efficiently manage the rollout of solution enhancements and updates. The cloud provides the quickest path to deliver new business models and software upgrades to keep up with rising customer expectations and competitive offerings. An example would be the seamless rollout through the cloud of a more customer-friendly user interface to manage the policy application process.



# REIMAGINING

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## THE DIGITAL ECONOMY OFFERS INFINITE NEW OPPORTUNITIES

In a connected world where every company can be a technology company, smarter products and services will change insurance and blur industry lines.



## REIMAGINE BUSINESS MODELS

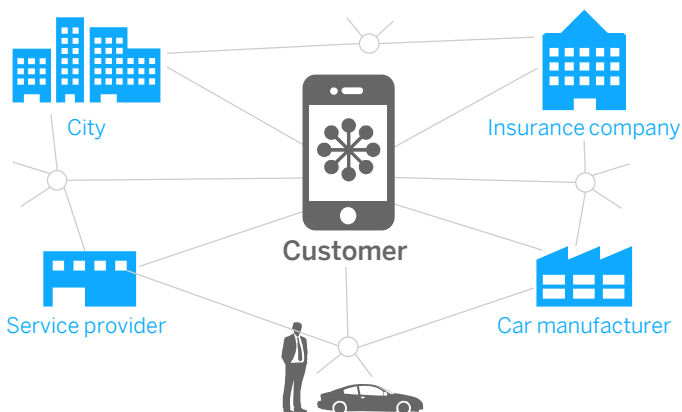
Disruption is all around us, driven by new insurance and insurtech players, shifting consumer behaviors, and innovative technologies. We will succeed not through incremental change, but by fundamentally reimagining our business models with these **strategic priorities**.

**Digital lifestyle** insurers track their customer's behavioral data, which is gathered from devices.

The data is then used to create offers for products and services that are personalized for the customer. As an example, the insurer may offer a wearable-fitness-tracker customer a discounted health club membership, healthy food discounts at a natural foods store, or gift card rewards.

The benefits for the digital lifestyle insurer are significant, including:

- Proven improvement in customer retention; it can cost up to 7x more to acquire a new customer than to retain one
- Additional opportunities to cross sell and up sell due to increased customer interactions
- Improvement in customer loyalty and social media promotion, which generates new customer interest



**Connected insurers** use the Internet of Things to create new value from the countless connections.

Connected sensors allow insurers to gather important customer data and create offers for products and services. In addition, these offers can be enhanced by collaborating with other industries such as automotive, the public sector, and service providers.

For instance, in the automotive industry, integrated telematics devices support new product offerings such as "pay as you drive" and "pay how you drive" insurance policies. For the public sector, city flood insurance coverage may be bundled with drainage sensors to manage potential flooding areas. The opportunity to bundle policies with other industry sensors increases the connected insurers potential revenue streams.

**Data-driven insurers** make dynamic use of data.

With vast amounts of data from artificial intelligence and machine learning, insurers can develop better predictive capabilities. This information is critical in improving operational business processes and mitigating risk.

The data-driven insurer iteratively improves its predictive models based on continuous learning from customer interactions. For example, detecting the contributing factors for early drop-off points during the online policy application process can lead to changes which improve conversion rates and revenues.



**\$45 billion**

Insurance company savings over the next five years in the U.S. alone from IoT car safety technology<sup>13</sup>



**KPMG**

"Those that are able to create the partnerships to develop the right products and services to meet future market demand will ultimately win the race."<sup>14</sup>





## REIMAGINE BUSINESS PROCESSES

Digitalization will impact every aspect of the insurance value chain, from customer interaction through underwriting, to claims management. Insurers can use this to their advantage. Leading insurers are addressing the following areas to great success.

### Strategic priorities

#### Consistent and customized omnichannel

**experience insurers** offer a consistent omnichannel experience and 24x7 dialog in order to retain customers.

They use social networks as a source of information since management of affiliated groups is getting more and more important. They suggest products and services in real time based on geolocalization and profiles, offering micro- and ad hoc insurance combined with retail offers. These insurers provide accurate individual pricing based on better data-driven risk profiles.

**Product agility insurers** design new products by making use of connected objects and integrating them in pricing, new services, risk, and fraud management.

They incubate new products with embedded, user-defined testing rules, which are configured by business users on multiple products in parallel. They utilize product factory concepts to build a library of product features that can be assembled and implemented, improving speed to market by more than 30%.

### Other valuable priorities to consider

**One-to-one underwriting insurers** increase the speed and accuracy of the underwriting process, leveraging the availability of more data.

They improve risk evaluation by leveraging sensors and connected device data. They also use customer data for more refined risk segmentation and pooling, and for more attractive pricing with a more profitable risk profile.

**Automated claims management insurers** transition to fully automated no-touch claim handling.

They extend the business chain across the company and tap into supplier networks (for example, goods replacements). They

predict and prevent damages by leveraging connected devices and geolocation data. These insurers reduce fraudulent claims through the use of better self-learning fraud detection solutions.

#### Real-time research and development insurers

develop a digital strategy and digital culture with a “fail early, fail often” mentality.

They analyze digital threats and opportunities, potential scale, and alternative responses. They look outside the usual competitors at disrupters in other industries to determine if they are competitors, partners, or both.

**71%**

Of respondents to an SAP/Forrester survey cited improving the use of data and analytics to improve business decisions and outcomes as a high IT priority in the next 12 months<sup>15</sup>

**67%**

Of respondents to an SAP/Forrester survey cited expanding the use of Internet of Things (IoT) technologies as a top-ranked IT priority in the next 12 months<sup>15</sup>



## REIMAGINE WORKFORCE

**Digitalization changes how employees learn, interact, and grow. The digital economy places high demands on the skill sets, competencies, and flexibility of the workforce.**

**New skills and new roles** are enabled by the digital transformation. Reimagined processes automate manual tasks, enrich jobs, and drive efficiency, which decreases the need for repetitive tasks and some of the associated roles that operate on structured data. They also create the demand for new competencies, such as the need for data scientists in insurance and better underwriting knowledge. Insurers must develop and calculate new insurance products and premiums for pay-as-you-drive and pay-as-you-live concepts.

**Employees are changing** as much as the insurance customer. In a global talent market, new skill sets, flexible employment arrangements, and a rising millennial generation make it more challenging to train workers and develop leaders.

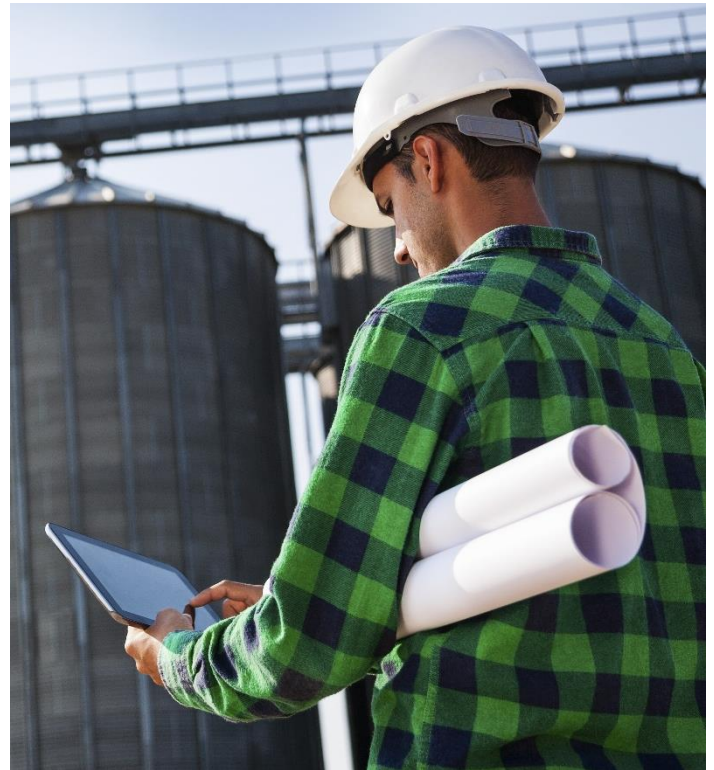
People are the most important asset to an insurance company, but many are struggling to collect and analyze the data required to develop leadership and create cultures of continuous learning. We must equip staff with the right tools to feel comfortable in the digital economy.

**Shift mind share to higher value tasks** through digitalized operations. Digital business processes empower employees to shift the focus away from manual paper-based processing towards value-added tasks. Digitalizing processes will free up resources to provide higher-value decision making and analysis. Skilled underwriters and claims people will support higher-complexity risk assessments, pricing, fraud detection, and claims handling.

**“With SAP SuccessFactors® solutions, we have introduced a unique dialogue and performance culture that motivates employees and puts us ahead of our competitors.”<sup>16</sup>**

Jonas Jatsch, Compensation & Benefits Manager, Baloise Holding AG

**Digitalization can improve employee satisfaction.** Employees are happier when supplied with the right information at the right time on the right device. Predictive and self-learning systems that interact with employee devices and business processes allow insurers to redefine sales and service operations. Mobile devices such as tablets enable insurers to innovate and deploy intuitive solutions for sales and agency managers. Having access to the right information on the right device empowers insurers to become truly digital.



**86%**

Of companies cite leadership as one of their most important challenges, yet only 10% believe they have an excellent succession plan<sup>17</sup>

**40%**

Of employees say HR has a good understanding of their skill sets<sup>18</sup>



# SAP® DIGITAL TRANSFORMATION FRAMEWORK

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**A SIMPLE AND PROVEN  
APPROACH TO VALUE CREATION  
THROUGH DIGITALIZATION**

Every insurer requires a simple digital approach to build a pragmatic and executable vision of its digital strategy.

# SAP DIGITAL TRANSFORMATION FRAMEWORK

Every company needs to think about the five pillars of a digital strategy

The digital economy is still evolving, which creates challenges for insurance companies as they transform into a digital business.

But, by aligning transformative actions with the five pillars of digitalization, businesses can more easily transition in stages, creating a digital core and extending digital functions across the enterprise.

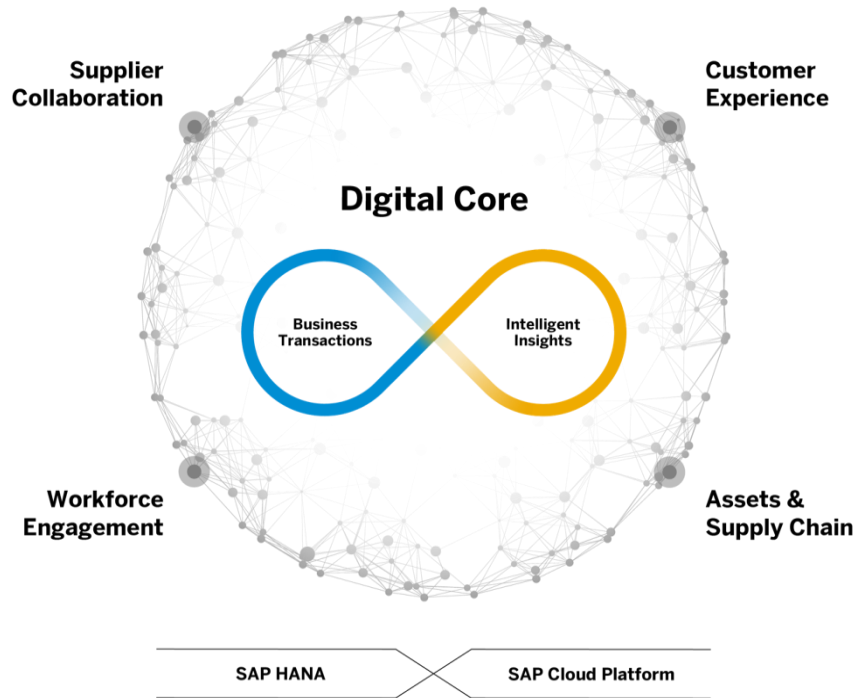
The approach of reimagining business models, business processes, and work helps create a digitalization road map.

As companies are reimagining their entire business, they need an IT architecture that provides both stability and long-term reliability for the core enterprise processes, and at the same time allows for flexibility in areas where change is happening on a constant basis.

This concept, which is often referred to as “bimodal IT,” is brought to life through the SAP® Digital Transformation Framework methodology, pictured below.

A single end-to-end platform enables digitalization of the entire business process. The five pillars of digital strategy provide a strong foundation for insurers as they enter the digital economy.

1. Outcome-based customer-centric experiences across all channels
2. Smarter and engaged workforce across all employees and contractors
3. Big Data utilizing the Internet of Things to drive real-time customer engagements and enable better regulatory compliance and risk management
4. Expanded business networks that accelerate growth and co-innovation through collaboration
5. Re-platformed digital core business processes that bring together transactions and analytics in real time to make the business smarter, faster, and simpler

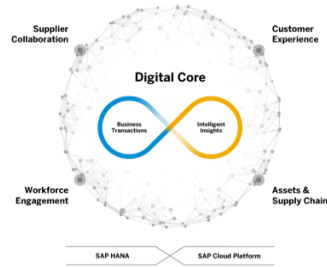




# SAP PORTFOLIO WITH SAP S/4HANA AND SAP LEONARDO

SAP has innovated its portfolio to provide for a stable digital core and flexible line-of-business (LoB) extensions.

In the digital economy, simplification and business innovation matter more than ever. To do this effectively, it's important to cover the end-to-end digital transformation journey, ranging from planning a digital innovation road map and implementation plan with proven best practices to the ability to run all deployment options, and ultimately optimize for continuous innovation with a focus on outcomes. Processes are designed from the outset to flow end to end across the cloud-based solution extensions, shown in the white bands in the image, are fully integrated to SAP S/4HANA Enterprise Management solution and are optionally deployed to address business needs. The solution capabilities shown in the dark blue band, the digital core, are delivered as part of SAP S/4HANA Enterprise Management. The lighter blue band, also in the digital core, reflects capabilities that are part of SAP S/4HANA Enterprise Management, but added on as needed.



Digital Innovation SAP Leonardo	<ul style="list-style-type: none"> <li>Connected car, home, healthcare</li> <li>Customer retention</li> <li>Vehicle insights</li> <li>Msglobal IoT analyzer</li> <li>Connected parking</li> </ul>	Brand impact		<ul style="list-style-type: none"> <li>Fraud management</li> <li>Usage based insurance engine</li> </ul>
Extensions	<b>DIGITAL ORCHESTRATION</b> <ul style="list-style-type: none"> <li>Business process management</li> <li>Process integration</li> </ul>	<b>CUSTOMER ENGAGEMENT</b> <ul style="list-style-type: none"> <li>Omnichannel</li> <li>Marketing</li> <li>Commerce</li> <li>Sales</li> <li>Business partner: underwriting commissions</li> <li>Service</li> <li>Loyalty</li> </ul>	<b>PRODUCT AGILITY</b> <ul style="list-style-type: none"> <li>Hybrid product definition</li> <li>Insurance rating</li> <li>Contracts and cases</li> <li>Product lifecycle management</li> </ul>	<b>CORE INSURANCE OPERATIONS</b> <ul style="list-style-type: none"> <li>Policy</li> <li>Claims</li> <li>Collections and disbursement</li> <li>Reinsurance</li> <li>Distribution</li> </ul>
Digital core	<ul style="list-style-type: none"> <li>In-memory platform for insurance</li> </ul>	<ul style="list-style-type: none"> <li>Fiori apps and UIs</li> <li>Integration with SAP Hybris solutions</li> <li>Hybris as a service on cloud platform</li> </ul>	<ul style="list-style-type: none"> <li>Product and quotation management for insurance</li> <li>Msg,PM</li> </ul>	<ul style="list-style-type: none"> <li>Accounting</li> <li>Cost management and profitability analysis</li> </ul>
<b>SAP S/4HANA Enterprise Management</b>				
Extensions	<ul style="list-style-type: none"> <li>Collaborative sourcing, contract management</li> <li>Invoice and payables management</li> <li>Supplier management</li> <li>Procurement analytics</li> </ul>	<ul style="list-style-type: none"> <li>Human capital analytics</li> <li>Core HR and payroll</li> <li>Time and attendance management</li> </ul>	<ul style="list-style-type: none"> <li>Accounting and closing operations</li> <li>Accounting</li> <li>Cost management and profitability analysis</li> </ul>	<ul style="list-style-type: none"> <li>Accounting and closing operations</li> <li>Accounting</li> <li>Cost management and profitability analysis</li> </ul>
Extensions	<ul style="list-style-type: none"> <li>Spend visibility</li> <li>Procure to pay</li> <li>Collaborative commerce</li> <li>Collaborative finance</li> <li>Procurement</li> <li>Claims, service &amp; product integration</li> </ul>	<ul style="list-style-type: none"> <li>Workforce engagement</li> <li>Talent management</li> <li>HR administration</li> <li>Contingent labor</li> <li>Travel and mobility</li> </ul>	<ul style="list-style-type: none"> <li>Cash and liquidity</li> <li>Financial asset management</li> <li>Trading and investment execution</li> <li>Real estate</li> </ul>	<ul style="list-style-type: none"> <li>Finance planning: consolidation</li> <li>Governance, risk, and compliance</li> <li>Profitability</li> <li>Insurance analyzer</li> <li>Digital boardroom</li> <li>Predictive analytics</li> </ul>
Digital Innovation SAP Leonardo	<b>BUSINESS NETWORKS</b>	<b>RESPONSIVE WORKFORCE</b> <ul style="list-style-type: none"> <li>Resume matching</li> <li>Job matching</li> <li>Service ticketing</li> </ul>	<b>LIQUIDITY AND INVESTMENTS</b>	<b>FINANCE, RISK, AND PROFITABILITY</b> <ul style="list-style-type: none"> <li>Invoice matching</li> </ul>

SAP Cloud Platform  
Customize applications | Integrate apps, data and processes | Build new apps

- Digital core: Core solution capabilities delivered as part of SAP S/4HANA Enterprise Management
- Digital Core: Solution capabilities that are also part of SAP S/4HANA Enterprise Management, but added/purchased as needed.
- Extensions: Cloud-based (LoB) solution extensions that are *fully integrated* with SAP S/4HANA Enterprise Management, but added/purchased as needed.
- Leonardo: Solution capabilities that are powered by a Leonardo technology and included in the Leonardo suite and how to add/purchase is not shown on this diagram.

Learn more about SAP solutions today and discover planned innovations by accessing SAP's road map for Insurance here:



Digitally reimagine your business models through **new business capabilities** along a value map

## Insurance companies need to focus on risk mitigation and prevention, rather than on compensation for a loss

1. Leading insurance companies will use the explosion of information to turn data into insights to get closer to their customers.
2. Successful companies are reimaging their business models to deliver new customer value in the connected digital economy.

	Digital Orchestration	Customer Engagement	Product Agility	Core insurance Operations	Business Networks	Responsive Workforce	Liquidity and investments	Finance, Risk, and Profitability
<b>Digital lifestyle insurer</b>	<ul style="list-style-type: none"> <li>Connect people, processes, devices, and data through channel management</li> </ul>	<ul style="list-style-type: none"> <li>Empower customers to start interactions over a variety of channels, including self-service portals</li> </ul>	<ul style="list-style-type: none"> <li>Bring products to market quickly and maintain existing products more efficiently</li> </ul>	<ul style="list-style-type: none"> <li>Provide intuitive product-related adaptations and automated business transactions</li> </ul>	<ul style="list-style-type: none"> <li>Settle claims with the best pricing and quality service from a network of repair providers</li> </ul>	<ul style="list-style-type: none"> <li>Digitalize processes to free up resources who can provide higher-value decision making and analysis</li> </ul>	<ul style="list-style-type: none"> <li>Leverage real-time processes such as cash allocation and working capital analysis</li> </ul>	<ul style="list-style-type: none"> <li>Use simulation and analysis to evaluate financial implications of strategic business choices</li> </ul>
<b>Connected insurer</b>	<ul style="list-style-type: none"> <li>Offer IoT-related services for auto, home, and health insurance</li> </ul>	<ul style="list-style-type: none"> <li>Deliver a contextual experience across all touch points with the policyholder</li> </ul>	<ul style="list-style-type: none"> <li>Create new product offerings based on customer usage of sensors and devices</li> </ul>	<ul style="list-style-type: none"> <li>Enable immediate updates of an accident through the Internet directly tied to claims management</li> </ul>	<ul style="list-style-type: none"> <li>Use telematics and sensors to track accident information with emergency service notifications</li> </ul>	<ul style="list-style-type: none"> <li>Initiate responsive reactions to events, such as emergency services for accidents and police for home intrusion</li> </ul>		
<b>Data-driven insurer</b>	<ul style="list-style-type: none"> <li>Leverage data and monitor customer behavior through sensors and devices</li> </ul>	<ul style="list-style-type: none"> <li>Provide a single view of your customers, quotes, products, and applications</li> </ul>	<ul style="list-style-type: none"> <li>Support vehicle-centric products and services with data from a connected vehicles network</li> </ul>	<ul style="list-style-type: none"> <li>Collect customer data from disparate home, health, and autosensor equipment</li> </ul>	<ul style="list-style-type: none"> <li>Use analytics to track claims process status and overall claims management performance</li> </ul>	<ul style="list-style-type: none"> <li>Manage the demand and supply of resources with predictive capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Enable immediate insight into the financial position of the entire organization</li> </ul>	<ul style="list-style-type: none"> <li>Enable predictive forecasts and dynamic simulation</li> <li>Rapidly design new profit and loss business models</li> </ul>
<b>Omnichannel experience</b>	<ul style="list-style-type: none"> <li>Track customer experiences across all touch points</li> </ul>	<ul style="list-style-type: none"> <li>Create loyalty-building experiences that help you meet the expectations of customers in today's digital world</li> </ul>	<ul style="list-style-type: none"> <li>Bundle products across lines of business and even with noninsurance products and services</li> </ul>	<ul style="list-style-type: none"> <li>Deliver policy administration processing on a single, automated platform</li> </ul>	<ul style="list-style-type: none"> <li>Provide policyholder notification of repair status through omnichannel (text, mobile, Internet, and so on)</li> </ul>	<ul style="list-style-type: none"> <li>Supply policyholders with the right information, at the right time, on the right device</li> </ul>	<ul style="list-style-type: none"> <li>Provide online account capabilities, including investment and financial management</li> </ul>	<ul style="list-style-type: none"> <li>Provide online account capabilities, including product, services, and risk management offerings</li> </ul>
<b>Product agility</b>	<ul style="list-style-type: none"> <li>Collaborate on product lifecycle design, creation, and direct processing of insurance policies</li> </ul>	<ul style="list-style-type: none"> <li>Deliver tailored products to specific customer segments and distribution channels</li> </ul>	<ul style="list-style-type: none"> <li>Deploy flexible design and agile product configuration options</li> </ul>	<ul style="list-style-type: none"> <li>Tailor products to specific customer segments and distribution channels.</li> </ul>	<ul style="list-style-type: none"> <li>Incorporate a strategic and agile global supplier network into your product offerings</li> </ul>	<ul style="list-style-type: none"> <li>Train underwriters to support complex risk assessments and product pricing</li> </ul>		<ul style="list-style-type: none"> <li>Adopt proactive fraud prevention capabilities into product offerings</li> </ul>
<b>Typical business benefits*</b>	<ul style="list-style-type: none"> <li>New products revenue: +10% to +20%</li> <li>Meets revenue targets: +15% to +20%</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction: +10% to +20%</li> <li>Strengthen customer engagement and loyalty</li> </ul>	<ul style="list-style-type: none"> <li>Higher premium income growth</li> <li>Expand sales opportunities and cross-selling</li> </ul>	<ul style="list-style-type: none"> <li>Lowered expense ratio</li> <li>Higher premium income growth</li> </ul>	<ul style="list-style-type: none"> <li>Cost of procurement: -15% to -20%</li> <li>Worker acquisition time: -30% to -40%</li> </ul>	<ul style="list-style-type: none"> <li>Time and attendance function cost down</li> <li>HR FTEs: -44%</li> </ul>	<ul style="list-style-type: none"> <li>Increase investment returns</li> <li>Improve risk control</li> </ul>	<ul style="list-style-type: none"> <li>Days to close annual books: -40 to -50</li> <li>Budget and forecasting cost: -25% to -50%</li> <li>Audit cost: -20% to -40%</li> </ul>

Internet of Things      Machine Learning      Analytics      Blockchain      Big Data

Digital Innovation SAP® Leonardo

	SAP Cloud Platform	Analytics Services	UX Services	Mobile Services	Security Services	Collaboration Services	
	DIGITAL ORCHESTRATION	CUSTOMER ENGAGEMENT	PRODUCT AGILITY	CORE INSURANCE OPERATIONS	RESPONSIVE WORKFORCE	LIQUIDITY AND INVESTMENTS	FINANCE, RISK, AND PROFITABILITY
<b>Extensions</b>	<ul style="list-style-type: none"> <li>Connected car, home, healthcare</li> <li>Customer retention</li> <li>Vehicle insights</li> <li>Msg. global IoT analyzer</li> <li>Connected parking</li> </ul>	<ul style="list-style-type: none"> <li>Brand impact</li> </ul>		<ul style="list-style-type: none"> <li>Fraud management</li> <li>Usage based insurance engine</li> </ul>		<ul style="list-style-type: none"> <li>Resume matching</li> <li>Job matching</li> <li>Service ticketing</li> </ul>	<ul style="list-style-type: none"> <li>Invoice matching</li> </ul>
<b>Digital Core SAP S/4HANA®</b>	<ul style="list-style-type: none"> <li>Business process management</li> <li>Process integration</li> </ul>	<ul style="list-style-type: none"> <li>Omnichannel</li> <li>Marketing</li> <li>Commerce</li> <li>Sales</li> </ul>	<ul style="list-style-type: none"> <li>Business partner; underwriting commissions</li> <li>Service</li> <li>Loyalty</li> </ul>	<ul style="list-style-type: none"> <li>Hybrid product definition</li> <li>Insurance rating</li> <li>Contracts and cases</li> <li>Product lifecycle management</li> </ul>	<ul style="list-style-type: none"> <li>Policy</li> <li>Claims</li> <li>Collections and disbursement</li> <li>Reinsurance</li> <li>Distribution</li> </ul>	<ul style="list-style-type: none"> <li>Spend visibility</li> <li>Procure to pay</li> <li>Collaborative commerce</li> <li>Collaborative finance</li> <li>Procurement</li> <li>Claims, service &amp; product integration</li> </ul>	<ul style="list-style-type: none"> <li>Cash and liquidity</li> <li>Financial asset management</li> <li>Trading and investment execution</li> <li>Real estate</li> </ul>
	<ul style="list-style-type: none"> <li>In-memory platform for insurance</li> </ul>		<ul style="list-style-type: none"> <li>Product and quotation management for insurance</li> <li>Msg.PM</li> </ul>				<ul style="list-style-type: none"> <li>Finance; planning; consolidation</li> <li>Governance, risk, and compliance</li> <li>Profitability</li> <li>Insurance analyzer</li> <li>Digital boardroom</li> <li>Predictive analytics</li> </ul>
	<ul style="list-style-type: none"> <li>SAP Fiori® Cloud</li> </ul>	<ul style="list-style-type: none"> <li>Fiori apps and UIs</li> <li>Integration with SAP Hybris® solutions</li> <li>SAP Hybris as a service on a cloud platform</li> </ul>	<ul style="list-style-type: none"> <li>Product lifecycle management</li> </ul>	<ul style="list-style-type: none"> <li>Accounting</li> <li>Cost management and profitability analysis</li> </ul>	<ul style="list-style-type: none"> <li>Collaborative sourcing, contract management</li> <li>Invoice and payables management</li> <li>Supplier management</li> <li>Procurement analytics</li> </ul>	<ul style="list-style-type: none"> <li>Human capital analytics</li> <li>Core HR and payroll</li> <li>Time and attendance management</li> </ul>	<ul style="list-style-type: none"> <li>Accounting and closing operations</li> <li>Accounting</li> <li>Cost management and profitability analysis</li> </ul>

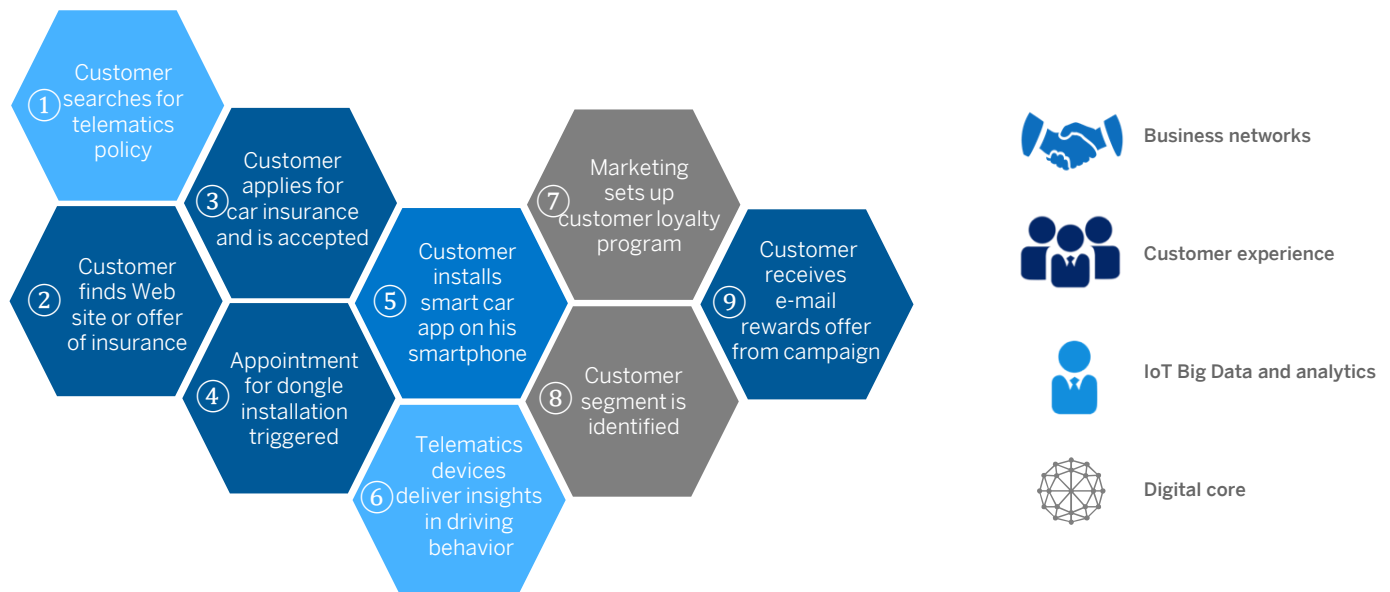
\*Benefits are based on early adopters of SAP S/4HANA or conservative outside-in benefits due to moving from a traditional enterprise resource planning system to enhanced capabilities of SAP S/4HANA, as well as line-of-business and cloud solutions.

For information or questions send email to georg.kube@sap.com

## HOW DOES IT ALL COME TOGETHER? – EXAMPLE

Each of the digital business pillars delivers individual business value. Next-generation business processes will span multiple pillars to drive efficiency internally and across the business network, connect to devices, and enhance the omnichannel experience. Digital processes enable insurance companies to more effectively process policy applications, utilize IoT sensors to track driving performance, manage campaigns, and much more.

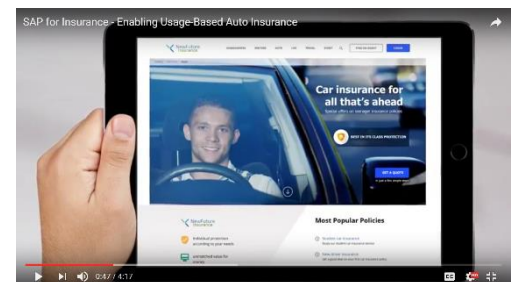
### DIGITAL BUSINESS SCENARIO: ENABLING USAGE-BASED AUTO INSURANCE



#### Time

This demo shows how SAP software lets you capture new customers online, support telematics insurance, increase the speed to market for new products, measure and act on information “live” in real time, and reduce risk and loss ratios.

1. A customer searches the Internet for telematics car insurance.
2. His search leads him to the homepage of NewFuture Insurance.
3. While applying for auto coverage, he is asked to provide information about his car and himself.
4. When the software generates the policy, it also e-mails Paul a list of approved telematics installers from the business network.
5. The customer now downloads the smart car telematics app to his smartphone.
6. Thru the IoT sensors, information regarding the driving behavior of the customer is delivered to the insurer. The customer can also view data on his smartwatch, like vehicle info (history, maintenance alerts, and so on), location, maps, and service centers.
7. The insurance marketing department also receives telematics data and can reward good customers through a customer loyalty program.
8. Based on driving behavior, customers are segmented appropriately, being assigned to groups such as good drivers or high-risk drivers.
9. From a marketing campaign for the good drivers, a rewards offer for discounted concert tickets is offered to the customer.



[Watch a video illustrating the scenario here](#)





# FROM YOUR CURRENT STATE TO DIGITAL

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THE JOURNEY TO BECOMING A  
DIGITAL INSURER BEGINS WITH  
PLANNING A DIGITAL  
TRANSFORMATION ROAD MAP

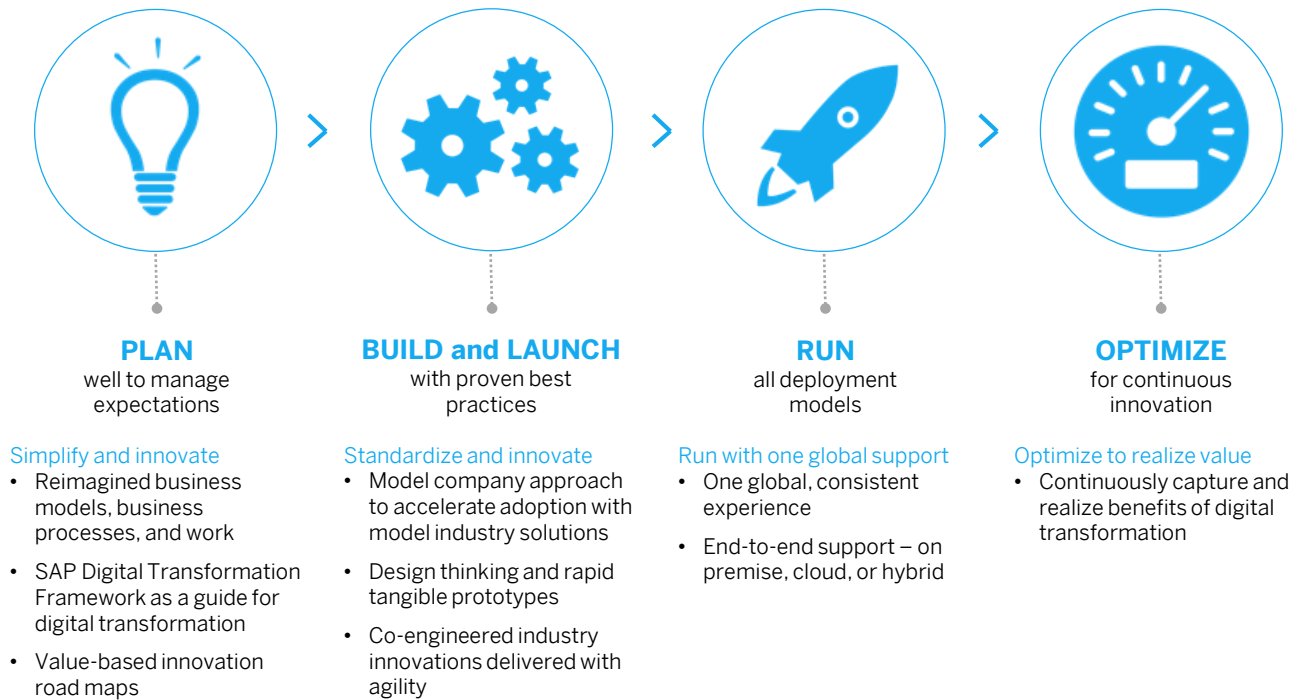


# TRANSFORMING FROM YOUR CURRENT STATE TO DIGITAL

## The keys to success

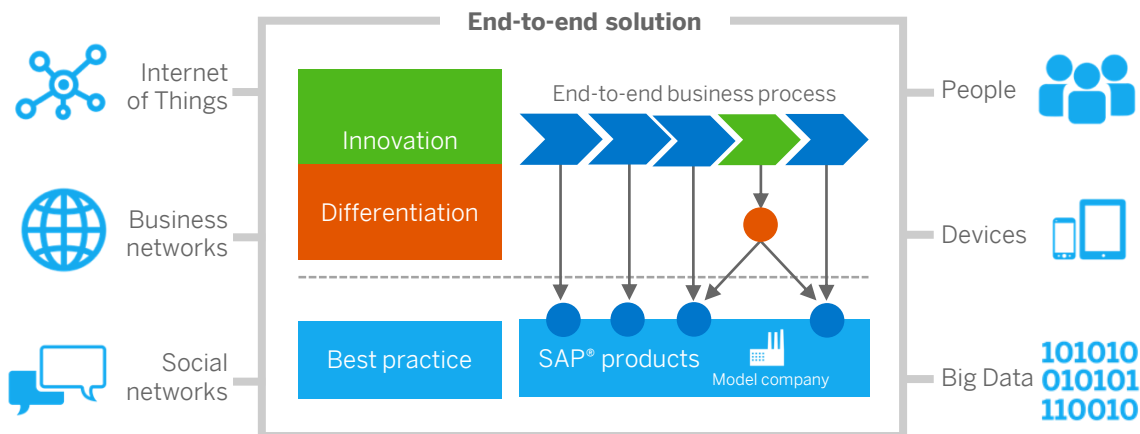
In the digital economy, simplification and business innovation matter more than ever. To do this effectively, it's important to cover the end-to-end digital transformation journey, ranging from planning a digital innovation road map and implementation plan with proven best practices to the ability to run all deployment options and ultimately optimize for continuous innovation with a focus on outcomes.

### The end-to-end digital transformation journey



And to move forward with speed and agility, it helps to focus on live digital data, instead of Big Data, and combine solution know-how and industry-specific process expertise with data analytics so that the right digital reference architecture is defined and delivered. In that context, we believe that a model company approach is very relevant to enable you to transition from your current state to digital. Model companies represent the ideal form of standardization for a specific line of business or industry. They are built on existing SAP solutions using best-practice content, rapid prototyping solution packages, and additional content from customer projects. They provide a comprehensive baseline for rapid, customer-specific prototypes, cloud demos, and quick-start implementations.

### Model company approach



# SAP DIGITAL BUSINESS SERVICES

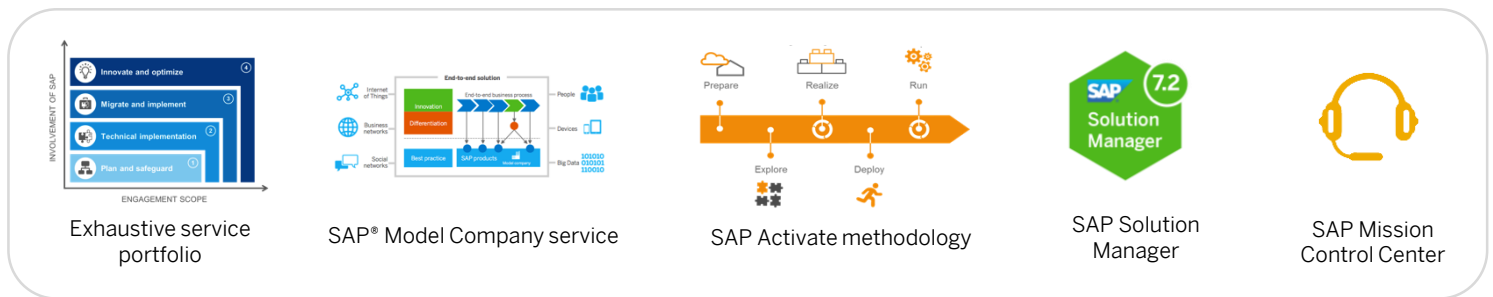
## Enabling your success in digital transformation

SAP has a broad range of services to cover the end-to-end digital transformation journey, ranging from advising on a digital innovation road map and implementation plan with proven best practices to the ability to run all deployment options and ultimately optimize for continuous innovation. We provide both choice and value within our service offerings, allowing you to tailor the proper approach based on your specific company expectations and industry requirements.

- 25,000 professionals in 70 countries
- Serving customers in 130 countries
- Outcomes delivered as one team in one contract
- Projects connected in real time to global network of support functions through SAP Mission Control Center
- SAP MaxAttention™ and SAP ActiveEmbedded services to safeguard investment
- Consistent experience – on premise, cloud, or hybrid
- Standardized adoption of processes and tools
- Streamlined onboarding and ramp-up of stakeholders

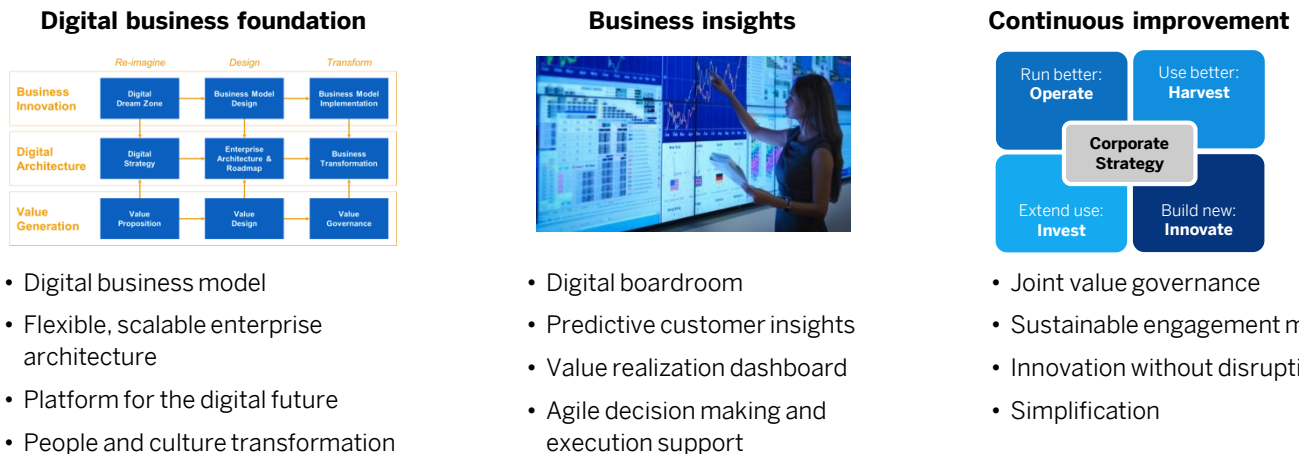
From proposing a comprehensive digitalization proposal to realizing and running it, SAP delivers on the digital transformation promise to its customers, on time, on budget, and on value.

SAP value delivery relies on unique differentiating assets:



SAP Digital Business Services delivers digital innovation with simplification and accelerated implementation, which is key to adoption and value realization. Continuous improvement is supported through ongoing assessment of real-life data insights and joint governance with customers.

SAP value delivery focuses on the following deliverables:



# SAP COMPREHENSIVE ECOSYSTEM

Orchestrating the world to deliver “fast value”

Our comprehensive ecosystem for insurance brands offers:

- Integration into a wide range of business services (banking, travel, contingent workers, and key vendors)
- An open architecture: choice of hardware and software
- Complementary and innovative third-party solutions
- Wide reach – partners to serve your business of any size, anywhere in the world
- A forum for influence and knowledge
- A large pool of industry experts with broad and deep skill sets
- Thought leadership and industry expertise

Our insurance partner ecosystem includes, among others:



## BUSINESS NETWORK

- 2.1 million suppliers
- 200 major travel partners (air, hotel, car)
- 50,000 service and contingent labor providers

## INFLUENCE FORUMS AND EDUCATION

- User groups across all regions
- SAP® Advisory Council for Insurance
- SAP Community 24+ million unique visitors per year
- 2,650 SAP University Alliances
- 20,000+ partner resources educated on SAP for Insurance portfolio

## INNOVATION

- 1,900+ OEM solution partners to extend SAP solutions
- 3,200 startups developing SAP HANA® apps
- 30+ financial services partner solution co-innovation initiatives



## IMPLEMENTATION SERVICES

- 500+ SAP partners in the financial services industry
- 5,000+ consultants trained in financial services core solutions

## PLATFORM AND INFRASTRUCTURE

- 1,400 cloud partners
- 1,500+ platform partners
- 500+ financial services partner development resources trained in SAP Cloud Platform

## CHANNEL AND SME

- 4,800 overall channel partners
- 400+ active financial services partners



## WHY SAP?

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SAP HELPS DIGITAL INSURERS  
BUILD A DIGITAL CORE, EXPAND  
BUSINESS NETWORKS, AND  
LEVERAGE IoT



# SAP IS COMMITTED TO INNOVATION

## Vision

Help the world run better and improve people's lives

## Mission

Help our customers run at their best

## Strategy

Become the cloud company powered by SAP HANA



- **78,000 employees** representing 120 nationalities
- **310,000 customers**
- SAP operates in **191 countries**



- Solutions for **25 industries and 12 lines of business**
- **98% of top valued brands** are our customers
- **76% of the world's transactions** managed on SAP software



- **110 million** business cloud users
- **2.1 million connected** businesses
- **>\$800 billion** in B2B commerce
- **>99% of mobile devices** connected with SAP messaging



- 2011 **SAP HANA** launched
- 2012 **SAP Cloud** launched
- 2014 **SAP business networks** are the largest marketplace in the world
- 2015 **SAP HANA Cloud Platform**
- 2015 **SAP S/4HANA:** Most modern ERP system



- Insurance solutions **since 1997** for all lines of business
- **88% of insurers** in the Forbes Global 2000 are SAP customers; >5,800 in total
- **25 of the 25** top global insurers in the world run SAP software

## FEWER PROCESS STEPS\*

Using SAP Claims Management, AAA cut the time customers spent making a claim in half by adopting faster, streamlined first-notice-of-loss intake. AAA also reduced agent training time by 50%, initial incident reporting time by 38%, and call handling time by 13%.<sup>19</sup>

## FASTER ANALYTICS AND PROCESSING\*

For Zurich Insurance, testing and validating the SAP HANA platform for finance transformation resulted in 1,000% faster reporting cycles, with 65% faster financial close process improvements.<sup>20</sup>

## IMPROVED PERFORMANCE\*

Aviva experienced a significant increase in the number of propensity models used within the company, with more than 30 models in production. It increased the return on marketing and campaign response rates by identifying customers most likely to respond by using SAP Predictive Analytics solutions.<sup>21</sup>

\*Full data available from SAP

## RESOURCES

Outlined below is additional external research that was used as supporting material for this white paper.

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Note: All sources cited as "SAP" or "SAP benchmarking" are based on our research with customers through our benchmarking program and/or other direct interactions with customers

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