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FINANCIAL SERVICES



KAREN CONE: MICROSOFT

The internet of things is making its mark on financial institutions worldwide. Indeed, we see the industry looking to IoT as a source of insight that drives new product development, risk identification, pricing and value-added services to strengthen customer loyalty.

You can hear more about this from Tony Jacob on page 44, as he discusses how insurance carriers are identifying customer patterns with connected car systems and apps. Also in this section is an exclusive interview with Accenture Duck Creek's Michael Witt about the benefits of SaaS.

Innovation in insurance with IoT



TONY JACOB: MICROSOFT

Insurance carriers are starting to explore the potential of the internet of things, using smart meters and devices to capture insights and identify consumer behaviour patterns

An increasing number of insurance carriers are looking to the internet of things (IoT) as a source of data and insight that can help with new product development, risk identification and pricing, and even new value-added services that support policyholder retention. IoT is new territory for insurance carriers, and they are looking to experiment and innovate to determine how data from vehicles and smart devices can influence their businesses. To do that, they need to do rapid and cost-effective proofs of concept that enable them to determine the right business models and products to offer.

Microsoft Azure is a fully formed cloud-first data platform that makes all this possible by enabling insurance carriers to quickly and efficiently gather, store, mine and analyse the vast quantities of data that an IoT project will generate.

“We’re seeing increasing interest among insurance carriers in the smart home or smart facility type of opportunity”

Data gathering is enabled through Azure Information System Services, a service bus in the cloud that can be used to gather data from any device, sensor or other asset you want to factor in. For telematics or usage-based insurance, that could be an in-car system, plug-in dongle or a mobile phone app that

uses the phone’s GPS location data or accelerometer to track driving behaviour. In a smart home or smart facility, that could be any home automation or other smart device. Quite simply, any device will do.

SQL Azure is a cloud-based version of SQL Server – a relational database in the cloud – that can be quickly set up to store the volumes of data in these IoT projects, without investing in physical hardware or waiting for the infrastructure to be put in place. As it’s a database as a service, SQL Azure also can be quickly scaled up and scaled down like a utility, which also helps enable rapid innovation.

Azure Machine Learning provides cloud-based predictive analytics. It allows insurers to apply algorithms to mine their data sets in an automated way, so they can identify patterns and valuable relational data. That’s important both because of the sheer volume of data you’re collecting, and because it can be a real challenge to find data scientists. Azure Machine Learning allows you to automate some of that process.

Our data analysis toolset, HDInsight, along with the PowerBI presentation layer, enables data scientists and business users to analyse the data, make sense of it and bring that data into consideration for product development, underwriting and risk, and for general customer analytics.

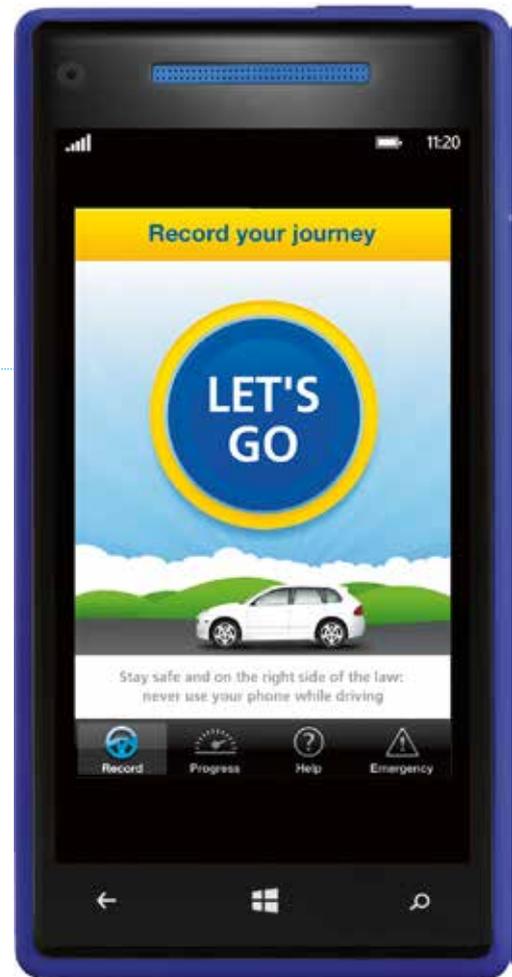
Our work with UK insurer Aviva shows the benefits of Azure in action. Aviva developed the Aviva Drive mobile application for a telematics insurance offering for both personal and commercial auto. The app was developed for iOS, Android and Windows phones, using the devices’ accelerometer

Insurers such as Aviva are using apps to monitor driving habits and better service policyholders

or GPS positioning data to monitor users' driving habits. Policyholders receive a discount on premium at the start, and then are eligible for other discounts as they improve their driving based on feedback provided through the app. With more than 300,000 downloads so far, Aviva Drive generates a huge volume of data that needs to be stored, managed and analysed effectively. Storing that data in the cloud enabled Aviva to put the programme together quickly and get it to market.

We're seeing increasing interest among insurance carriers in the smart home or smart facility type of opportunity, where a growing collection of home automation devices, from internet cameras and motion sensors to gas and water leak detectors, is providing data and insights that can inform insurance products as well as value-added services that helps shift the conversation from insurance to protection. This can be an interesting proposition for carriers, but in these early days of the internet of things, many carriers want to better understand what is possible, based on better insight into the type of home or building automation devices that are available or being developed for the market.

Our Microsoft Ventures team is investing in the development of those devices in partnership with American Family Insurance, a US insurer that is interested in offering smart home policies. Together, Microsoft Ventures and American Family Insurance formed a four-month accelerator on the Microsoft campus in Redmond, Washington, to support start-up firms that are developing home automation devices. These start-up firms send employees to live



and work near our campus, to access technical help from our engineering teams and data scientists who can help them understand how to collect and make use of the data their devices can provide, receive business coaching, gain exposure to potential customers, and access potential investment opportunities. Interest in the accelerator has been enormous. Our Microsoft Ventures team expected about 100 applicants for roughly a dozen spaces, but they received close to 500 and we're seeing a range of devices, touching almost everything in the home.

From our perspective at Microsoft, the internet of things is a fascinating place to be. Not only do we provide the infrastructure to ingest, house and analyse the data, but we also invest in joint ventures that support the development of devices that are pointing the way to an interactive and proactive relationship between insurers and their customers. ©

Tony Jacob is managing director of Worldwide Insurance at Microsoft

Growing in a global market

In an incredibly challenging marketplace, global retail financial services association Efma is continuously evolving to stay one step ahead of industry trends. With new chairman Javier San Félix at the helm, we find out what's in store for the organisation

BY LINDSAY JAMES

Over the last forty years, global retail banking association Efma has evolved considerably. Starting off as a European organisation formed by a small number of bankers and insurers, it has grown to become a truly global business, today meeting the needs of more than 3,000 brands in 130 countries – including over 80% of Europe's largest retail financial institutions.

With an eye on the future, it has maintained a spirit of innovation and recognised the shifts in the industry that it has, in turn, adapted to. This has most certainly been the case in the last twelve months, during which time the organisation has undergone a huge transformation in a number of areas, which have helped to strengthen its position in an undeniably difficult market. Indeed, despite the ongoing effects of the crisis, Efma welcomed a record number of members in 2014.

It's fair to say that the organisation's internationalisation strategy has proved far more successful than expected. Today, Efma is the only truly global retail banking association, and it remains dedicated to strengthening its relationship with banks in all regions and understanding each and every one of the unique challenges they face. Efma now has offices all around the world, including in Singapore, India and Dubai.

"There are a number of activities which will help to bolster this international reach, but one initiative which is worth a special mention is the innovation portal and the related awards," explains Patrick Desmarès, Efma's secretary general. "Launched in 2013, this initiative has been

a tremendous success, with 599 innovations submitted by 252 different institutions from 69 countries this year. Not only does the awards ceremony in October attract bankers and insurers from the world over, but it also gets exceptionally good press coverage. It is also expected that Efma's brand new portal dedicated to new entrants in the banking sector (www.efma.com/newplayers) will become a benchmark – in the same way as the now classic Statistical Yearbook (www.efma.com/ranking)."

Efma's commitment to digitisation has also had a major role to play in the organisation's success. Recognising the move towards digital channels across the industry, it has launched a new online content platform and app to provide all members with a rich and diversified flow of retail financial services information covering a wide variety of geographies and topics. "There is currently no equivalent to this in the industry," says Desmarès. "The next step is to develop new user interfaces and further personalise the content that members want to receive, delivering it to them in the format and at the frequency of their choosing."

Another area that is the subject of reinvention is the Efma conferences. These events continue to be highly rated and are particularly popular with participants from distant countries. For example, in ten years, the number of paying participants from Africa, America and Asia has increased from 6% to 20% of the total. In contrast, the number of paying participants from large member institutions from old Europe has collapsed (-60%).



“Efma’s commitment to digitisation has also had a major role to play in the organisation’s success”

JAVIER SAN FÉLIX

In light of this, Efma is working to move on from the traditional concept of conferences. It will focus above all on interactivity and exchanges of experiences, as well as in-depth case studies. It will favour venues that are far more informal and more welcoming, but above all less expensive. It will organise a smaller number of events, and rely on differentiation, quality and innovation to make its mark in a saturated conference market. Moreover, it will steadfastly cultivate its professional identity in order to stand out from sponsorship and exhibitor hunters.

Not only has Efma firmly cemented itself in its strongest position yet, but it has also secured the backing of one of the most influential bankers in the industry – Javier San Félix, senior executive vice president at Banco Santander – who has stepped into the coveted position as Efma chairman.

Bringing with him extensive international financial services experience, San Félix will help to drive Efma forward into the next phase of its global and digital strategy. In his current role as senior executive vice president, global head of retail and commercial banking at Banco Santander, San Félix is responsible for leading the bank's worldwide retail and commercial banking operations. Prior to that, he held a number of senior positions within the industry, including manager of Santander's Americas division; CEO of Banesto, until its merger with Santander; senior executive vice president of Non Euro Markets in Santander Consumer Finance; and executive member of the Santander Consumer Finance Board of Directors.

San Félix's experience in the industry, as well as his deep understanding of what it takes to run one of the largest banks in the world, will be invaluable in helping Efma to move forward into the next phase of its global and digital strategy.

"The current banking model is changing," San Félix says. "The main challenge for the banks in a digital world is to develop new omni-channel customer propositions to attract and retain customers. Increasingly, banks will need to win the battle against other non-banks to convert those better-informed online shoppers into customers. The challenge is global and gaining momentum as banks try to come to terms with technologies that have already transformed sector after sector."

Desmarès believes that San Félix is an ideal candidate for the role. "Javier really understands where our industry is heading and is a fantastic representative for Efma, which is continually

looking to deepen its relationships with retail banks worldwide," he explains. "Not only will Javier support us as we keep on growing our global presence, but he realises the importance of building strategic relationships with businesses outside of our industry, such as retailers. His knowledge and experience will help us to build on our core strengths and develop a truly global Efma. I am delighted to have him on board and look forward to sharing the future successes that we will undoubtedly achieve together."

"The benefit of Efma as a global network is to help detect key initiatives and industry trends from around the world"

There is an unquestionably exciting fervour within the association about what it can achieve, and it is resolutely committed to continuing along its path of evolution in the years to come. Looking ahead, Efma pledges to keep moving with the times and provide its members with the knowledge and insights they need to drive their innovation efforts and to succeed for many years ahead.

"The benefit of Efma as a global network is to help detect key initiatives and industry trends from around the world," San Félix concludes. "I truly believe we will play a strategic role within this new scenario and our commitment is to firmly contribute to develop and strengthen the business." ☺



Efma has recently launched a new online content platform

Enhancing security

US bank implements Dell SecureWorks to reduce the costs of managing network security and preventing data breaches

As larger banks have begun to fortify their security defences, community and regional banks have faced an increased number of targeted security threats. These financial institutions need more effective and affordable security tools to protect the confidential and valuable data stored on their networks from hackers and cyber criminals. These solutions also need to be easy to manage to ensure that banks can maintain high-quality customer service and ensure regulatory compliance.

Founded in 1983, US-based Lone Star National Bank (LSNB) provides financial and banking services to consumers and business from more than 40 branches in Texas, as well as its website and mobile apps. In recent years, LSNB's IT team struggled to find the time to manage, monitor and update the bank's in-house intrusion detection and prevention system to ensure that it was effective against ever-evolving attacks. The team also found it difficult to generate compliance reports and compile and analyse threat intelligence.

When its previous network security system approached the end of its life, LSNB decided to implement a data security solution that required less hands-on management and provided better reporting tools. Rather than deploying an expensive in-house solution, LSNB opted for a more cost-effective managed intrusion detection and prevention security service from its long-standing partner Dell.

"Our previous security system was very expensive and managing it took time away from our role of making the bank even more successful," says Kevin Pilgrim, executive vice president and CIO at LSNB. "We needed to direct our IT resources to support customer service so we chose Dell SecureWorks. It provides the services we need – including 24/7 monitoring, reporting and access to threat intelligence – and it's recognised by the industry."

Together, the bank's IT team and Dell SecureWorks configured and tested the solution, before deciding to expand it to other departments of LSNB. "We



were so happy with Dell SecureWorks, we quickly signed to have Dell SecureWorks monitor and defend our disaster recovery site too," says Pilgrim.

Since implementing Dell SecureWorks, the bank has simplified compliance procedures, doubled reporting efficiency and significantly reduced the costs associated with protecting its networks from unauthorised access. "We saved US\$60,000 in the first year and did not need to hire a full-time security expert," explains Pilgrim.

The solution also ensures that the bank's infrastructure remains secure if a workstation becomes infected, notifying IT staff about potential issues.

"Dell SecureWorks uses multi-layered protection, so it will shut down any malicious traffic and alert my team," says Pilgrim. "The accuracy and speed of this solution also allows my team to be laser-focused during any clean up, rather than having to run through pages of network logs to identify the infected system."

In addition, the solution has also enabled IT personnel to develop value-added services, such as a new robust customer relationship management system, which will help the bank to expand in the future.

"We no longer have to spend time managing and monitoring security because Dell SecureWorks takes care of it for us," says Pilgrim. "Now, our IT employees can focus on using technology to help the bank improve its offerings and revenue, and realise its short-term and long-term goals." ○

Dell SecureWorks provides 24/7 monitoring

Taking control



MICHAEL WITT: ACCENTURE DUCK CREEK

Insurers of all sizes are looking for ways to take control of their core system functions while simultaneously improving efficiency and increasing business agility

Today's insurers are fighting hard to transform their businesses, but it's no easy feat. Faced with a lack of alignment between their business and technology, combined with a high-maintenance legacy IT infrastructure, shortage of resources, and dwindling candidates with the right skill set to maintain an antiquated system, it's clear that to be viable in the here and now

structure hosting and application outsourcing combined with software. Carriers should expect more. From our experience, a SaaS model should incorporate a one-to-many infrastructure and operations, defined SLAs that are designed to meet or exceed a carrier's typical needs, inherent 'always current' upgrades and software revisions, all delivered in a predictable price and commercial model. Insurers should know what SaaS options are possible before making their final software and service provider selection.

The SaaS contract is an attractive modernisation option for insurers that would prefer to focus their internal IT resources on being responsive to their business instead of responding to hardware and software maintenance issues. Companies can leverage pre-defined templates and pre-existing configurations based on best practices and the experience of the SaaS provider. And with this approach, businesses typically experience shorter implementation times and have access to remote IT maintenance and monitoring capabilities, mitigating the need to maintain these specialised skills in-house. This type of solution means that insurers will never again be faced with issues due to an outdated legacy system because of the inherent upgrade capability included with a SaaS solution. What's more, insurers can become extremely nimble – they can scale their capabilities up or down to better respond to market demand and customer needs.

How do we know this innovation works? Experience. With a proven track record of successfully

“We are confident this business model, supported by the Accenture Cloud Platform, using Microsoft Azure, delivers the outcomes insurers are looking for”

requires more than just shifting priorities.

Most insurers accept that in order to succeed, they need to transition to a modern platform. To take full advantage of digital technology, this often means moving to a cloud-based solution. However, with so many different options available – software as a service (SaaS), infrastructure as a service, platform as a service, as well as hybrid models – it's no wonder that most insurers have yet to make the leap. Transitioning to a modern platform is a daunting proposition for many, who worry about which solution will best meet their needs with the least amount of disruption, how their own IT resources will be impacted and what it will cost both now and in the future.

At Accenture Duck Creek, we believe a SaaS model is more than just cloud-based infra-



operating SaaS within several insurers over the past two years, we are confident this business model, supported by the Accenture Cloud Platform using Microsoft Azure, delivers the outcomes insurers are looking for. Our current customers cover the industry from very large personal lines insurers to carriers with US\$150M in direct written premiums.

Insurers' success with non-core SaaS solutions, such as Salesforce, is being reported throughout the market, which has escalated interest in viable options for core solution SaaS. We have seen a significant increase in active opportunities that are preferring SaaS capabilities across all segments and tiers of our market. In a competitive industry, any advantage is pursued. With so many benefits to migrating to this solution – predictable costs via a pay-as-you-go structure, improved system functionality, expedited product development and deployment, and no hardware or maintenance expenses – insurers are likely to see an impact on operational results and customer service levels.

Looking ahead, it's important for insurers to prepare for the future, and a SaaS approach will keep their investments current while reducing the business disruptions from upgrades and maintenance cycles. Today, the most successful insurers are beginning to realise that they need all of their resources focused on their core business. This means enabling IT to refocus on being a change agent for delivering product and shifting capital away from software and infrastructure to investments that can drive more top-line impact. Sooner or later (most likely sooner), shifting key systems to a SaaS solution will be a competitive imperative; those who move earlier are likely to see it as an advantage. Any insurers who haven't begun modernising their systems will need to move now or acquiesce that they will likely play catch up for years to come. ☉

Michael Witt is global SaaS product lead at Accenture Duck Creek