As the financial services sector seeks to drive digital transformation, the cloud is powering one of the fastest growing workloads in insurance: risk modelling. In risk modelling, speed and capacity are the keys to business value and, alongside our partners, we’re seeing a rapid rise in the number of insurers looking to the cloud to manage their risk workloads. Find out more in the following pages. In this section we also explore how blockchains are a catalyst for a collaborative economy, and how innovative mobile solutions are helping banks to boost productivity and deliver exciting experiences, anywhere.
The future of risk modelling

Microsoft and its partners are ensuring that the Microsoft Azure cloud helps insurers to manage risk modelling in a way that delivers immediate value.

In risk modelling, speed and capacity are the keys to business value. But there is no value in managing an infrastructure to deliver capacity that you only use sometimes. “Maintaining an in-house grid of the size required starts to cost significant amounts of money, with much of that capacity sitting idle most of the time,” says Joel Fox, director and global life financial modelling and reporting leader at Willis Towers Watson. “At the same time, insurers face downward pressure on the operational costs of satisfying reporting requirements. These factors are driving them to look for other options around how and where they can do this computing, and the cloud is coming to the fore.”

If an insurer normally uses 2,000 cores, but needs 5,000 to run quarterly or annual risk models, then it’s much more cost-efficient to pay for extra capacity only when it’s needed. In a TCO analysis for one customer we estimated that continuing to run their modelling onsite would require an additional investment of about US$5.5m – but doing it in the cloud would only cost about US$1.7m. In fact, in our work with customers to date, we’ve seen that the cost of managing the infrastructure in the cloud can be 45-65% lower than managing it onsite.

Microsoft Azure enables insurers to spin up a new environment in minutes, delivering capacity as and when it’s needed so they can stay focused on the business. “It’s almost impossible for insurance companies to manage all the applications they’re using in their business processes in-house,” says Peter Haslebacher, head of global insurance strategic alliance at FIS. “As a result, we are now seeing a drive from insurance companies to move their applications into hosted application managed environments. Insurers need to cope with large fluctuations in the capacity they need – and that’s where the cloud’s elasticity is delivering key benefits.”

Regulatory demands are also driving insurers towards the cloud. New standards such as Solvency II, Dodd Frank and the International Financial Reporting Standards mean that insurers are now being asked to run more complex...
models, more often. “The increasing demand for computation ability really crystallises at reporting dates, and cloud resources enable insurance businesses to handle that,” says Trevor Howes, vice president and actuary at GGY. “One trend we’re seeing is that insurers are bursting through to the cloud, and there is more willingness to consider starting from the cloud when we’re implementing our solution.”

Automating many of the manual processes involved in financial management can enable insurers to meet current and future industry demands. “Insurers gain more time to focus on analysing the data, rather than producing it,” says Carmela Owens, alliance manager at Tagetik. “This enables them to respond flexibly to the inevitable changes as regulators and the industry continue to debate and adjust the requirements.”

It’s natural for insurers to look at the risk of doing these types of workloads in the cloud. At Microsoft, we work with regulators, deal with compliance and make sure we meet all the appropriate security standards. We provide detailed security, privacy and compliance information about our cloud services through the Microsoft Azure Trust Center, to help customers make their initial regulatory assessments. In most instances, companies find that the cloud provider has more stringent security
standards and requirements than their own data centre. “We’ve seen a lot of organisations with systems for risk management and actuarial modelling that are just not as controlled as they should be, and that affects the quality of the data coming in and the information coming out,” says Pat Renzi, a principal with the Life Technology Solutions practice of Milliman. “It comes back to having confidence in your information, and that necessitates a completely controlled environment.”

Microsoft’s compliance programme specifically addresses customer requirements related to these concerns.

Early adopters have already found out how the cloud can transform their business, and we’re seeing a huge rise in the number of customers investigating the possibilities of the cloud to manage their risk workloads. Some are choosing software-as-a-service options that enable them to manage the entire risk modelling process in the cloud rather than consolidating the disparate systems they manage onsite. In many cases, the cloud enables customers to make use of existing technology investments – for example, with Cortana Intelligence Suite and PowerBI they can use powerful mapping visualisations and analytics to do catastrophic risk modelling. The partners we work with at Microsoft are key to ensuring that Azure delivers all these benefits, enabling rapid time to value so insurers can stop worrying about their infrastructure and focus with confidence on the business.

Jonathan Silverman is industry solutions director, worldwide insurance at Microsoft

“Early adopters have already found out how the cloud can transform their business”
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Risk management is an increasingly complex challenge for insurers, especially if they operate on an international scale. “It’s challenging enough to comply with regulations in a single geographical location,” says Peter Haslebacher, Head of Global Insurance Strategic Alliance at FIS. “But that challenge is multiplied for insurers that operate in multiple countries, because they need to comply with a range of local and regional regulations in a very short window of time. For example, firms now need to comply with Solvency II in Europe, local risk-based capital regimes and need to prepare for new IFRS reporting requirements. At the same time, the business needs to comply with internal parameters and guidelines related to risk profiles and product ranges. One of our clients has 18 different entities that need to ensure compliance not only on a local and regional basis, but also in a consolidated and aggregated form for the group.”

Ensuring that the capacity is available to model risk scenarios when they are needed is key to complying with those regulations, says Haslebacher. “It requires a lot of computing power to make sure you can model all these different risk scenarios. Insurance companies are producing terabytes of data and they need the capability to extract the relevant information that can help them drive the business, assess risk and react quickly to market changes by getting new products out to the market. The more agile an organisation can be, and the faster it can react, the more potential revenues and business it can generate. Due to the high volatility of capital markets, management is increasingly asking for more analyses in ever shorter periods of time – another reason for more efficiency and flexibility in data processing.”

Insurance businesses are increasingly looking at hosted environments as a means to achieve those goals. “Cloud computing offers the capability to move capacity up and down as it is required for the business. From an operational perspective, it is much more economical because you only pay for and operate the peak capacity for the period when you need it. Hardware refresh and data storage is all delivered on a consumption-as-you-use model.”

AIA Group has implemented FIS’ Prophet Managed Cloud Service to support its life insurance businesses in 14 markets across the Asia-Pacific region, to increase the agility and performance of AIA Group’s actuarial modelling processes. The service involves FIS assisting AIA with the management of its Prophet Enterprise application for actuarial results production, operating on the Microsoft Azure public cloud infrastructure and thereby helping to provide greater modelling flexibility and scalability, as well as improved cost management. “Increasing modelling agility is vital, and we look forward to the flexibility of creating virtualised model environments in the cloud when we need them, and turning them off when we do not. A further benefit is removing the day-to-day maintenance of the application and supporting infrastructure”, said Garth Jones, group chief financial officer at AIA.
and data controls, and this is all available in an outsourced environment, including on the Microsoft Azure cloud,” explains Haslebacher.

By combining automation with capacity on demand, and ensuring the right parameters are in place, insurance organisations can use Prophet to streamline the task of meeting their risk and regulation responsibilities. “Regulatory compliance is a complex matter that involves many internal elements, operational risk and other issues,” says Haslebacher. “A software solution cannot ensure regulatory compliance – that is the responsibility of the organisation – but it can take a lot of pain out of the process. By enabling automation and elastic capacity, Prophet and Microsoft Azure are helping insurance companies to comply with regulations in a timely manner.”

Prophet enables significant productivity gains for insurers by empowering highly-skilled staff to focus on high-value activities. “Over the past four to five years we’ve seen a shift in the industry from handling all the work in-house to outsourcing it using solutions like Prophet,” says Haslebacher. “By automating and outsourcing production of the numbers, insurers are freeing up human capacity to focus on analytical and planning activities. This increases the productivity of an actuary several-fold because they can use their time to analyse those numbers and make meaningful decisions.”

The combination of Prophet and Microsoft Azure also allows insurance companies to run their entire policy portfolio against their financial assumption models, which eliminates some of the estimation activities they had to do before. “In the past, some insurance businesses had to extrapolate samples to determine total liability,” says Haslebacher. “But with Prophet and Microsoft Azure they can run millions of policies in a very short period of time and get an accurate number on their liability exposure. This delivers a higher level of accuracy and more meaningful information, supporting staff to make the right decisions at different levels within the business.”

Peter Haslebacher is head of Global Insurance Strategic Alliance at FIS
Measuring and managing risk has always involved intensive calculations that can stretch insurers’ minds and technology capability. Now, increasingly frequent and tight reporting deadlines are driving organisations to look for more efficient ways to manage the peaks and troughs in compute demand.

“Shorter reporting timelines are pushing insurers to do more in less time,” says Joel Fox, Director and Global Life Financial Modelling and Reporting Leader at Willis Towers Watson. “For example, Solvency II solo entity Quantitative Reporting Templates, which came into force at the beginning of 2016, currently gives insurers just eight weeks after the period close to do reporting for which the equivalent was previously done in four to six months. That timeframe will reduce over the next few years and by 2019, businesses will have just five weeks to produce those reports. Many insurers are able to satisfy the eight-week requirement, but very few are saying that they’re in a position to deliver the long-term requirement of five weeks.”

Insurance companies are now looking for efficient ways to ensure they have the resources to respond to these requirements, says Fox. “If an insurer needs to return their numbers in a tenth of the time it previously took, they need a grid with ten times the number of cores. In addition, producing those reports every quarter means short bursts of high activity for a few weeks, followed by a lot of downtime until the next period closes.”

Hundreds of insurance companies around the world use Willis Towers Watson’s MoSes and RiskAgility Financial Modeller actuarial projection systems, and the company saw that it could help them to automate scheduling in the cloud. “About 40-50% of those clients have built up and maintain their own on-premise high-performance computing grids, and in the past year we’ve seen more clients looking at cloud solutions either to add extra capacity to existing on-premise solutions or as an alternative to setting up new on-premise grids” says Stephen Hollands, SaaS and vGrid Global Product Leader at Willis Towers Watson. “But while insurers recognise the cost savings that Azure’s consumption-model pricing can

SOLUTION PROFILE

Insuring the world’s population

Willis Towers Watson used its vGrid service to run an insurance calculation to cover the whole world’s population. Working with Microsoft, the company completed the calculation—which would have taken 19 years on a standalone computer with a single core—in just two hours. The exercise involved a stochastic analysis of the insurance cost of providing the 7.3 billion people on Earth with a US$100,000 whole-of-life insurance policy. The model confirmed that the cost would be approximately 2.5 times the global gross domestic product (GDP), with a standard deviation of roughly 15% of global GDP. It was executed from a Willis Towers Watson RiskAgility Financial Modeller client using more than 100,000 cores across 13 globally distributed Azure data centres.
deliver, their IT functions often don’t have the toolset in place to turn the resources on and off again in an automated way. As more insurers look to the cloud, many are looking for technology partners like us who can solve the problem for them.”

Willis Towers Watson worked with Microsoft’s Big Compute team to capitalise on the capability of Azure Batch to do scheduling in the cloud, and developed its vGrid software to enable clients to benefit from the cloud without having to set up their own Azure framework. “Clients can have their data, their model and their environment on their office PC and then send calculations direct from RiskAgility Financial Modeller to Azure,” explains Hollands. “Our service then builds a grid of the size required, runs the calculations, returns results and closes down the grid as it finishes all the tasks. That leaves insurers with a minimal footprint in Azure, for the calculation period only.”

As the challenge of doing more for less intensifies over the coming years, the company is focused on delivering not just the capacity, but also the added value insurers are looking for. “A lot of our clients are looking for a holistic service,” concludes Hollands. “They’re looking for value-adds in terms of scalability, and visibility in terms of cost. RiskAgility Financial Modeller, vGrid and Azure give them that scalability and visibility so they can manage seasonal workloads, growth and new projects. Many are reaping the rewards of optimising their workloads and gaining greater insights while managing down their costs.”

“If an insurer needs to return their numbers in a tenth of the time... they need a grid with ten times the number of cores”

Joel Fox is director and global life financial modelling and reporting leader at Willis Towers Watson.
Stephen Hollands is global product leader for software as a service at Willis Towers Watson.
Regulatory changes and an increasingly unpredictable risk environment are challenging insurers to do more in less time while enabling faster responses. “Regulatory changes are significantly increasing the workload,” says Pat Renzi, a principal with the Life Technology Solutions practice of Milliman. “It’s a trend that is particularly strong in the UK and European Union at the moment, and we’re beginning to see the same pressures affecting US insurers. One of our customers estimates that they are having to do eight times more work to comply with regulations, in a shorter period of time. From a risk management perspective for the organisation, delivering that with confidence is a huge challenge.”

At the same time, the risk environment has changed and insurers need to be able to respond quickly to new and unexpected risks. “Risk management is no longer simply a case of planning for events such as fluctuations in interest rates or people living longer,” explains Renzi. “There are so many unknown risks now, and insurers need to prepare themselves to respond quickly to unexpected events, to assess the impact of the risk or identify the opportunities it opens for the organization. That means being able to do more real-time risk management, so having access to information in an almost real-time basis is essential in enabling insurers to be safer and more competitive.”

Insurers are now looking to the cloud in order to achieve the compute power they need to calculate risk more quickly, but Renzi says that the benefits of cloud solutions go far beyond that. “Having access to the compute power that you can get in the cloud is critical to achieving the productivity and real-time information insurers need,” says Renzi. “But compute power is just the beginning. We’ve seen a lot of organisations with systems for risk management and actuarial modelling that are just not as controlled as they should be, and that affects the quality of the data coming in and the information coming out. It comes back to having confidence in your information, and that necessitates a completely controlled environment.”

Milliman’s Integrate solution takes a holistic approach to the automation and governance of...
actuarial modelling and reporting, using the power of Microsoft Azure to deliver an environment that can support insurers in today’s business environment. “With Azure, Microsoft has focused on making sure the cloud is ready for enterprise customers, and that was really important to us,” says Renzi. “We’ve created a full end-to-end process, from the data coming in to the results coming out. It’s a very controlled, highly governed environment which delivers the speed insurers are looking for in a way that enables confidence.”

Integrate harnesses the power of the cloud to deliver key efficiency benefits too. “Having the system in the cloud enables us to deliver valuable collaboration capabilities,” says Renzi. “Everyone in the organisation, wherever they are, can access the system to get what they need, whether that’s data, results or collaborative workflow tools. People can review results, sign them off, pass them to colleagues and discuss them with colleagues wherever they are, simply by logging into the system. It eliminates the email trail and enables a very collaborative – and very efficient – environment in which everything can be tracked, logged, versioned and managed.”

As more insurers move to cloud-based solutions for actuarial risk modelling, they are also realising that a holistic approach can deliver tremendous benefits across the organisation. “Industry studies have found that people are spending 70-80% of their time on manual work, and only 20-30% of their time is spent on analysing the information – so highly skilled staff are spending most of their time doing low value work,” says Renzi. “If you can eliminate that manual work by automating everything, you free up your resources to focus on making strategic decisions. That delivers huge value to the organisation.”

Pat Renzi is a principal with the Life Technology Solutions practice of Milliman. Integrate is a trademark of Milliman Inc., registered in the US, UK and France.
Carmela Owens of Tagetik told us how the company is helping insurance companies around the world to simplify and streamline business processes.
also provide a comprehensive, pre-packaged application to handle the current and future reporting obligations of companies that need to comply with European Solvency II standards.

Tagetik can be deployed on-premise or in the Microsoft Azure cloud, and enables finance teams to manage processes with little IT support. “Internal management reporting, external reporting and regulatory reporting can be managed through Tagetik’s Performance Books, which uses Microsoft Office as its interface, making it easy for the end user to work with,” says Owens. “But unlike stand-alone Office documents, Tagetik’s reporting information is stored in a database, so any changes made to underlying numbers are automatically reflected in documents, notes and disclosures. Numbers are subject to rigorous validation and business rules that ensure all is in balance before being presented.”

The solution’s forecasting and modelling capabilities enable insurers to quickly compare scenarios and conduct ‘what-if’ analyses, supporting better decision-making and assisting in preparation for M&A activity, says Owens. “Structural changes are effectively handled to provide insight into the impact of events such as the value of the investment at any stage, net equity impact or rollover into a dividend. In addition, multi-standards awareness is provided to handle US GAAP and IFRS, and to show year-over-year comparisons. Cashflow is automatically calculated, as double-entry logic is part of the system.”

Multi-dimensional reporting, delivered through familiar technologies, is key to enabling the efficient analysis that is critical to today’s insurance businesses. “Tagetik enables insurers to immediately analyse results, model and compare the full financial statement impact of business scenarios, adjust the plan, and update rolling forecasts,” says Owens. “Analysis can be delivered through Analysis Services, Reporting Services and PowerBI, leveraging the skills of Microsoft-trained internal resources. Insurance executives can see the profitability of each product, analyse which policies are underperforming and why, and quickly understand the impact of business decisions on the firm’s profit and loss, cash position and financial performance. By automating many of the manual processes involved in financial management, insurers can enable themselves to meet current and future industry demands.”

“Big data holds the potential for improvements in customer segmentation, risk calculation, fraud identification and other areas”

Carmela Owens is alliance manager at Tagetik
Back in 2003, we were approached by a new company offering to revolutionise our customer relationship management (CRM) system. At the time, the temptation of a low cost, repeatable, recurring fee was too much to resist. We had a new CRM system that we could use to centralise our data and drive our campaign to migrate our payments customers from BACSTEL to BACSTEL-IP.

What we didn’t foresee is the transformation this new ‘cloud-based’ approach would have on our business – visibility into how our prospects responded to our marketing messages, the ability to access records and work remotely, insight into trends provided by easy to configure reports, and the ability to collaborate with our customers through a new, self-service channel over the internet.

Bottomline has been providing document management solutions (DMS) to over 4,000 customers worldwide for over ten years in all industry sectors. Precisionforms, our flagship DMS for Microsoft ERP customers, takes care of all of their internal needs, pulling data directly from NAV, Great Plains or AX to create the form, insert conditional data, merge with other documents, digitally sign the document and store a copy for legal archive. Because of the tight integration with our customer’s internal systems, Precisionforms is typically hosted internally on the same network as the enterprise resource planning system, behind the customer’s firewall.

Over the past two to three years, more and more customers have sought to move their financial systems to the cloud, leveraging Microsoft Dynamics AX or Azure to help them on their journey.

PT-X Connect, Bottomline’s latest solution, is hosted in the cloud but seamlessly interfaces with Precisionforms. Business users can send forms electronically by e-mail or to a third party for printing and posting. The system will ‘follow’ each document to ensure that it is successfully delivered and actioned, providing real-time analytics to users based on the value, age and status of the document. All delivered via a browser-based interface accessible from your PC or mobile device.

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Andy Lilley is regional director of financial document automation at Bottomline Technologies
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About Synechron

Synechron is a global consulting and technology organisation providing innovative solutions to the financial services industry through its three main business focus areas: digital, business consulting and technology.

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We all know that payment systems based on a blockchain (secure ledgers of broad bits of information shared by everyone in public and private distributed networks) can fuel business growth for startups and established corporations alike with direct payment of digital currencies. But that’s just the beginning. Distributed ledgers can handle much more than payments – they can become a platform for smart digital contracts that apply across industries and revolutionise how businesses and people transact with one another in fundamental ways.

But how can businesses easily access blockchains? Microsoft makes it quick for companies of any size to benefit from the collaborative
Using blockchain to simplify financial services

Synechron sees blockchain technology as a cost-effective means to solving the legacy of many overly complex processes in the financial industry, particularly those which involve the need for multiple trusted parties.

Together with platform development using Ethereum, Multichain, and Ripple, Synechron is leveraging Microsoft’s BaaS on Azure to help the world’s largest financial institutions develop smart contract platforms that are both scalable and adaptable. “By driving a new way of thinking with our clients, we are also integrating 3rd party blockchain oracles to empower new digital commerce models and essentially rewrite the rule book on how the value web should operate,” explains Faisal Husain, CEO of Synechron.

According to David Horton, managing director of innovation at Synechron, the secret to success with blockchain integration is still in finding the right use cases. “There is a tendency in all the excitement about what a new technology can do, to rush into trying to use blockchain to do everything,” he explains. “Because Synechron is unique in that it has the combination of business consulting know-how and technology delivery capabilities, we are well poised to identify the right opportunities for our clients, and are already actively delivering our solutions to blue-chip financial organisations around the globe.”

Synechron contributes to the modular blockchain ecosystem that Microsoft is building and, as a result, is seeing a lot of traction with its client members at consortiums like R3 and the Global Blockchain Council. “Amongst the most popular users of blockchain are trade finance companies. The US$18 trillion trade finance industry has traditionally been one of the most overly complex and traditional paper based systems worldwide - with a need for a ‘Bill of Lading’ and escrow, and FX payment triggers that power the import/export business,” Horton says. “Synechron has developed several proof of concepts that tackle this problem statement, and our clients are currently trialing these with simulation data to evaluate the degree of efficiency we have brought to the process. Initial results are extremely encouraging, and we fully expect several of our solutions to go into full production in the next 12 months.”

Marley Gray is Microsoft’s director of business development and strategy for cloud and enterprise.

economy with its new Azure Blockchain as a Service (BaaS) programme. The open, hyperscale Microsoft Azure platform supports an ever-growing number of distributed ledger technologies that address specific business and technical requirements for security, performance, and operational processes. In short, Azure BaaS provides a rapid, low-cost, low-risk platform for enterprises to collaborate by experimenting with new business processes and contracts to streamline everything from supply chains to trading in capital markets.

The blockchain ecosystem is already proving to be transformative for banks. In 2015, financial innovation firm R3 established a consortium partnership with the world’s leading banks to provide distributed ledger technologies to economies worldwide. R3 now has partnerships with 42 financial institutions, who see blockchains as the underpinning for transformative new services.

Using Azure BaaS with multiple blockchain partners such as smart contract platforms Ethereum, Eris and Tendermint, R3 created a peer-to-peer distributed ledger that connects many of the consortium’s leading banks including Barclays, Credit Suisse, HSBC, Royal Bank of Scotland, Citi, Bank of America, and Wells Fargo. In a first test of the distributed ledger, the banks simultaneously simulated financial transactions.

And in its third experiment, R3 tested multiple cloud vendors as well, including IBM Bluemix, Amazon Web Services, and Microsoft Azure with five different blockchain platforms. Microsoft Azure emerged from the tests as the preferred cloud provider for R3 and its consortium because of its flexible, open, and comprehensive set of enterprise-grade services including Internet of Things (IoT), advanced analytics and machine-learning algorithms, security features, and developer tools.

These are just a few of the potential benefits of this exciting new ecosystem, with many more to come.
Recognising innovation in insurance

At Efma’s recent Insurance Summit, Efma and Accenture have announced the winners of their first annual Innovation in Insurance Awards. The programme, jointly launched by Efma and Accenture, seeks to reward and foster innovation in the industry, and recognises the most-innovative insurance initiatives and projects around the world.

More than 149 institutions from 38 countries submitted 225 innovations within five categories: Customer Experience & Engagement; Claims Management; Digital & Omni-channel Distribution; Best Disruptive Product or Service; and Global Insurance Innovator.

The winners were selected by a combination of votes from a panel of judges comprised exclusively of senior executives from the insurance industry, and online votes from Efma members. Winners were recognised at an award ceremony hosted by Efma and Accenture in Milan on 9 June during Efma’s Insurance Summit gala dinner.

“Innovation is essential for insurance organisations to succeed in a digitally connected world,” said Vincent Bastid, CEO of Efma. “We’re delighted that the Efma-Accenture Innovation in Insurance initiative can support that innovation by showcasing new ideas, technologies and strategies from organisations across the world. The winners of the first Innovation in Insurance Awards exemplify the proactive approach taken by organisations that are leading change and transforming the industry. This year’s winners are:

MS&AD Insurance Group Holdings, Japan, won the Customer Experience & Engagement award for its dramatic improvement of contact centre operations using Watson, which enables high quality responses to increasing customer needs and efficient contact centre operations. The system leverages Watson Explorer, Work Force Management System and Oracle Service Cloud.

Allianz France won the Claims Management award for its Your expert is in the sky claims solution, which enables speed, simplicity and reactivity in assessing claims by using drones to examine damage to large buildings.

USAA, USA, won the Digital & Omni-channel Distribution award for its Digital Virtual Assistant, which leverages web and mobile channels to allow more members to satisfy their needs without the assistance of a representative.

Europ Assistance Group, France, won the Best Disruptive Product or Service award for its Connect et Moi solution, which leverages IoT capacities to link a behavioural algorithm with an emergency human call centre, to allow elderly people to live at home securely.

And AXA Group, France, won the Global Innovator of the Year award for its digital insurance model, which includes the Health Keeper health and wellbeing platform; the RUOK digital service which brings peace of mind to families with isolated seniors; the WellBe social network; and the AXA Drive app, which calculates a ‘driving score’ using data such as acceleration, braking and turns during a trip.

All submitted innovation case studies are stored on a portal, forming the first-of-its-kind global insurance innovation repository, which is accessible to all insurers.

To learn more about the award-winning innovations, visit www.efma.com/innovationininsurance
Ensuring public confidence

Disruptive technologies such as blockchain are continuing to gather momentum and make the transition into the mainstream. But what role can insurance play in helping this technology thrive in the long run?

In the past, I’ve written about the role insurance plays in enabling disruptive technology to transition into mainstream. I’ve also written about the potential of distributed ledgers (blockchain) to be a disruptive technology. So naturally I started thinking about how the two might intersect. But what really got me going was thinking about the role insurance could play in ensuring public confidence using blockchains.

There are essentially three ways things get recorded on the chain. Firstly, they can be born on the chain, like bitcoin. With bitcoin, value exists only because it is registered on the chain. Secondly, a unique ID assigned to a physical asset or idea can be recorded on the chain. This could be a vehicle identification number or patent number for example. And last but not least, a unique hash ‘fingerprint’ of a complete expression can be recorded on the chain. This could be, for example, a signed contract or original manuscript.

When people talk about blockchain they generally talk about the authenticity, immutability and privacy of a ledger entry, but not a lot about the truth of the entry. All but the first example above depends on a trusted third-party to vouch for the provenance of the thing being recorded. Without a high level of assurance, everything that comes afterwards must be suspect. In other words, the blockchain will propagate whatever level of truth it is given to start with.

If I unilaterally declare ownership of the Lincoln Memorial and memorialise it on the blockchain, miners will happily validate the format of my submission. As more blocks are added to the chain, there is greater agreement that my ledger entry is valid. Valid, yes, but still totally bogus.

To ensure confidence using the blockchain, various authorities, like the patent office, title companies and auto manufacturers, will need to play a key role in certifying the accuracy, authenticity and ownership of the multitude of stuff that gets registered for the first time on the blockchain. Insurance carriers will in turn need to help these organisations manage their exposure and risk of getting things wrong. Perhaps carriers may even decide to take an active role as a verification authority.

Once something is recorded on the blockchain you can begin to minimise the need for strict reliance upon trusted third-parties. This could be a vehicle identification number or patent number for example. And last but not least, a unique hash ‘fingerprint’ of a complete expression can be recorded on the chain. This could be, for example, a signed contract or original manuscript.

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Once something is recorded on the blockchain you can begin to minimise the need for strict reliance upon trusted third-parties; this is the disruptive nature of the technology. But this can only happen if people have confidence in the quality of the information as it is first placed on the chain.

“Once something is recorded on the blockchain you can begin to minimise the need for strict reliance upon trusted third-parties”

Steve Magennis is a global industry lead at Avanade
Effective mobile banking solutions are proving crucial to today’s financial services industry, enabling banks to compete with fintechs and deliver exciting customer experiences. “For many years technology has enabled banks to develop industrialised, scalable but standardised services,” says Marcelo Marquez, director of worldwide financial services at Microsoft. “Today, we are using technology to differentiate between users – whether they are employees or customers – and provide the experience they need.”

Steve van den Heever, group sales director financial services at Dimension Data, notes that banks are increasingly looking to leverage collaboration technologies to reduce costs, enhance the customer experience and improve services. “The cost to service a client on mobile is less than 10 cents compared to over US$4.25 for a traditional branch visit,” says van den Heever. “Mobile offers more convenience and personalisation in the client’s real-world banking and retail experiences, driven primarily by location, Internet of Things, data intelligence and collaboration. Mobile devices immediately deliver client benefits in terms of convenience, lifestyle apps, image capture and social awareness capabilities. These collectively provide a compelling business case to prioritise transforming not only the customer channel, but the end-to-end process to enable a more seamless business model in the future.”

As consumers demand more convenient ways to manage their money, banks are increasingly focused on delivering a mobile-enabled self-serve model – but legacy investments can present a challenge. “Research shows that customers would prefer to move their money using their bank’s technology rather than a third-party app,” says Lori Murray, world wide bank offering director at Hewlett Packard Enterprise (HPE). “Banks are looking to develop apps that enable customers to open accounts, apply for loans and transfer payments. However, their legacy technology can make it difficult to deliver their core applications on a mobile device. We developed our framework to help them achieve that, so they can deliver the experience today’s users need without having to replace their legacy systems.”

HPE provides a framework – using Microsoft technologies such as Enterprise Management Suite, Windows 10 and Azure – to deliver end-to-end or individual solutions that can integrate with the bank’s legacy technologies. These include a lending solution that enables banks to provide mobile apps for two-tap loan applications, the Digital Enterprise Branch Transformation solution which helps to pull banks through to an integrated, digital experience, and the Continuum network which enables users to plug into the television or other large screen as well as using smartphones and tablets.

“Innovative mobile solutions are helping banks to boost productivity and deliver exciting experiences, anywhere.”

By Jacqui Griffiths

“Mobility is about much more than the device. It’s about the application, how it’s accessed, by whom, where, and how their data is secured.”
A user-focused approach is key to delivering this. “Mobility is about much more than the device,” says Enda Curran, mobile solutions business development lead at HPE. “It’s about the application, how it’s accessed, by whom, where, and how their data is secured. For example, Microsoft Azure is enabling new ways to interact with different users, whether they are customers or employees. We work with our clients and their users to design an application, to make sure we understand how they’re going to use it, what will drive adoption and usage, and how to ensure that it provides the user with data or notifications that are relevant to them.”

With the right mobile solutions in place, bankers can effectively take the branch to the customer. “Capabilities such as encryption, remote identity management and digital signatures mean that bankers with a mobile device are no longer locked to their desk,” says Marquez. “Apps such as Cortana Intelligence Suite leverage machine learning to create predictive models so they can recommend the next best conversation to have with a customer. When they need input from an expert, bankers can use Skype for Business to bring the right persona into their discussion with the customer. They can use digital signatures to conclude any transactions securely on the spot. Teams of bankers and investors can meet and share notes across the world using Surface Hub. This capability for paperless operation is transforming banks and making them much more efficient.”

Dimension Data works with global banking organisations to enable seamless collaboration and communication between employees, service providers and customers. For example, a Skype for Business branch advisor solution implementation at a leading Australian bank has resulted in increased customer satisfaction with access to expert lending and financial advisors, improved reach through video-conferencing, and streamlined collaboration between employees.

“Collaboration technology across mobile devices is having a significant impact in enabling banks to meet the needs of customers in remote locations,” says van den Heever. “In particular, mobile payments and wallets are poised for massive growth. We are also seeing increasing interest in delivering a compelling and personalised digital experience to clients, combining data intelligence at the client point of contact, social gamification and converged collaboration.”

Banks that embrace a persona-driven mobile strategy are poised to work smarter, and to reach more customers, than ever before. “We are moving into an era of persona-driven technology and services,” concludes Marquez. “Technology that used to be cost-prohibitive is now mainstream, enabling banks to provide any capability. That could be low-cost, GPS-enabled devices that enable microfinance loan collectors to visit customers in remote locations, or developing bot advisors that will provide the next generation of user interface on customers’ devices. The key to success lies in knowing who is using the technology, and delivering the apps and information that gives each user the experience they need.”
Mobile banking is about having a customer-centric system that traverses both the customer and the banker. Microsoft Dynamics CRM really shines when it comes to omni-channel services, because of its ability to automatically render out the same applications on different devices, from mobile to kiosks to desktops.

From a banker’s perspective, mobility is about analytics and dashboards that enable information to be surfaced productively, helping them to understand the client. IBM has developed strong behavioural analysis capabilities, pulling in data from Twitter, blogs and Dynamics CRM. We pass the information through ‘personality insights’ into a tone analyser, to generate a profile of the client so the bank understands how best to serve them.

We’ve also developed a trip planner which shows all the banker’s clients as push pins on a map. Staff can click on push pins to set up a trip, automatically create appointments within Dynamics CRM and generate a route with turn-by-turn directions to each client location. When each meeting is over, they can open the appointment in CRM, add their notes and move on to the next appointment.

From the client’s perspective, a mobile portal that enables them to move their money, open a bank account or apply for a loan using an electronic signature enables much faster, more efficient provision of the services they want. We’re also marrying cognitive computing into mobility with the Watson Engagement Advisor, which can guide customers through processes such as opening a bank account at the portal. It will be trained to answer customers’ questions automatically, or to direct them to a live agent who can help them.

Steven Jacobowitz is associate partner – Microsoft Dynamics CRM Global at IBM

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Banks are leveraging mobile technologies to do two things. The first is to bring efficiencies in everyday banking transactions, enable customers to do things like make payments and remotely deposit cheques, and onboard customers without the need to visit a branch. The second is to reconnect with customers by offering contextual advice. This advice might be triggered through a PFM solution when a mobile payment is made, or by using beacons to alert customers about privileges. The mobile-first generation is about getting relevant advice, in real time and when it is most applicable – for example, when they are in the airport it is the right time to talk about travel insurance.

Seventy per cent of today’s customers experience a new brand on their mobile first. Together with Microsoft we are advising our banking clients on how to build a mobile-first business, in which processes like onboarding, Know Your Customer and compliance are as frictionless as possible.

The 360-degree view of the customer is a priority for every executive banker nowadays, and with Microsoft’s Azure Cloud and Dynamics CRM, we are helping clients move towards ‘platformification’ and digital service channels. Partnering with Microsoft we are helping clients digitise the bank branch experience and converge physical and digital channels. Windows 10 is the perfect operating system to deliver a consistent omni-channel experience across Microsoft’s range of mobile devices like Surface Pro and Lumia smartphones. The new Surface Hub display is also allowing banks to deliver a personalised experience to each customer through the use of built-in video advisor functionality, and real-time insights through behavioural analytics derived by tools like PowerBI.

David Horton is managing director for innovation at Synechron
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In April 2016, Accenture reported that global investment in fintech rose 75% from US$9.6 billion in 2014 to US$22.3 billion in 2015. Meanwhile, Efma predicts that there are close to 20,000 fintech startups worldwide, and that almost US$100 billion will be spent on fintech this year.

“Although the worldwide financial services industry has faced increased regulatory pressure and tighter profit margins since the 2008 global economic crisis, the real disruption is coming from new startups and fintechs,” says Steve van den Heever, group sales director for Financial Services at Dimension Data. “These companies are harnessing digital, mobile and social technologies to completely reshape traditional financial business models and deliver services to consumers in a more convenient and personalised way.”

Certainly, a March 2016 PwC survey showed that 83% of financial services firms and 95% of banks believe part of their business could be lost to fintechs, forcing them to find new ways to reconnect with customers in the modern digital and social world.

“The main aim of these companies has always been, and will continue to be, differentiating their brand and services to ensure they provide added value that keeps customers coming back,” explains van den Heever. “Previously, they could do this by having an informal advisory chat over a coffee in a branch, but now they also need to provide this same personalised experience online and via mobile and social media.”

He adds: “Banks will also need to establish new partnership ecosystems and regulatory frameworks to capitalise on blockchain technology, which could make financial trading processes more efficient, improve regulatory control and eliminate unnecessary intermediaries and manual steps in transaction processes.”

Expectations for mobile banking services are also rising. “More customers want mobile apps that deliver an experience that is most relevant for them,” remarks Alex Bennett, Dimension Data’s go-to-market director of workspace productivity and end-user computing.

However, points out van den Heever, for these new multi-channel customer service models to work, banks must evolve from being static, reactive workplaces with in-branch advisors who only serve walk-in customers. Bennett agrees, explaining that the modern office is more than a physical building manned by employees who provide customer services from 9am-5pm.

“Today’s customers expect to access services, make transfers, process insurance claims, or seek advice whenever, and from wherever, is most convenient for them,” Bennett explains. “Consequently, employees need to be able to work, access data and communicate from anywhere. For example, if a UK customer makes a late-night online enquiry about their insurance claim, they could immediately initiate a video call to a US-based expert who has accessed their information remotely. The customer gets an instant real-time answer, while the insurer maintains the important face-to-face aspect of customer service.”

“Employees need to be able to work, access data and communicate from anywhere”

ALEX BENNETT
FINANCIAL SERVICES

To become digital, banks should migrate key operations to cloud platforms managed by external partners and develop mobile and online apps, advises Bennett. They must also improve data management and implement unified communication systems that transform how employees collaborate and interact with customers.

“Enterprise collaboration and communication platforms like Microsoft Office 365 make it easier for colleagues to share documents and communicate via instant messages, supporting the efficient execution of customer marketing campaigns,” Bennett says, adding that Office 365 is particularly effective when combined with Microsoft’s Skype platform. “Skype for Business facilitates real-time voice and video collaboration between colleagues in different geographical areas. Together, these platforms allow employees to share knowledge and expertise quickly to deliver better client services.”

Bennett adds: “Skype is already used by more than 300 million consumers worldwide, so it’s also an ideal tool for providing face-to-face financial advice to customers, and boosting cross-sell and up-sell opportunities.”

Office 365 also enables senior management to analyse multiple workloads and employee performance to identify areas for improvement.

“Power BI for Office 365 analyses financial reports and sales figures stored in Microsoft Excel, while Office Delve and Office Graph offer insights into how each employee and team is working with content, colleagues, partners and customers,” says Bennett. “It could also help banks track customer adoption of new services and mobile apps, and understand how they’re interacting with the content to optimise marketing campaigns.”

As part of its ‘Vision of Workspaces for Tomorrow’, Dimension Data has developed an end-to-end portfolio of services and hybrid cloud IT solutions to help organisations transform their business models and drive profitability. For example, it helped a major global bank with more than 1,100 branches to deploy Skype for Business, allowing its expert advisors to serve more customers via video from any location, which has expanded the client database.

van den Heever predicts that soon, more banks will be digitised. “Banks have realised that to truly stay in the game, they have to radically change their central business model, so they’re exploring how to automate and digitise processes using technologies such as mobile, the internet of things, robotics, geofencing and more,” he says. “Many banks aim to implement the foundational technology to enable their digital transition by 2020 so they can start tapping into the next generation of consumers, and Dimension Data is poised to help them.”
Private US-based mutual insurance firm MEMIC opened in January 1993 in Maine with a mission to drive reform in the state’s then-crumbling workers’ compensation market. After meeting with great success in its home state, the company launched an extensive expansion initiative in 2000 through a pair of subsidiary companies and now operates as The MEMIC Group with offices in eight states on the east coast of the US.

MEMIC’s expansion to thousands more customers on the Eastern Seaboard was hampered by outdated, manual processes for tracking leads for both its agents and underwriters. The company did not have a centralised lead tracking or submissions portal, and instead relied on a combination of different IT systems across regions. In addition, processes were largely manual and there were no digital tools to efficiently track leads through the sales cycle. Meanwhile, managers had limited ability to pull reports and gain insight on overall performance.

Recognising that it needed more efficient, effective ways for its underwriters and agents to deliver services to its customers, MEMIC opted to implement a new agency lifecycle management (ALM) solution.

“We knew it was something we had to tackle,” says Karen Johnston, director of Underwriting Operations at MEMIC. “We knew this is where our growth would come from.”

However, MEMIC struggled to find a customer relationship (CRM) platform that catered to the insurance industry needs. That is, until it came across Avanade.

“Avanade brought to the table people who spoke our language,” says Johnston, adding that Avanade’s knowledge of the insurance industry and experienced team “tipped the scales” towards a partnership.

Avanade quickly developed a centralised and automated ALM solution powered by Microsoft Dynamics CRM that was tailored to meet MEMIC’s needs. Tapping its industry knowledge and delivery experience with digital sales and service solutions, Avanade developed a project plan and delivered on its proposed timeline. An agile delivery approach enabled flexible delivery and new releases every few weeks.

“In a word, working with Avanade was excellent,” Johnston says. “The company’s project management discipline is the best I have ever seen. And I’ve seen a lot in the past 20 years.”

Avanade’s solution brought order to a disjointed jumble of legacy systems and new
capabilities that empower agents, underwriters, and managers to better serve customers and grow the business.

Agents and underwriters now have access to a one-stop-shop to create, track and manage their leads through to submission. They can spot at a glance everything they need to know about a client or prospect presented in an easy-to-read format. Plus, they can set goals and capture progress towards achieving them.

Similarly, managers have access to customisable sales dashboards and automated reports, so they can get up to speed faster and make strategic decisions with far more confidence than ever before.

Johnston explains that users and managers in the three key target areas – lead prospect management, new business management and agency submission management – are positive about the new CRM solution. It has brought greater discipline to information capture and tracking leads through the system, which in turn, is leading to better business insights.

“Efficiency, just the efficiency with which reports can be pulled and the ease of access to information at all levels has been huge,” adds Johnston. With the new ALM platform, MEMIC has made a significant step towards its vision of becoming a digital workplace that drives higher employee engagement, productivity and better customer insights. In future, the company plans to use the Avanade solution to support its continued expansion into other regions of the US.

“We have only scratched the surface of what CRM can do,” says Johnston, pointing out plans to build out the solution to new areas, such as for loss control systems, by adding mobility capabilities and deepening ties with the actual policy holders.

“We intend to expand CRM’s reach beyond underwriting, starting with the new loss control initiative with Avanade,” says Matthew Holbrook, vice president of IT at MEMIC. “Ultimately, our CRM solution will provide a central repository of information on agents and policyholders, fostering common understanding across our enterprise and enhancing our customer service efforts.”
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