

.....2015 HARD TRENDS REPORT

ACT Strategic Future Issues Work Group
February 2016

Note: The Trends Report is the first phase of a two-part initiative. In phase one, the Agents for Technology Council (ACT) Strategic Future Issues Work Group identified the key trends that will affect the future of the independent agency system. In phase two, the report develops the industry "must do" undertakings, which are the key action items the industry should pursue in response to the challenges and opportunities brought about by the hard trends.



Independent Insurance Agents
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AGENTS COUNCIL FOR TECHNOLOGY

“To stay competitive, your organization needs to anticipate the most significant technology trends that are shaping your business and changing your customer, and then develop innovative ways to use them to your advantage, both inside and outside of your organization. Remember, if it can be done, it will be done. If you don't use these technologies to create a competitive advantage, someone else will.”

– Daniel Burrus

2015 Hard Trends

HARD TRENDS are trends the Strategic Future Issues Work Group believes are permanent and that are ushering in cultural and societal change. Proactively adapting to these changes is the challenge that lies before us.

In 2013, we identified seven trends: social culture, connected society, mobile and mobility, demographic/diversity transformation, growing availability of big data and actionable business intelligence, changing nature of insurance risk, and information security regulation.

In early 2015, we began the process of reviewing and evaluating the 2013 trends to update them and highlight the major trends that will impact our industry over the next few years. These hard trends are the foundation for developing the industry's "must do" recommendations, action, and responses to the challenges and opportunities presented by the hard trends.

We evaluated the trends within the context of the customer journey. Regardless of the trend, we assessed the impact the trend has on the customer's experience interacting with our industry—a journey that for many begins in the palm of their hand.

We recognize that many of the examples used to help define the hard trends are themselves constantly changing. While they may not be hard trends, they are "indicators" or "influencers" of the larger hard trends. Also, this is intended to be a living document that will grow and change over time. It's designed to encourage dialogue, debate and discussion.

The 2015 Hard Trends are:

1. Mobile First
2. Social Culture/Digital Transformation/Internet of Me
3. Connected Society
4. Demographic/Segmentation & Personalization
5. Growing Availability of Big Data and Actionable Business Intelligence
6. Changing Nature of Insurance Risk
7. Information Security & Privacy Regulation – Cyber Liability

1 Mobile First

Mobile, along with social and cloud computing, is what has enabled the cultural transformation and the emergence of the connected consumer. Mobile cuts across everything. It will change the insurance products offered (telematics, health checks, travel, etc.); it will affect quotes, account management, and claims; and it will create a new infrastructure for communication in disaster situations. It will also change the way the customer interacts with agents and carriers, and how agents and carriers communicate with each other.

Equal emphasis needs to be on mobile solutions that connect insureds to both the agency and carrier, as well as mobile solutions that connect agents to carriers. Solutions should enable customers to connect when, where and how they want. Mobile plays a big role in omni-channel communication. The consumer of today is mobile connected.

Mobility with integrated data is becoming an expectation of consumers. Some insurance-specific examples include:

- Scan/take a picture of a VIN which could then compile data on that vehicle for pre-fill during the quote process
- Identify a windshield repair shop in area via GPS, scan VIN and feed data to the shop to make an appointment and determine the price and availability of a compatible windshield
- Scan a driver's license to pre-fill forms during the quote process

Data needs to be available anytime, anywhere and any way that the customer wants it. Our industry needs to adopt a "mobile first" strategy. Mobile should not be an added feature but rather the core strategy for the development of new processes, procedures, products and services.

INDICATORS AND ISSUES:

Smartphone Growth: Smartphone growth is driving a major shift in global computing. The number of mobile phones with browsers will reach a global majority, making the smartphone our primary computer. It's a computer that is with us 24/7, signaling a profound shift in global computing. This level of mobility and connectivity by massive populations around the world is increasingly enabling any size business to transform how they market, sell, communicate, collaborate, educate, train and innovate. An enterprise mobility strategy that puts mobile first is rapidly becoming mandatory for organizations of any size, as we see mobile data, mobile media, mobile sales, mobile marketing, mobile commerce, mobile finance, mobile payments, mobile health and many more areas explode. *(Source: Daniel Burrus)*

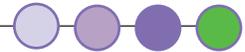
Apps vs Browser: Mobile apps for business processes are growing. As we increasingly transform business processes using mobility, we will see mobile apps for purchasing, supply chain, logistics, distribution, service, sales, maintenance and more. There will be an increasing focus on business app stores within companies, giving users access to the personalized information they need on their mobile devices anytime and anywhere. *(Source: Daniel Burrus)*

Always Connected: Mobile is now the constant connection platform for almost all consumers.

INDICATORS AND ISSUES (CON'T):

Visual Communication: Skype

Virtualization of Hardware and Software: IT Hardware-as-a-Service (HaaS) is increasingly joining Software-as-a-Service (SaaS), creating what some have called "IT as a service." In addition to the rapid growth of virtual storage, we will continue to see the virtualization of processing power. Mobile devices will be able to access supercomputer capabilities on a regular basis and apply them to transform processes such as purchasing and logistics. (Source: Daniel Burrus)



2 Social Culture/Digital Transformation/Internet of Me

“ The Internet of Me is changing the way people around the world interact through technology, placing the end user at the center of every digital experience. (Source: Accenture) ”

This trend is an acknowledgement of the broad influence and impact social and digital is having on all aspects of our society, including our business lives. It implies the ongoing transformational change in our culture. It is an expansive, strategic trend that has grown from social web tools and digital technology. This trend highlights the need for organizations to not just "do" social but to become social and digitally transformed businesses.

In this new environment, consumers have taken social interaction to a higher level. They communicate virtually with larger groups of people, while at the same time are becoming increasingly interconnected and empowered using social media, mobile devices and other digital technologies. Consumers are employing these new tools to become better informed, make buying decisions and share their opinions with followers about products, businesses and events.

Businesses are starting to reinvent their business models to fit into the social culture and are transforming themselves into "social businesses." Digital organizations should leverage the opportunities presented by the social web, as well as adapt and respond to the expectations of the connected and empowered consumer.

Social business goes to the core of the business value statement and brings human value back into the core business roles, processes and outcomes.

DIGITAL TRANSFORMATION refers to the changes associated with the application of digital technology in all aspects of human society. Digital transformation may be thought as the third stage of embracing digital technologies:

digital competence → digital literacy → digital transformation

The latter stage means that digital usages inherently enable new types of innovation and creativity in a particular domain, rather than simply enhance and support the traditional methods. (Source: Wikipedia)

“In business today, the need for innovation and rapid decision-making trumps yesterday’s drive for efficiency. How does this influence what it means to be an effective leader? Charlene Li explains that it’s less about control and more about empowerment: enabling employees to acquire the information they need, so they can make their own decisions.” (Source: Daniel Burrus)

INDICATORS AND ISSUES:

The Education Economy: Think about what the consumer wants to know vs. what we want to tell them. Simply having an online presence is no longer enough. It is important to provide value through educating, informing and engaging clients and prospects. This can include demonstrating thought leadership and subject matter expertise. Consumers want to be educated, informed and advised—but not sold.

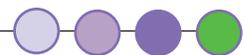
Gamification, Socialization and Personalization of Training and Education: Education and training will increasingly focus on accelerating learning by using advanced simulations and skill-based learning systems that are self-diagnostic, interactive, game-like and competitive. These innovations will focus on giving the user an immersive experience, thanks to a photorealistic 3D interface. By making the experience fun and personalized, learning will improve and use will spread. (Source: Daniel Burrus)

Digital Marketing/Content Marketing: An industry example of this is TrustedChoice.com, a service that creates content and shares.

New Payment tools/Methodologies: PayPal, Square, etc.

Marketing Automation: Infusionsoft, HubSpot

Rich Media: Podcast, Vine, Snapchat, Instagram, video, SlideShare



3 Connected Society

“Advances in more natural human interfaces, wearable devices, and smart machines are extending intelligent technology to interact as a ‘team member,’ working alongside employees in a Workforce Reimagined. (Source: Accenture)”

Connectivity is expanding from consumers to business and even “things”— all aspects of our physical world are being connected. We live in a digitally transformed world.

Connected consumers are empowered through changing technology to interact with the social and physical world around them, and thereby shape how businesses respond. They find, share and communicate information differently than the “traditional” consumer. They live on smartphones and tablets and network with friends and businesses through social, mobile and digital technologies. Reaching and responding to this consumer requires both different strategies and tactics than traditional marketing and communications methods. It is critical to create relevant connections.

INDICATORS AND ISSUES:

Digital/Social Natives: These interact and consume information differently.

Connected vs. Non-Connected: The connected are not only connected to the web, but to each other and the world around them. Conversely, the 'non-connected' will require different customer experience processes.

Responsive/Adaptive Web: Websites need to respond to a variety of devices with the full functionality of the website.

On-Demand Services: Uber, Lyft, AirBnB

Sharing Society: Uber, Airbnb, VRBO, Prop (boat sharing)

Machine-to-Machine and **Internet of things (IoT):** These trends will expand rapidly as physical and digital worlds will fuse.

Wearables and Applications Go Mainstream: Wearables will increasingly be used for both personal and business applications. Apple's smart watch is in a battle for market share with products from Google, Samsung, Microsoft and others. This will further accelerate innovation and sales in other wearable technology, creating new opportunities as well as challenges for organizations of all sizes.

Cloud Computing: The ability to link and share across many types of devices.

Live Streaming: Google Hangouts, Periscope.

Location-Based Marketing/Services: Foursquare, GPS -type services, Snapshot, etc.

Outcome Economy: Digital devices are enabling a new business model that shifts the focus from selling things to selling results.



4 Demographic/Segmentation & Personalization

This trend encompasses diversity in every sense of the word: age, ethnicity, culture, gender and connected vs. non-connected. For example, what would an agency look like with producers, service reps and owners from 23 to 73 all working together within agencies and interacting remotely/virtually? There is now a new category of diversity: the connected vs. non-connected consumer.

We are being challenged to offer clients a personalized customer experience that is tailored to their segmented group, whether that group is determined by language, age or ethnicity.

Omni channel (also spelled **omni-channel**) is a multichannel approach to the customer journey that is applicable across the entire customer experience (from discovery to advocate). It seeks to provide the customer with a seamless experience whether the customer is online from a desktop or mobile device, by telephone or in a bricks-and-mortar store.

INDICATORS AND ISSUES:

Mobile Workforce: The who, where, when and how of work is being reimagined.

Real Time Personalized Service: Businesses need to meet the unique needs of the individual consumer regardless of language, age, race, etc.

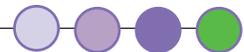
Virtual Employee: Work at home employees are a big change in the industry.

Diverse Population: An ethnically and culturally diverse population requires service in multiple languages, reflecting the customs and sensitivities of the consumer.

Exit of Baby Boomers: The retirement of baby boomers is causing changes in business ownership, wealth transfer and the loss of expertise and industry knowledge.

Visual Communication: This trend takes video conferencing to a broader level thanks to free programs like Skype, FaceTime and others for video communication on phones, tablets and home televisions. Businesses of all sizes are rapidly embracing these programs as their main relationship-building and communications tools. *(Source: Daniel Burrus)*

Connected Versus Non-Connected: This trend is not defined by generation.



5

Growing Availability of Big Data and Actionable Business Intelligence

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Data is a term used to describe the technologies and techniques that capture and utilize the exponentially increasing streams of data with the goal of bringing enterprise-wide visibility and insights to make rapid critical decisions. High Speed Data Analytics using advanced cloud services will increasingly be used as a complement to existing information management systems to identify actionable insights from the massive big data explosion. Big-Data-as-a-Service will emerge as cloud providers offer midsize and smaller organizations access to much larger streams of relevant data they could not otherwise tap into. *(Source: Daniel Burrus)*

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New technologies and techniques are enabling the capture and analysis of more and more data (**big data**) and the creation of more useful **Business Intelligence** from it. Agencies and carriers are able to integrate this business intelligence into their decision-making in real time, enabling them to understand their consumers and operations better. These data analytics capabilities have significantly changed how insurance carriers make underwriting, servicing and marketing decisions. There are major opportunities for independent agencies to harness this business intelligence to enhance their prospecting, marketing, sales, servicing and management processes. Using BI and analytics, an agent can predict when a consumer is likely to have a need rather than waiting for them to reach out or making a cold call.

INDICATORS AND ISSUES:

Big Data Gets Bigger: This will occur as the use of high speed data analytics expands.

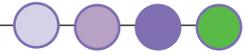
Social Intelligence: Carriers will gather increasing amounts of data from consumers' social interactions, as well as from their own databases. Trigger information from a social standpoint is already being utilized. Some examples: Sprout Social, Hearsay and Hootsuite.

Social Search and Analytics: Social search and analytics, along with social business applications, will grow rapidly. Social will take on a new level of urgency as organizations shift from the "informing" model of the Information Age to the "communicating and engaging" model of the Communication Age. Social software for business will reach a new level of adoption with applications to enhance relationships, collaboration, networking, social validation and more. Social search and social analytics will increasingly be used by marketers and researchers to measure real-time sentiment of large groups of targeted people. *(Source: Daniel Burrus)*

Real Time Personalization: Products and services will be customized.

Availability of Big Data: Big data and business intelligence ease the entry of new competitors with business intelligence skills into the insurance industry. (e.g. Amazon, Google, etc.)

Mass Customization: Our work group needs to focus on and determine the impact on the "internet of me" on mass customization.



6 Changing Nature of Insurance Risk

Changing social norms, applications of technology, climate change and all of the trends noted above and more are changing the types of risks that consumers and businesses are facing. This is creating new opportunities for insurance carriers and agents to design new coverages. Insurance agents need to advise their clients differently about their risks in areas such as the "sharing society," information security exposures, cyber liability and the increase in the number and severity of natural catastrophic events.

The nature of insurance risk is changing and much of this has to do with technology. The pace of change has not been seen in our industry previously. The proliferation of technology by itself has increased tremendously over the past 10 years and shows no sign of slowing. The actual nature of risk is changing/expanding while the insurance industry is learning about the changing risk characteristics. The way we handle risk is also changing. Big Data is enabling more and more companies to provide better analytics and pricing.

INDICATORS AND ISSUES:

Mass Customization: Customized and individually targeted marketing and product creation and delivery

Severe Weather/Major Catastrophic Events

Disruptive Channels: Trends such as the sharing society, where property is shared among several users, will have a significant impact on what is insured and how insurance is sold.

INDICATORS AND ISSUES (CON'T):

Robotics and Artificial Life

Crash Avoidance Technology

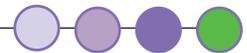
3D Printers: How will they be used for disaster recovery and inventory?

Expanding Drones: Drones are expanding beyond fire, police, search and rescue. The number of applications for drones will continue to expand rapidly. Drones have already proven to be of high value for search and rescue, and are rapidly being applied to many industries. For example, agriculture uses drones to check crops, fences and cattle. Utility companies use them to look for downed power lines and real estate agents use them for aerial photography. The explosion of hobby drones will drive innovation for both personal and industrial applications. *(Source: Daniel Burrus)*

Virtualization of Hardware/Software

Consumerization of IT: Over the past few years, Bring Your Own Device (BYOD) caught many IT departments by surprise. It's now time to get in front of the next predictable trend, Wear Your Own Device (WYOD), and turn it into an advantage. As WYOD increases, consumers' appetite for something new will drive businesses to push the boundaries of innovation in this space. Instead of seeing WYOD as a problem, smart companies are turning it into a competitive advantage by consumerizing their applications, and by recommending safe and secure third party hardware and software apps. *(Source: Daniel Burrus)*

Just-in-Time (JIT) Insurance: Examples include Kanban



7 Information Security & Privacy Regulation – Cyber Liability

Federal and state regulators will increasingly target businesses which have not implemented statutorily required security plans and procedures, and the costs of data breaches will become more expensive to businesses. Criminal elements will continue to exploit the system security vulnerabilities of businesses and individuals using more and more sophisticated technologies, and employees will make mistakes. This will result in the breach of classes of personal information protected by the federal and state statutes, typically referred to as Protected Health Information (PHI) and Personally Identifiable Information (PII). Mobility and cloud computing greatly increase the security risks that businesses face.

In addition to increasing the accessibility to “private” information, many of the trends mentioned above increase the potential for cyber terrorism. The Internet of Things (IoT) for example, opens up the potential for cyber terrorists to hack into any connected person or device.

These growing risks also create opportunities for carriers and agents to provide coverage and risk management guidance to clients.

INDICATORS AND ISSUES:

Big Data Gets Bigger: Big dig data and the use of high speed data analytics will expand.

Cloud Computing: Businesses of all sizes will increasingly embrace new variations on public, private, hybrid, and personal mobile clouds. This represents a major shift in how organizations obtain and maintain software, hardware and computing capacity. *(Source: Daniel Burrus)*

Virtualization of Hardware and Software

Smart Virtual Electronic Assistants: These tools will get better and more personal.

Multiple Biometrics Used for Security: Next-Gen Biometrics will be increasingly integrated into your smartphone, tablet and other devices, which will play an increasing role in both identity management and security. Expect to see multiple biometrics that go beyond your thumb to include facial recognition and voice recognition, based on the level of security you need. *(Source: Daniel Burrus)*

Enhanced Location Awareness Embraced by Large Retail

Machine-to-Machine (M2M) and the Internet of Things (IoT)

Changing Nature of Insurance: As cyber liability goes mainstream, other new lines of business will emerge.



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