

IBM Study: Insurers Need to Implement No-regret Moves to Prepare for the Future

90 percent of outperforming insurers expect cognitive technologies to have a strong impact on their revenue models in the future

ARMONK, N.Y., April 25, 2017 /PRNewswire/ -- Insurance C-suite executives believe regulation, market factors and technology will have the largest impact on the insurance industry in the future, according to the findings of a new IBM (NYSE: [IBM](#)) study. When it comes to technology, specifically, 71 percent of insurers indicate they have begun using cognitive technology to better prepare for the future.

The IBM Institute of Business Value (IBV) study, "[Insurance 2025: Reducing Risk in an Uncertain Future](#)" explores how the insurance industry will look in the next eight to 10 years, highlighting the insurers need to take to be ready for tomorrow. With 79 percent of surveyed insurance leaders reporting that technology will have a major impact on their organizations, the study examines key technology waves – including cognitive computing – and how they are expected to strongly affect insurance companies and their customers.

Within the insurance industry, technology used to be perceived as a tool to cope with changes in markets and changes in regulation. But, more recently, insurers have increasingly made technology integral to business models. Technology presents an opportunity to extend insurance across traditional industry boundaries. As an example, the IBV study explores the potential impact of new technologies, including autonomous cars and connected refrigerators, and the ripple effects they will have on a number of industries, particularly insurance, when they become more mainstream.

"When considering the insurance world of 2025, we view the potential impact of cognitive technology to be very high, but the exact nature of how it will be implemented is uncertain," said Christian Bieck, IBM Institute for Business Value Global Insurance Lead. "While adoption is relatively unknown we believe technologies like cognitive and IoT will provide competitive advantage and better future-proof leading insurers."

The study identifies four critical "no-regret moves" insurance companies should implement now that will put them in a better position moving forward:

- Build a war chest by embracing cannibalization: As products move to "as-a-service" models, deconstructing and componentizing legacy systems will be required to sustain cost competitiveness. Invest in hybrid-based and cloud-ready, flexible product models that can handle a wide range of scenarios, available as-a-service to enable new market entry and experimentation at low cost, on secure and scalable platforms.
- Prepare partner ecosystems: Insurers need to collaborate, both to collect data and to more meaningfully participate in risk conversations. In order to have a say in future market structural changes, it's essential to cultivate partnerships and membership in ecosystems of "adjacent space" partners in relevant lines of business.
- Build high-beam headlights: Know where you need to be a leader and bring together technology, business capability and product investment. Make use of analytics along with many sources of data to understand where we are on the path to the future. Understand customer behavior and risk parameters and influences at deep levels, and pursue new forms and sources of customer data.
- Embrace innovation: Create a culture that fosters innovation and design processes that enable innovation. Leaders can be proactive because they have created structural flexibility that makes taking quick, early action self-reinforcing. Start by streamlining internal innovation processes, with central funding and investment models and quick-hit projects and partnerships.

To prepare for the insurance industry of 2025, the IBV study recommends insurers consider the following questions:

- To what degree has your organization adopted cognitive technologies? How are you utilizing decentralized technologies such as the Internet of Things and blockchain?
- Which products and services besides classical coverage of risk are you considering? What are the impediments to doing so?
- How are you partnering and collaborating to build ecosystems? If you aren't, why not?
- Do you have early-warning indicators to recognize which future we are headed into? What are they? How are you building the skills of your workforce to cope with the future you identify?

To read the full study visit <http://ibm.biz/insurance2025>

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