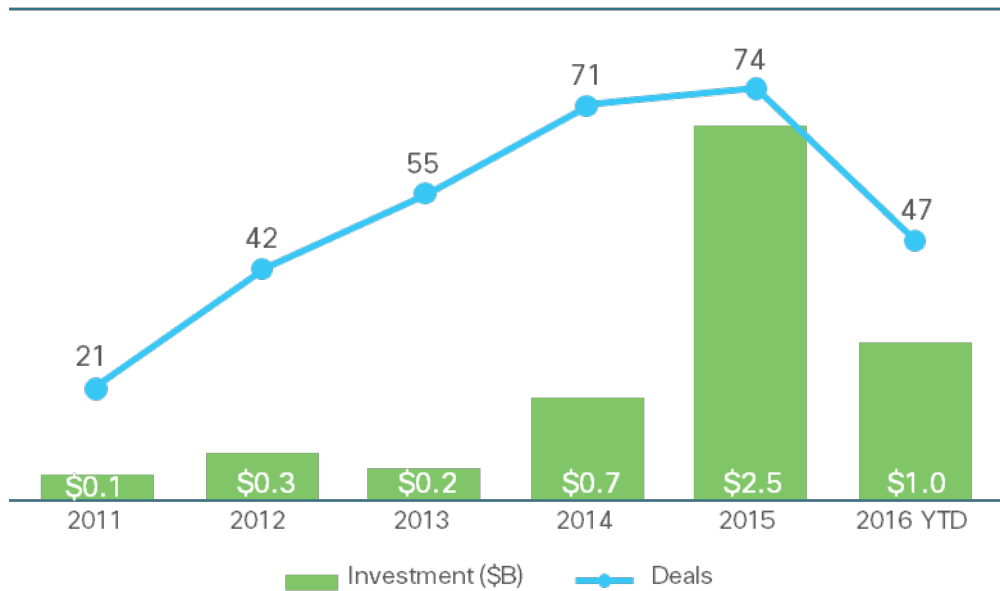


Cisco Insurance Whitepaper – Fall 2016

Technology Helps Insurers Unleash the Possibilities of Digitization

It's no secret that InsureTech investment is on the rise. According to the "Pulse of Fintech" Q2 2016 report, recent venture capital-backed InsurTech investments spiked to \$2.5 billion of investments in 74 deals in 2015, up from \$700 million in 2014¹. According to the Insurance Journal, the first InsureTech Connect Conference in 2016 brought together an estimated 1,500 tech entrepreneurs, investors and insurance executives from around the world.²

InsurTech Investment Activity
2011 – 2016 YTD (Q2FY16)



What's driving these new technology investments? As the IoT takes shape, we're seeing more connections everywhere. It's not just business environments, but people, processes, and things such as vehicles and homes all getting online. These new connections are spurring digital disruption across every industry, and insurance is no exception.

¹ "The Pulse of Fintech, Q2 2016", KMPG/CB Insights, August, 2016

² Andrew G. Simpson, "Bet on the Insurance Industry of Tomorrow at InsureTech Conference", Insurance Journal, October 6, 2016.

Innovative New Business Models



Creative new companies are employing digitization to reimagine the traditional broker-based insurance systems. Peer-to-peer (P2P) insurance models promise to save money through reduced overhead costs, improved transparency, and more efficiency. One P2P startup, Lemonade in the U.S. received \$13 million in initial funding from Sequoia Capital to offer consumer insurance based on self-serve technology.

Under a P2P model, policyholders pay their premiums into a claims pool. They're entitled to a refund if money remains in the pool at the end of their policy period. They're joining other P2P pioneers such as Guevera in the U.K. and Friendsurance in Germany.

Understanding Risk Better



Digitization is also helping insurers gain better visibility and insight into markets that have been opaque and difficult to serve. For example, in today's rapidly evolving threat landscape, most FSI executives list security as a top priority. Yet cyber liability insurance remains a relatively small market, with low participation. Fewer than 10 percent of companies have cyber insurance, with seven insurers controlling approximately 78 percent of the market. Another 40 providers are fighting for the remaining market share.

To tap the full potential of the cyber liability marketplace, insurers need deeper insight into risk. Today's companies are often asked to underwrite based on brief questionnaires and very little relevant data. They usually interact with a risk manager, rather than a customer's security manager, which further limits their evaluation. But now, insurance providers are identifying new ways to enhance underwriting, rating and developing new business models for cyber liability insurance. For example, working closely with a consulting partner or technology vendor such as Cisco, insurers can gain better visibility into their customers' risk profile. Cisco has insight into large portions of the Internet, and can apply non-intrusive threat analytics to develop a detailed risk assessment for specific industries and companies, improving insight for cyber liability underwriting.

Improving Loss Prevention and Mitigation



As the IoT matures, we're seeing new technologies appearing in the home that were once limited to business environments. Video monitors, home security and entertainment systems, and even home appliances are going online. These changes are setting the stage for new insurance opportunities, especially in loss prevention and mitigation. The Connected Home can provide insurance carriers with significant data, while also mitigating homeowner risk. Every device, sensor, and detector provides a wealth of data that home owners and their insurance providers can use.

Building Closer Customer Relationships



Customer expectations are changing, as consumers become more mobile and use new types of devices to do business. Whether they are shopping online, browsing options on their phone, or working face-to-face with an agent, people expect an experience that's fast, easy, and customized.

Digital transformation is helping insurers differentiate themselves by delivering personal, engaging experiences to customers through mobile devices and other channels. Consumers can enjoy a closer relationship with their insurance carrier, and purchase the products they need when it's most convenient for them. Insurance providers win, too, especially when they are working in the field. Using tools like Remote Expert, agents can quickly connect back to the carrier's experts for underwriting, claims, and other complex service transactions. Or they can bring in these experts to talk directly with customers via video, to close deals faster.

Connecting Technology and Business Transformation



Given the speed and scope of changes in the insurance industry, how can insurers keep pace and stay competitive? It's clear that insurers understand the potential impact of digitization, and many top carriers are bringing executives to Silicon Valley to gain insights on top trends from Cisco and other industry leaders. But although the possibilities of new technologies are dazzling, what's most important is to effectively align and connect that technology to the business strategy.

Many carriers are also making investments in startups that offer unique technology capabilities. It's especially important to understand how carriers will scale these capabilities across the enterprise with the security, risk management, governance, and compliance needed in the industry. An experienced partner can help. Cisco has a vast network in Silicon Valley's venture capital community, and extensive experience in scaling acquisitions.

FSI Digital Transformation



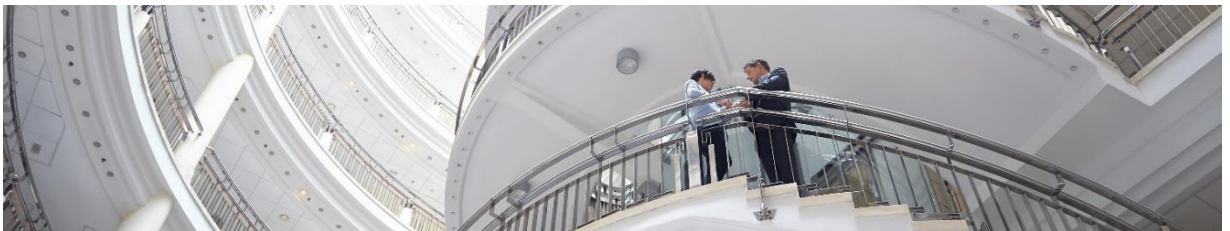
Bringing a Digital Strategy to Life

As insurers become increasingly committed to digital transformation, they are deploying digital strategies across the enterprise. These new strategies aren't confined only to mobility and Web solutions. Their strategies extend across the entire organization, as they strive to connect strategies across product lines, functions and channels.

As business models evolve, insurers aren't afraid to experiment with their own business processes to take advantage of new opportunities. Their agent distribution models are rapidly evolving to integrate with digital strategies. In many cases, the models they are employing are not agent or digital, but agent and digital.

Insurers are also recommitting themselves to delivering an excellent customer experience. They are focusing on big data analytics to develop a 360-view of each customer, evaluating customer behavior to anticipate their needs and offer them the best products, and the most attractive price, at the best time. And they are seeking better ways to connect customer journeys across channels for new customer acquisition, on-boarding, service, claims, and cross-sell of additional products.

A Path Forward



For insurers that wish to make the most of today's dynamic environment, a well-planned strategy, enabled by best practices and proven tactics, are essential. Many companies have developed comprehensive digital strategies, but struggle to enable them. However, by creating a Digital Business Roadmap, companies can connect their IT and business strategies to enable key digital capabilities at faster pace.

Cisco plays an active role in the financial services marketplace, and serves as an "anchor" in partner ecosystems that must work together and evolve to enable digital strategies. Take the first step toward creating a Digital Business Roadmap that aligns to your business needs. Cisco's Digital Transformation Group is here to help you along the way!



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