



The Future of Insurance

A Virtual Roundtable



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While the regional economy of Greater Peoria rests on a foundation of manufacturing, healthcare and agriculture, it also encompasses “mini-clusters” of industries such as insurance, with headquarters for top firms like RLI, Pekin Insurance, Pearl Insurance and Illinois Mutual. At the same time, innovative tech firms like Tada Cognitive Solutions are leveraging the power of data analytics to drive significant transformations across a range of industries—including the insurance industry. In today’s insurance

world, technology advancements are upending business models, shifting market dynamics and altering consumer expectations. So how are leading firms reshaping their products and processes to stay relevant? How do digital trends allow them to better serve their customers—and how else have they impacted the industry? *Peoria Magazine* hosted a roundtable of industry leaders to discuss the current and future trends and technologies that are revolutionizing the future of insurance.

How has the insurance industry evolved in recent years, and what impact has that had on your operations?

Scott Martin: The industry has changed a great deal during my career. An IBM mainframe was once viewed as a futuristic machine that could do everything. It’s now a dinosaur and very close to obsolescence. Digital systems are delivering services in minutes that previously took weeks. Right now, the entire industry is engaged in a technology “arms race,” as demonstrated by the huge investments in software, cloud and digital. Our connected world has created a great need to keep our customers’ data secure. Our Information Security department, which didn’t exist all that long ago, is now a critical part of operations.

Risk management is an activity that also gets much attention these days. As an insurer, it is critical for us to deliver when our policyholders need it. We engage in an enterprise risk management process to identify and mitigate risks that could impact us—such as catastrophic events, data loss, and financial events, to name a few. One example is our reinsurance programs that are in place to mitigate a large tornado, like the one that hit Washington in 2013. When big events like this happen, a computer modeling process helps us to reinsure at proper levels. Because of this, we were able to meet our policyholders’ claims and remain financially strong.

Gary Pearl: After 65-plus years in business, I’ve seen the industry evolve tremendously—from the way products are advertised to the way insurance applications are received and processed. We

used to receive a majority of paper applications via mail trays. Now, everything is submitted online with the expectation that your policy will be underwritten quicker and your coverage in place sooner. As a result, we’ve focused on enhancing our technology infrastructure to keep up with startup companies who are disrupting the industry by using technology in new ways. In our industry, this trend is commonly referred to as InsureTech.

Additionally, the industry continues to evolve in response to changes in levels of business risk, as well as personal health and financial well-being. We’re seeing new risks arise and existing risks shift due to a number of factors including advancements in technology, the proliferation of ecommerce, changes in healthcare regulation, and increases in life expectancy. At Pearl Insurance, we’re constantly monitoring and responding to these new risks on behalf of our customers. For example, as more and more business transactions are conducted online, we provide new coverage options to our customers, such as business cyber-insurance to protect them from potential cyberattacks.

Jon Michael: In the past five to seven years, all the major insurance lines including life, health, personal, commercial property, and casualty have experienced dramatic changes. In many ways, these changes have been primarily rooted in advancements from outside our industry, which has created significant opportunities and pressures for insurance companies. The key forces that have driven the greatest changes include:

- **Advancements in data and analytics.** Access to a tremendous amount and variety of customer and supplemental data, combined with the tools and capabilities to employ this data in ways never previously possible, is changing how quickly and accurately insurance companies can make decisions, provide coverage to customers, and operate across many areas of business.
- **Changing consumer expectations.** As customers’ expectations shift over time, insurance companies are putting more focus on enabling exceptional end-to-end customer experiences. In many ways, this shift has been driven by interactions with companies in other industries, starting with retail and ecommerce. Amazon, Zappos, Southwest Airlines, Ally Bank and others have set a new high bar for customer experience, which has in turn spilled over into other industries, including insurance. Whether it’s 24/7 availability online or by phone, mobile payments, transaction processing, self-service, transparency, or ease of use, the insurance industry is catching up, and in recent years, is gaining widespread ground by prioritizing and investing more in the overall customer experience.
- **Technology advancements and evolution.** Many business processes have historically been manual and paper-based. Technology advancements are bringing data-focused analytics to the forefront and improving the efficiency of historically manual processes and workflows—especially in the areas of underwriting, risk assessment, predictive modeling, and claims.

Katie McCord Jenkins: As with any customer service based business model, change has been a constant element. Technology brings opportunities for efficiencies in product development, the speed with which we can get those solutions to the marketplace, and access and convenience to policyowners and agents.

Companies are realizing how digital transformation can and must be used as another way to connect with consumers. The other element that remains constant, and that we at Illinois Mutual believe we can never lose sight of, is that it’s personal. When someone chooses to purchase insurance, especially life and disability, they are doing so for very personal reasons: to provide stability and security for their spouse, children or others they care for. The

life insurance industry has generally found that the expectation from consumers for omni-channel access doesn’t replace the important role of the agent or the importance of personal service when handling a claim. Successful changes need to support the reality that the life insurance business is personal and necessitates maintaining a strong relationship with the policyowner and agent.

People, not policies, are the essential focus of our business, and that’s been an embedded part of our culture for over 108 years. So, we’re looking at how we can meet changing customer needs with a scalable technology, used in the right ways, while not losing our service and people-centered approach.

Kumar Manu: Insurance has always been fundamental to the success of other industries, helping them absorb and manage risk. Over centuries, insurance has empowered people and business, whether in driving cars, flying airplanes, owning houses, or launching spacecrafts. The industry has always had to adapt to changing societal needs, customer preferences, and technological advances. Over the last few years, however, the breakthroughs in technology have required that the industry innovate and adapt much faster.

At Tada, we have built a platform to help our insurance industry partners create and maintain a connected view of their business ecosystem in the midst of this ongoing change. Our platform goes beyond data to increase visibility, coordination and collaboration across people, companies, and the broader ecosystem. We believe this is foundational to deep digital transformation, enabling our partners to rapidly leverage other technological advances while enriching the lives of their customers.

How are data and analytics driving the way business is done within the insurance industry?

Michael: At RLI, we have always used data to inform our rating, underwriting and claims decision-making. We continue to harness the power of advanced analytics to make better decisions faster, verify anecdotal information, and better understand our assumed risks.

Predictive analytics allows us to model these areas even further. We use data to guide where we invest our marketing efforts. Across our product lines, we work to understand the health of—and opportunities with—our agents and business partners, so we can grow our relationships and make them more successful. For example, we’re using predictive analytics and data visualization tools

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to quickly identify and contact policyholders in the expected path of large-scale weather events. Knowing which customers are at the greatest risk gives our teams the ability to connect with them before an event occurs to provide the resources needed to keep them and their property safe. Immediately after an event occurs, we leverage partnerships with companies such as WeGoLook, an InsureTech startup that has been called the “Uber” of independent insurance adjusters, to assess the impact and damage. WeGoLook immediately sends “lookers” to the areas affected and will fly drones in hard-to-reach locations to take photos and assess damage. This allows us to quickly send support teams onsite for personal visits or make payments to customers who have experienced a loss.

Claims is another important area where we are applying capabilities in data and analytics. We are using data and technology to provide our claims and support teams with more immediate access to the critical information needed to proactively serve our customers when catastrophes occur. Our claims teams also use data to improve how we process claims and to provide important feedback to our product underwriting teams so we are regularly evaluating and improving our products and underwriting criteria.

As we move forward with advancements, including our agent self-service website, we'll use data to understand how agents engage with our resources, products, and technologies so we can continuously improve our offerings and services.

Martin: We have made a commitment to being a data-driven company. Our transformation at Pekin Insurance includes a robust data warehouse and data science effort. The insights we can gain from our own data—as well as data from outside sources—is used in predictive models for pricing. Predictive models are in use across many areas of the company operations. One example is a model we use to score claims to identify potential fraud.

Pearl: Now more than ever, the ability to understand customer behavior and emerging trends has become crucial. Developing unique customer personas helps us craft an experience and products that meet their needs. We live in a world where consumers want the purchasing process to be as simple and intuitive as possible. The Amazon effect has left consumers expecting and wanting an experience that is both fluid and customized to their specific likes and dislikes. The insurance industry is not immune to this phenomenon, which is why using predictive analytics tools and building customer personas have become so important. Increasing data capturing and analysis is resulting in user experience (UI/UX) breakthroughs and ultimately changing the way people buy protection for the things that matter most in their lives. QuickDecisionSM life insurance is one example of this. Automating the underwriting process allows us to capture more data online, which can speed up the approval process and issue a policy faster than ever. Ultimately, this is more efficient and cost-effective for both consumers and insurers.

McCord Jenkins: There's tremendous allure in the amount of data that is available and the possibilities of advanced analytics and other tools. More data can mean richer insights, or it can end up being just more data. You need to be really clear on your business strategy—which includes knowing your target customers—and align process, data, intelligence, and analytics with the right functional drivers and business strategies. Without that clarity, it's easy to spend a lot of time and money to get nowhere. In the last few years, we've taken a deeper dive into understanding our policyowners' needs and preferences through segmentation research. This is informing our product development efforts, our marketing and communications, our decisions on where to enhance the customer experience, and the training and tools developed for our agents.

Longer-term, we are enhancing our data management strategy to bring together data from different parts of the business to inform other ways we can improve our overall performance, hone the customer experience, and be even more responsive to our policyowners' and agents' needs. Using rules-based underwriting systems and risk score solutions to support straight-through processing of policy applications is one example of how data and technology are driving advancements. Many companies, like us, are using or planning to use these tools to tune the risk selection process and partially or fully automate the underwriting process to create a better experience for the customer and agent and improve the cost-effectiveness of underwriting. Most importantly, the strides made in our industry around using data has heightened the need to protect that data. We have always taken our responsibility to properly handle and protect our data seriously, but technology advancements have made it necessary to invest significantly in protecting it in new and varied ways.

Manu: The insurance industry has always used data to underwrite and price risks. In recent years, the type, latency, and sheer volume of data available has exploded, as have the terms “big data,” “third party data enrichment,” or “real-time data.” The boundaries within the insurance value chain are also quickly disappearing, and the scale barrier to using data and analytics has vanished. For example, both large and small insurers are now trying to leverage customer data to connect directly, deliver better service, and sustain relationships - regardless of whether that customer was acquired directly or through an agent. Similarly, brokers are collecting and mining risk and claims data to offer risk consulting services to customers.

While these behaviors represent an extraordinary opportunity across the insurance ecosystem, we believe that current solutions are largely functional or point solutions to specific problems. For example, sensors are used to measure behavior that directly tie to risk. This leaves a significant amount of untapped potential in using information across boundaries to foster a coordinated approach, optimize the response of the ecosystem, and create wins for all participants while creating speed to value. At Tada, that is our mission as a technology.

What does the future of the insurance industry look like, and how is your company proactively leaning into that vision?

Martin: The future may look different depending on the line of business. As an example, how will crash avoidance systems and driverless cars impact the automobile insurance business? Will the use of IoT devices such as water or temperature sensors impact homeowner's insurance or the equipment covered by commercial lines coverages? How will the ability to collect data from outside sources help companies offer “instant issue” for life insurance clients?

The future is coming rapidly. Cognitive process automation using artificial intelligence and machine learning is going to impact underwriting, risk analysis, and claims across all lines. Pekin Insurance is already using robotic process automation to automate repetitive tasks in the commercial lines underwriting process. In addition, the industry is seeing new startup companies who are looking for ways to make direct sales easy and fast. So what will a company like Pekin Insurance do in the future? First, we must have the same technology to compete. That's why we have major initiatives we call PIVOT and LiFT in both our property/casualty and life operations. We can do business in a digital format from end to end in many lines of business—with more to come.

Pearl: The future of the industry is focused on each individual customer. It's about informing, educating, and selling through the platform(s) they most have an affinity for. We are adapting to a world where most purchases have been streamlined across digital platforms. Pearl Insurance is leaning heavily into this vision by developing

an overarching, corporate digital philosophy/strategy and building integrated marketing plans. These efforts include:

- **Mobile apps.** Concerted efforts in content marketing and mobile app development
- **Self-serve portals & simplified online tools.** The development of user-vetted self-service portals and on-line tools that help people make better, more informed decisions about the insurance products that are right for them and their families; and
- **Customer service experience.** Experiences that help people feel supported and confident in their decision.

The insurance industry is moving more toward artificial intelligence (AI) when it comes to underwriting and understanding lifestyle behaviors and preferences. In the near-future, we believe your life, health, and business insurance rates may be treated similarly to auto insurance. Now, people plug a dongle into their car to monitor their driving behaviors. Someday soon, your daily behaviors could be tracked by a wearable monitor and used to figure your life, health, and business rates in a similar fashion.

Michael: As a specialty insurance provider, RLI has been leveraging technology to provide customized insurance since our inception. Armed with ever-evolving capabilities in technology, data, and analytics—combined with partnerships with other companies—we believe we have more opportunities to hone our products, processes and interactions with all stakeholders. We will also continue to be opportunistic with

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our products and services that serve the market areas in which we know we are strong. Some advancements in technologies are creating new insurance opportunities and risks, which we are continuously monitoring. One example is autonomous vehicles. By some estimates, there will be fully autonomous vehicles on the road in only a few years. If a car or truck doesn't have a driver, who is responsible when there is an accident? Questions like this are key to the insurance industry, and there is still a lot of work to be done before the answers are clear.

McCord Jenkins: We will always strive to build solutions to meet the needs of our customers. But we also believe that the agent is essential to reaching and serving our target customers and therefore, our business. Why? Because the decision to purchase our products is so personal and the needs so varying. We don't see that changing. So for us, the future is about using technology and data to support customer needs, but it's also about using it to find and support agents whose customers and overall values align with ours, then using these tools to enhance the agent's ability to grow their business. The future is also about being a great connector between all three parties: the agent, the policyowner and the company. We firmly believe our role is to facilitate and strengthen the relationship via preferred channels that are more seamlessly integrated. There's less interaction with a life insurance policyowner over time than there is for other types of insurance. Ultimately, that means we need to be there when they need us and in the manner they prefer—but also in a manner they perhaps didn't expect, but appreciate given the circumstances. At the end of the day, they need to know Illinois Mutual is made up of people who appreciate the choice they've made to purchase our products and who care about the experience they have with us.

Manu: The insurance industry will selectively choose the best ideas and technological breakthroughs in pursuit of raising the bar on engaging and serving customers, innovating on products and services, and reducing the cost to serve. This will entail seamlessly and securely connecting with partners in the ecosystem, as well as making decisions faster with an end-to-end perspective.

We are positioning Tada as an enabling platform with cognitive intelligence, focused on complex ecosystems such as insurance. As an organizing principle, Tada uses an underlying semantic network akin to the human brain to store and process information. As a result, Tada is able to assimilate information across ecosystems and enable decision-making 10 times faster at a 10th of the cost of any other technology. We believe this will enable the insurance industry to deliver on its vision at significantly higher speed to value.

What does digital transformation look like in the insurance industry?

Martin: At its essence, being digital means that our insureds, agents and employees can do business with us anywhere, any time, and on any device in real-time. It takes a great deal of work to get to that point. Beyond that, being digital means doing business differently than we have for nearly 100 years. Teams of cross-functional employees will take ideas and quickly turn them into reality. Collaboration is the key. With all the change happening, it won't go anywhere without a skilled workforce operating in an environment of creativity and ownership.

We are investing in our workforce in many ways, including the Pekin Insurance campus, which is currently being expanded. Collaborative work areas will be a key part of our new campus.

Pearl: We are dealing with multiple generations within the workplace, so we must be available to them in the way that is most desirable. However, there needs to be a balance between digital convenience and a human/personal touch. Pearl Insurance has moved aggressively to the forefront of digital interactions without sacrificing our personal touch. The majority of insurance applications are now received digitally—it's how most people want to interact with the companies they do business with. To meet that ever-growing trend, Pearl Insurance has made numerous investments in tools, expertise and strategy to better serve our customers, such as:

- **Marketing automation tools** that personalize marketing efforts to carefully segmented audiences and optimize delivery according to customer preferences.
- **Custom-built CRM system** that connects sales specialists to marketing efforts, allowing them to instantly check what materials a prospective customer has received and how they interacted with it. This automates processes that used to require hours of manual labor and better equips our team to answer questions or provide additional product information.
- **An online ordering system** for brokers and agents for on-demand, custom marketing materials.
- **Online chat features** across client websites which give customers the ability to connect immediately with a customer service representative.
- **Heat mapping** which tracks customer interaction on our website. This gives us insight into how people interact with information and navigate the buying process, which helps us fine-tune our user experience.
- **Cyber security** to ensure our customers' digital experiences and data are protected.

Michael: Ultimately, our customers will expect every aspect of the insurance process—from getting quotes to buying to billing and claims—to be very similar to how they interact with other products and services brands, both financial and non-financial. Internally, digital transformation means thinking digital first, realigning capabilities and business processes to capitalize on digitally-enabled process interactions, and using data to make smart decisions. A digitally-enabled company makes us more efficient, and importantly, available and accessible to our customers across the entire insurance lifecycle. We are taking on digital transformation where it makes sense, and where it gives us and our customers the best results. Some examples include:

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FOR THE INSURANCE INDUSTRY, ENGAGING IN DIGITAL TRANSFORMATION MEANS LOOKING THROUGH THE LENS OF A NEW AUDIENCE AND TAILORING AN EXPERIENCE THAT MEETS THEIR NEEDS.

- Continuing to invest in and use **feedback and data** to evolve our agent self-service website;
- Investigating efficiencies in our underwriting processes through **automation and artificial intelligence**;
- Leveraging **robotic process automation** (RPA) for back-office processes;
- Partnering with **telematics companies** to use event data for understanding, underwriting and pricing commercial auto business; and
- Partnering with **InsureTech companies** to help with various aspects of claim adjusting.

McCord Jenkins: Like most in our industry, we are in the midst of our own modernization and digital transformation. The team here is doing a great job of tackling the opportunities and challenges that come with these transformations. They understand the “why” behind what we are doing, and that's essential to keep us all moving forward in the same direction. The marketing and sales areas of the business have a tremendous opportunity when it comes to digital transformation. Many of our current efforts focus around using digital platforms to grow and expand our brand presence with target audiences, to connect with more agents who align with our business and help them grow their businesses. In addition to customer research and rules-based underwriting systems, we've implemented automation around our accident claims processing and have plans to implement other types of process improvements or automation in claims and policy service. Improving customer portals and billing processing for employers are among other enhancements ahead—all focused on making it easier for our customers to interact with us.

Manu: Digital in insurance will be built on four key pillars: fully digitized products and services, integrated collaboration and analytics across the value chain, automated and integrated low-cost operations, and use of the entire spectrum of digital channels to serve customers. To be effective, digital transformation at each firm will need to amplify its own unique competencies—people, products, brand, and distribution models.

We have designed Tada to be hyper-customizable to capture the unique DNA of a firm. Tada drives seamless integration to build and maintain a connected view of the business while being non-disruptive. We believe that this foundational fabric of collaborative technologies will make this transformation simpler, faster, and more sustainable for companies.

Anything else you would like to add about the way your company is thinking about the future of the industry as a whole?

Pearl: My dad started Pearl Insurance in the 1950s because he believed people have a basic human need to live and work with certainty. Over 65 years later, that same belief is still the foundation of everything we do. We don't lose sight of why we're

in business, regardless of the shifts that occur within our industry. Every change we make is for the benefit of our customers—from streamlined and fluid online experiences to cyber-security to convenient and hassle-free application processes. We're focused on providing our customers with insurance products that allow them to live life worry-free. We will continue to fulfill our purpose as an organization dedicated to helping people live their best lives.

Michael: The pace of technology change is constantly accelerating and having dramatic effects on our industry. The amount of data available at both the micro and macro levels is astounding, made possible by technologies such as the Internet of Things (IoT) and telematics, and enabled further by cloud computing. Analytics and artificial intelligence innovations allow us to act on this data with much more speed and precision than ever before. We are able to get faster insights about customers, service efficacy, product performance and more. The promise of technologies like blockchain focus on streamlining transactions and operations, while providing new levels of transparency and trust between insurance companies, customers and other partners. Digital innovation can include one or many of these technologies coming together to provide better products, services, and experience for our customers.

McCord Jenkins: We will continue to invest in technology and innovation, but we do so with purpose and with a strategy. We don't invest in technology just because it is available. We pursue solutions that can bring forth a more efficient and preferred experience, but also a personal and compassionate experience for our policyowners. Many have defined that as simply access and convenience. But for us, it will never be at the expense of the personal nature of our brand experience or the important commitment we share.

Martin: The future is very bright for the companies that want to embrace changes in technology, the needs of the customer, and creativity. There is research going on continuously about how things like artificial intelligence, machine learning, the Internet of Things (IoT) and blockchain will impact our industry. It is very exciting. But one fact remains. When our insureds have a fire, tornado damage, an injury or even a death, our company is there to respond to their needs. It is technology that will enable us to be even better, faster, and more efficient.

Manu: The future of the insurance industry is as much about empowering people to make faster and better decisions as it is about exponentially larger data or powerful analytics and technology. Sustainable value is driven by speed to change. Change will be a product of **Adoption** of technology by people, **Behaviors** that drive business impact, and **Collaboration** through connected information. At Tada, we think of these as the ABCs of deep digital transformation.