# INSIGHTS – IT IN INSURANCE



# Disrupting the CIO

The role of the Chief Information Officer was brought into question at *Asia Insurance Review*'s 6th CIO Technology Summit. He now needs to be an instigator, an integrator and an innovator. Various CIOs and CEOs from insurance and technology companies took to the stage to share their views on the part the CIO has to play in the future of insurance and how to be seen as more than a glorified IT manager.

**By Ahmad Zaki**



Insurance CIOs today must be able to function as business managers; gone are the days where they were just technology specialists. The consensus from speakers at the summit was that the CIO's role has changed from one of a reactive order-taker, to one that is a change agent and leader.

Celent Senior Analyst Nicolas Michellod outlined three other aspects to the CIO function, in addition to the traditional technical delivery and project management skills required. The CIO needs to be: 1) an instigator (of change), collaborating with and challenging what C-suite requires with empathy and strong relationships; 2) an integrator to connect old with the new, as well as internal and external; and 3) an innovator able to understand industry changes and bring new ideas and trends to the decision-making table.

As such, key competencies and traits of the CIO include, among others, visionary leadership; social and emotional intelligence; operational, change, conflict and risk management


Mr Nicolas Michellod

skills; creativity and high tolerance for failure; and an entrepreneurial spirit.

"What the CIO is there for is to explain to the rest of the C-suite that there are other ways to interact with clients, and to design products and distribution channels through use of data and digital technology," he said.

## Improving their image

A challenge for CIOs today, SaaS-firm Apptio's Asia Pacific & Japan GM Mr Robert Yue said, is to be seen as "more than a glorified IT manager". Despite the fact that technology is increasingly regarded at the heart of any business and that tech transformations are deemed necessary, the IT function appears to be dragged down by a less-than-stellar reputation among many business stakeholders, often perceived as cumbersome.

An agile IT function, he added, requires comprehensive tech transformation. Mr Yue thus made the case for a technology business management (TBM) framework to plan, govern and manage discussions around IT/tech


Mr Robert Yue

operations and investment (the latter in relation to tech transformation). There is also a need for a TBM taxonomy to give context and enable messages to be articulated across the business organisation, such that all stakehold-

ers are able to buy into the initiative. Ultimately, the transformed IT function should evolve from being just a provider, to a service partner of the business, and from a cost centre, to a revenue driver.

"Most CIOs I have met are actually very good marketers. They know how to promote a product, they know how to promote themselves," he said. "However, this also makes them very visible when things go wrong."

## Interconnection at the heart of everything

Mr James Maudslay, Global Head of Insurance at Equinix, sat down with *Asia Insurance Review* to expand on the topic of Interconnection and how it will change the way insurers operate in the future.

Interconnection, according to Mr Maudslay, has been a driving force for insurance ever since it became a mainstream product in the 18th century. "Then, Interconnection was a social and manual process, with people having discussions and meetings."

Today, obviously, Interconnection has become almost wholly digital. "The sort of closed loop where all the participants are known to each other, and they move data in about the same way, that is the old method. Now, you have to be able to take everything, from structured and unstructured data, to Big Data and deliver all of these together and improve information and service. To prosper, if not survive, insurers are going to have to electronically link together like never before."

### All must be done electronically now

As an example, he cited motor insurers and the auto mechanics they might partner with. "If a customer needs their car fixed, you can't expect them to call you up to get a printout to give to the mechanic as proof. The frictional cost of getting that process done might very well be higher than the value of the service itself. It all must be done electronically now."

From a strategic perspective, Interconnection allows insurers and their partners to get their hands on the information they need and process that data whenever and wherever they need to. To attempt to analyse the wealth of information available to insurers in a timely fashion without

the use of Interconnection – relying only on the insurer's own internal computing network – would be near impossible.

### Targeting the millennials

And with regards to the largely untapped market that is the millennials, Interconnection will also greatly aid insurers in reaching out to them. "The thing about millennials is that they want to be able to buy what they want to buy. To illustrate, if you have a pair of skis, do you want to insure them for the entire year? So insurers have to find what they want to insure and when they want to do it."

He also posited that some lines of business will not be as popular in the online sphere as others. "They will still be caught up in the technological revolution, because there's no added cost to doing so. But your average customer isn't going to be buying complex life insurance via his mobile while on the train ride home - there will still be a desire for some kind of face-to-face meeting."
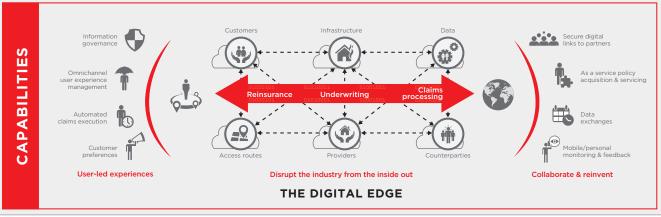
### Improved security with Interconnection

Equinix recently released their Global Interconnection Index, a new annual market study providing a global baseline and forecast to track and measure the growth of Interconnection Bandwidth required for direct traffic exchanges among companies supporting their digital business.

The Index showed that the insurance and banking industries are one of the most interconnected in the world, and will become dominant by 2020. This, said Mr Maudslay, is due to their acute awareness of the need for Interconnection, even before technology came into play.

Further, with cybersecurity a top concern for CEOs worldwide, across all industries, the 'closed loop' of the Interconnection network allows for improved security. "I would hesitate to say totally secure, as nothing is totally secure. But it is probably as secure as it could be, simply because it's private," he said.

**Constraints become capabilities when infrastructures shift from being siloed and fixed to integrated and dynamic**

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With the threat of small companies and InsurTech start-ups forever looming on the horizon, CIOs must be more proactive more than ever. However, being encumbered by legacy complicated business processes has made the IT department in most large insurers the least agile department, which Mr Yue called "incredibly ironic".

## A maverick mindset

Ms Anna Gong, CEO of Perx, also pointed out that no insurer is using data in real-time. "By the time they analyse the data and a strategy is formulated and rolled out, at least several weeks have passed. By that time, it's already too late," she said.

Looking at InsurTech start-ups as an example, she pointed out that all of them "focus on one sector of insurance and they do it very well". Lemonade, for instance, focuses on homeowners' and rental insurance, while MetroMile deals exclusively in motor insurance. This tight focus and agility allows them to narrow down the scope of data they need to collect, as well as react to their analytics findings fast.

Outside of data analytics, these start-ups also focus on product design and user experience (UX). "This is where first generation insurance has failed to meet customer demands," she said. As more people's lives become tied to their smartphone – "the most important disruption" – their demand for fast, immediate, effective service is paramount.

This is where the CIO comes in, said Ms Gong. "There is a lot of legacy to overcome, a lot of traditions that have

Ms Anna Gong

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> – Ms Anna Gong
> CEO of Perx

to be overturned. You need a maverick mindset in order to leapfrog ahead in terms of innovation and getting ahead of the competition."

One of the ways CIOs can influence their company's direction is by looking at the advertising budget. According to Ms Gong, several insurers have found that both their physical and online advertising have not had the impact that was commensurate to its cost. Instead, they made the leap to using relationship management platforms, attracting more millennials and future-proofing their business. "Gamification has the highest conversion rate, not EDMs, not SMS. And you marry that with a recommendation engine and you can start providing personal offers that caters to the users' lifestyle," she said.

## Preparing for the future with blockchain

"CIOs fear breaking older products," said Mr Mark Wales, Co-founder of Galileo Platforms. "This makes them hesitant to implement and introduce new products, a consequence of being bogged down by legacy systems."

Mr Mark Wales

Further, multiple handoffs of data and analysed results within a single company, as well as other business process challenges eventually lead to an incomplete digital experience for the customer.

According to Mr Wales and several other speakers during the conference, including Mr David Piesse, CEO of Guardtime and Mr Simon Phipps, Head of Asia & Global Development at the Digital Insurer, blockchain technology is the way forward.

Mr David Piesse

"Blockchain is immutable, it decomposes monolithic legacy systems into more manageable processes and is the

Mr Simon Phipps

ultimate middleware," described Mr Wales. This technology, already in use by the military sector in various countries, as well as the banking industry, has the potential ability to remove complexity and risk of making changes to products, leading to more agile product development cycles and business processes.

The technology is also secure enough that most cyber security risks will no longer be a concern (although it will likely be replaced by new types of risks). The decentralised nature of the blockchain ledger also means that all vendors and actors in the value chain could access the necessary data with little restriction or red tape, resulting in "straight-through processing the likes of which the industry has never seen", according to Mr Wales.

The conference was organised by *Asia Insurance Review*, supported by the Casualty Actuarial Society (CAS), Celent and the International Insurance Society (IIS).

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