

Innovation Index:

How insurers are preparing for an era of constant disruption

Insurance executives have seen short- and long-term strategies converge in the face of industry and market disruption over the past few years. While financial performance and customer satisfaction remain top strategic goals, fear of disruption looms large—from natural disasters and climate change to unprecedented health crises. These phenomena are especially important to insurers—and could drastically impact future strategy and operations.

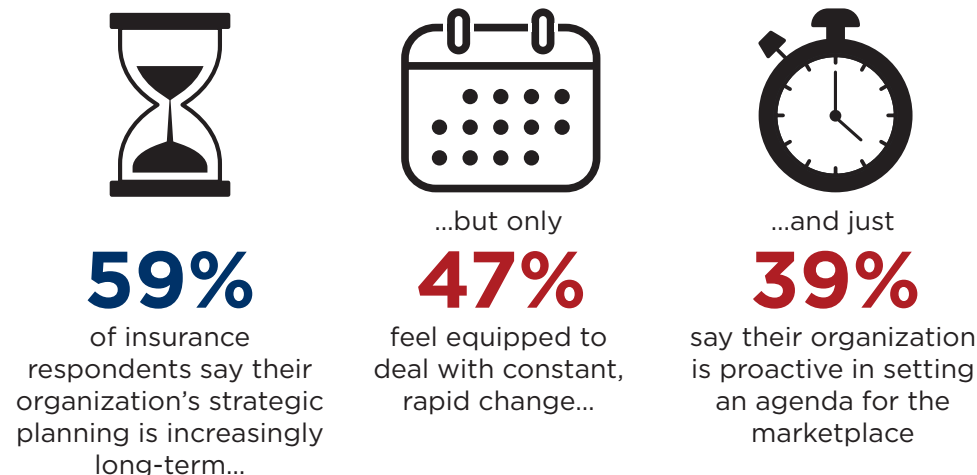
Our research shows that the organizations most likely to achieve success in the face of these challenges place a premium on developing loyalty with employees and policy holders, investing in the right technologies to drive performance, and building confidence in decision-making through intelligent data usage.

Preparing for the unpredictable

Despite the turmoil of recent years, over half of insurance respondents are focusing on strategic planning with long-term aspirations. Performance, return on investment (84%) and customer satisfaction (59%) are core drivers of their long-term plans. Still, many insurers expect competitive threats and industry disruption, health crises, natural disasters, and geopolitical factors to negatively impact operations in the future (Fig. 1). Unpredictable challenges are difficult to prepare for—but shortfalls in technology, skills, and cybersecurity make it harder to keep up.

Insurers recognize that resiliency and innovation aid performance goals, as more than half of respondents say innovation is critical to their survival. To meet long-term goals, insurance executives must reconfigure their priorities. Today, only one-quarter are quick to market with new products or services, and just one-third have adjusted culture to embrace innovation. This future-focused approach is key to navigating a constantly changing insurance landscape. Many insurers still need to adapt their culture, workforce, and technology to create a harmonious, innovation-driven environment.

Fig. 1: Long-term planning in focus, but preparation lags



In 2021, NTT DATA and Oxford Economics launched the [“Innovation Index: Digital Strategies for an Era of Constant Disruption,”](#) a survey of 1,000 North American business and IT executives—100 of which came from the insurance sector—to find out how organizations are approaching digital transformation initiatives.



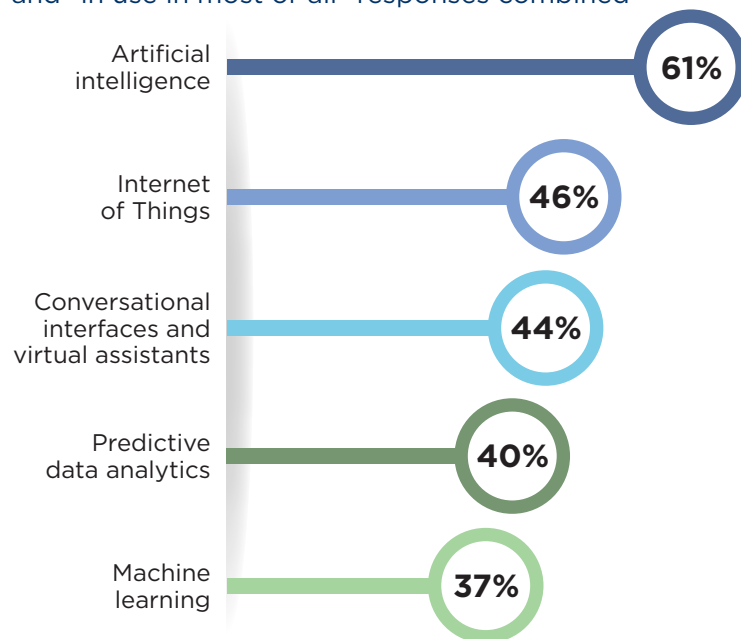
Technology will drive performance

Many insurers lack the agility to quickly tackle market disruptions from digital natives. These established industry players are turning to technology to help maintain their position. Both public and private cloud have proven useful in this area: almost three-quarters of private cloud users say it helps in risk reduction and preparedness, and 51% say public cloud aids in survival of disruptive competition and market changes.

The sector is also investing in emerging technologies—blockchain (52%), artificial intelligence (61%), Internet of Things (46%), and virtual assistants (44%)—at a higher rate than other industries included in our research. Early adopters are reaping the rewards of their strategic wagers; nearly two-thirds of those who invested in blockchain say it has significantly helped financial performance and survival in the face of disruptive competition, and 60% say composite applications do so too. Artificial intelligence also has helped insurance executives weather the unpredictable, as 64% of those who use the technology say it is helpful in the face of disruptive competition and market changes.

Fig. 2: Investments in AI-enabled technologies a strength for insurance

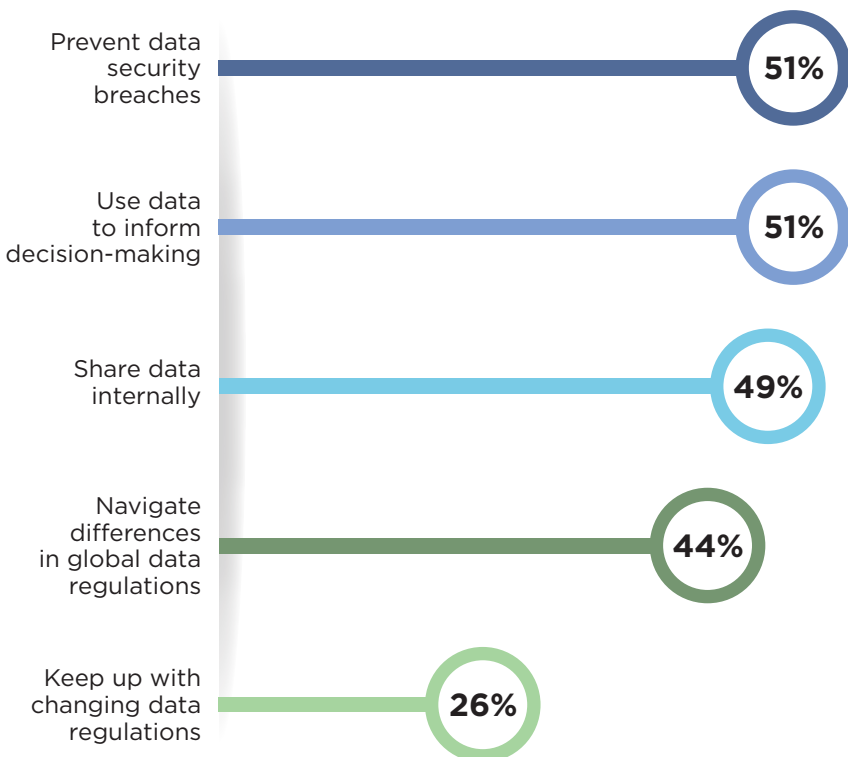
“Has your organization implemented any of the following AI-enabled technologies?” “In use in some” and “in use in most or all” responses combined



Data protection still reaching maturity

Fig. 3: Keeping up with cybersecurity and data regulations

“How effectively does your organization do the following?” “Highly effectively” responses only



In an industry that accesses and shares sensitive financial data, insurance companies must keep up with regulations and cybersecurity best practices. But this is not easy: three-quarters of insurers say effectively managing data keeps getting harder. Barely half (51%) effectively prevent data security breaches, while just over one-quarter (26%) can navigate differences in global data regulations.

Data deficiencies have consequences, and consumer trust in the privacy and security of data suffers because of these shortcomings. Just 44% of insurers are confident in their ability to maintain trust with policy holders on data privacy and security—and if they plan to take on innovative, digital-native competitors, insurers must address these issues.

The underappreciated workforce

Skilled and engaged workers help businesses keep pace with rapid technological change, yet only 14% of insurers say they prioritize employee engagement—and 40% do not believe employee skills support innovation. Most executives treat employee wants and needs as an afterthought: just 4% say that employee demand is a top motivation behind strategic or operational changes.

While insurance companies recognize what is important to employee engagement and satisfaction, they struggle to provide it. For example, half say that employee wants and needs change too quickly for them to provide a high-quality employee experience—far more than any other industry. Also, only roughly one-third say flexible work options are important to employee satisfaction and engagement, and just 29% say they are highly effective at providing it. As we advance, insurance executives must be more responsive to changing demands to improve their employee experience.

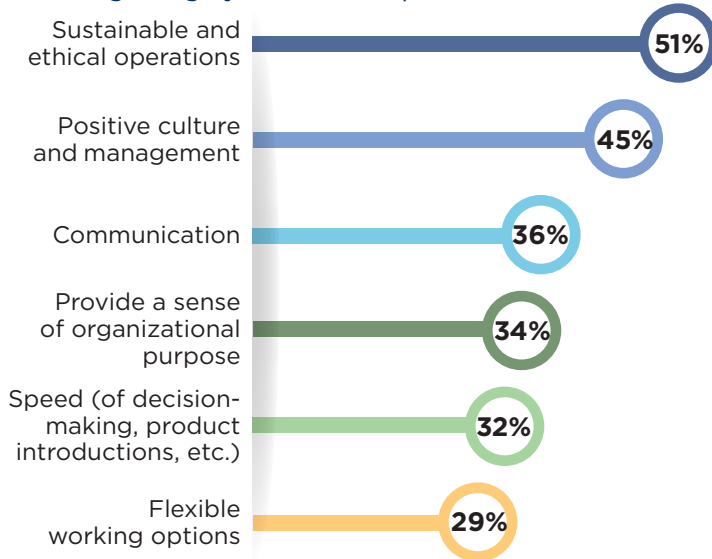
Digital efforts deliver customer value

Increasing demand for seamless, digital experiences from policy holders requires improved cybersecurity, up-to-date regulatory compliance, and a skilled, motivated workforce. As a result, insurance executives must focus on technology investments, workforce needs, and strategy—because these areas pay off.

A select group of our total respondent pool (about 6%) have invested in artificial intelligence, developed

Fig. 4: Delivering what matters to the workforce

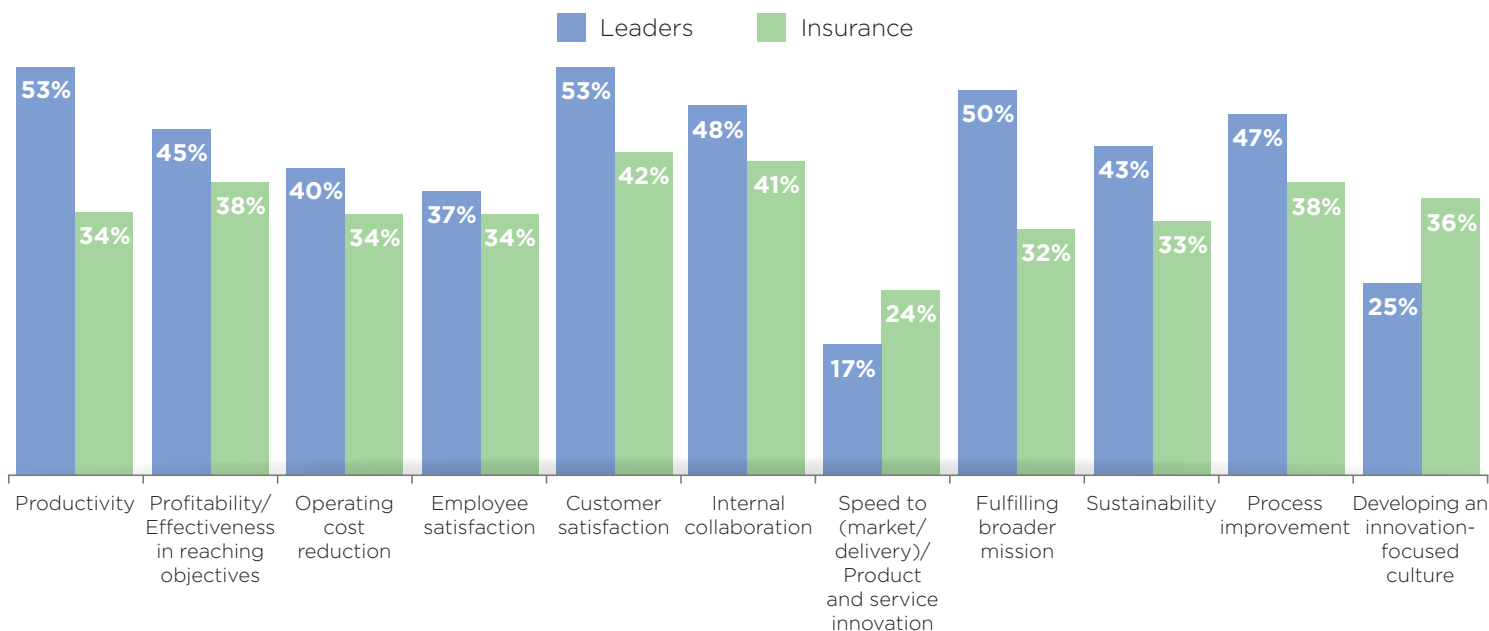
“How effectively does your organization deliver on the following?” Highly effective responses



culture and organizational purpose for their workers, and ensured all strategic and operational changes put customer needs first. These leading executives are better able to keep up with rapid changes in data regulation (63% vs. 34% others), are 35% more likely to experience increased revenue growth, and are 33% more likely to be able to provide higher quality products and services to their customers.

Fig. 5: Insurers have a lot to learn from Leaders

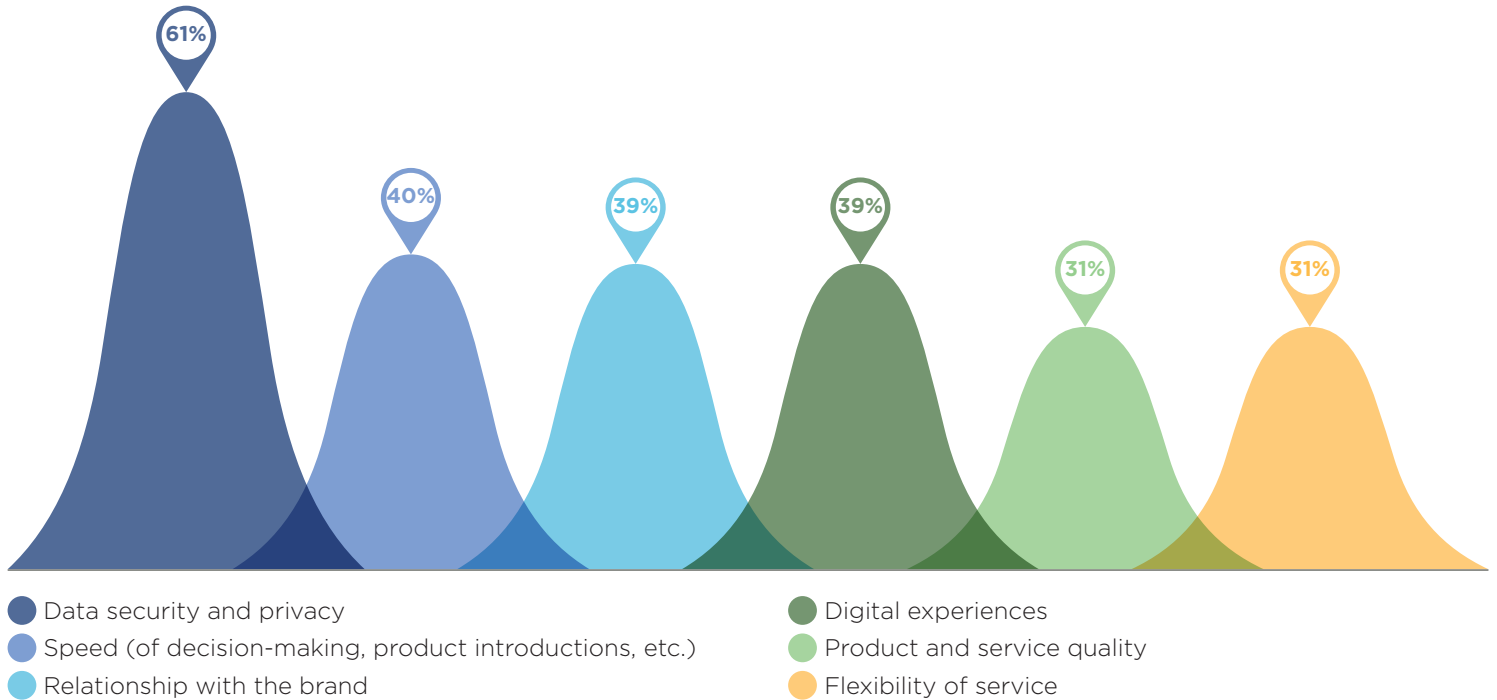
Please rate your organization’s performance in the following areas. “Above average” responses only



Insurers should pay special attention to the quality of the products and services they provide, as they fall short on delivering meaningful experiences to policy holders. More than half say speed (of service, product introductions, etc.) is the top driver of a positive customer experience—but only 40% of insurance executives say they can effectively follow through on these efforts.

Fig. 6: The changing needs of customers requires flexible—yet secure—services

“How effectively does your organization deliver the following to customers?” “Highly effectively” responses



To close these gaps—and better prepare for an uncertain future—insurance executives should revisit the direction of company objectives. Insurance executives have made progress in leveraging established technology to improve resiliency and have invested in emerging tech to better position themselves for the future. While these are steps in the right direction, insurers also need the right talent and culture to maximize the value technology can bring. Investing in skills and paying attention to employee needs are essential and developing an innovation-forward culture ensures these workers are constantly engaged in high-value work.

Following the footsteps of leading executives can guide insurers through this process—and deliver value to their customers.

To review how North American organizations are prioritizing and valuing their digital investments in the wake of constant disruption, read the full Innovation Index at <https://us.nttdata.com/en/engage/innovation-index>.