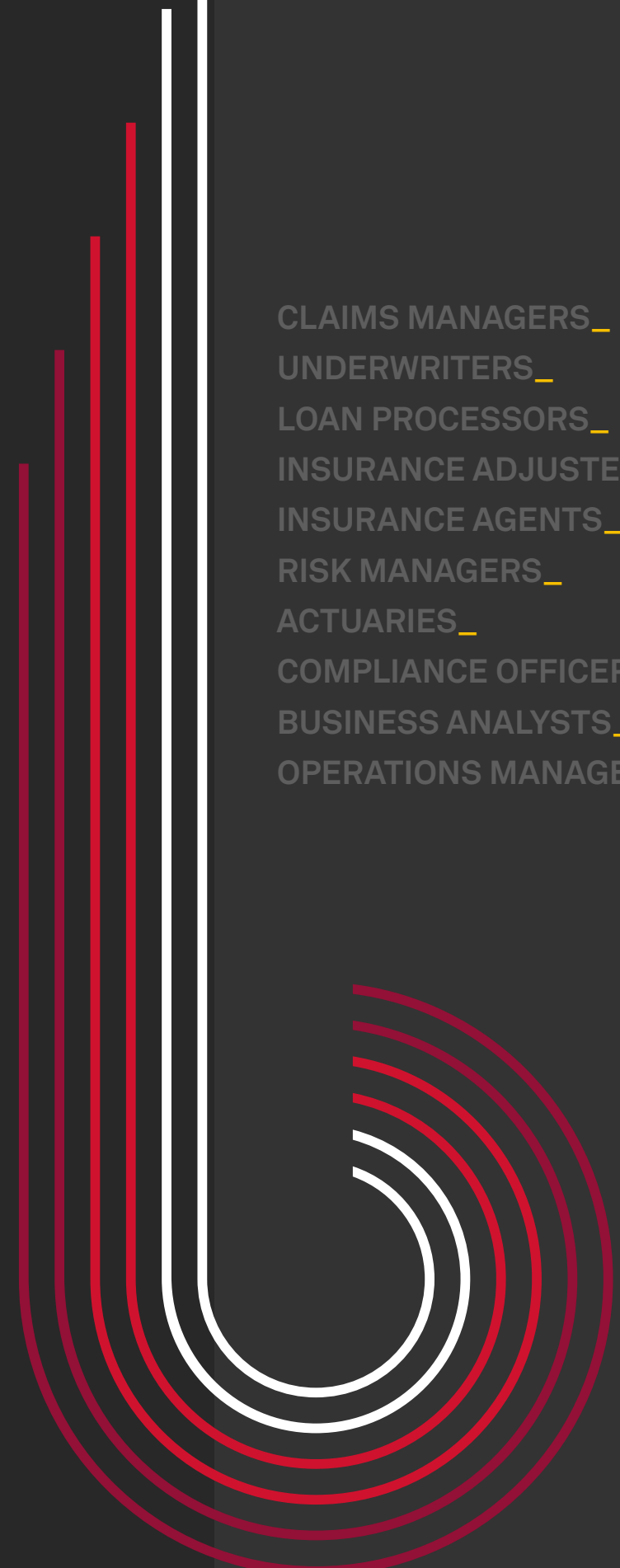


Accelerating the Power of Information_

Industry report on technology's impact on **insurance**

2023

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UNDERWRITERS_
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Preface



The insurance industry plays a vital role in society, allowing people and organizations to move forward each day with confidence in an uncertain world. But how does the industry itself move forward in those same conditions? We are hearing questions like that from our clients in the insurance sector. As a leader in information management and digital services we see not only the challenges they face, but also the solutions.

Technology can reduce the friction of silos, optimize data use, and heighten customer experience.

Our insurance solutions team has been in the trenches, helping to solve real-world business challenges for decades. They've gathered the latest research and statistics on the state of the industry today and are presenting them here, for you, in our insurance industry report:

Building the Silo-less Insurance Organization

Aligning Information, Processes and People

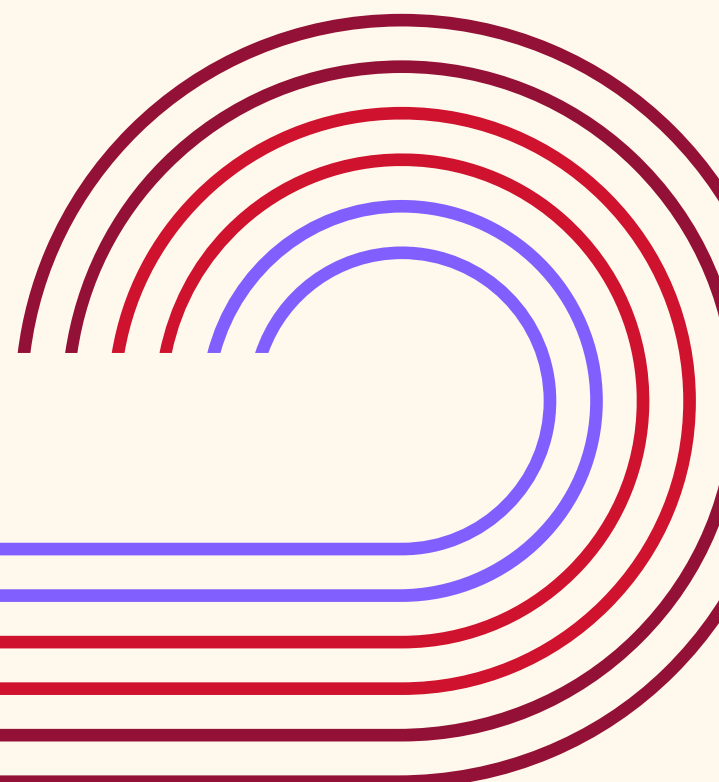
“Insurers know better than anyone that risk is all around us. To help our clients in the industry stay ahead of tech-savvy competitors, we are at the forefront developing solutions tailored to the unique risks they face – operational silos and data silos. Ricoh is bringing the power of data integration and true interoperability to carriers, brokers, reinsurers, and others.”

— Carsten Bruhn, CEO, Ricoh North America

Building
the silo-less
insurance
organization_

Revenue over 5 years
for companies with
high interoperability*

+82%



* Accenture, *Value Untangled: Accelerating Radical Growth through Interoperability*, November 2022

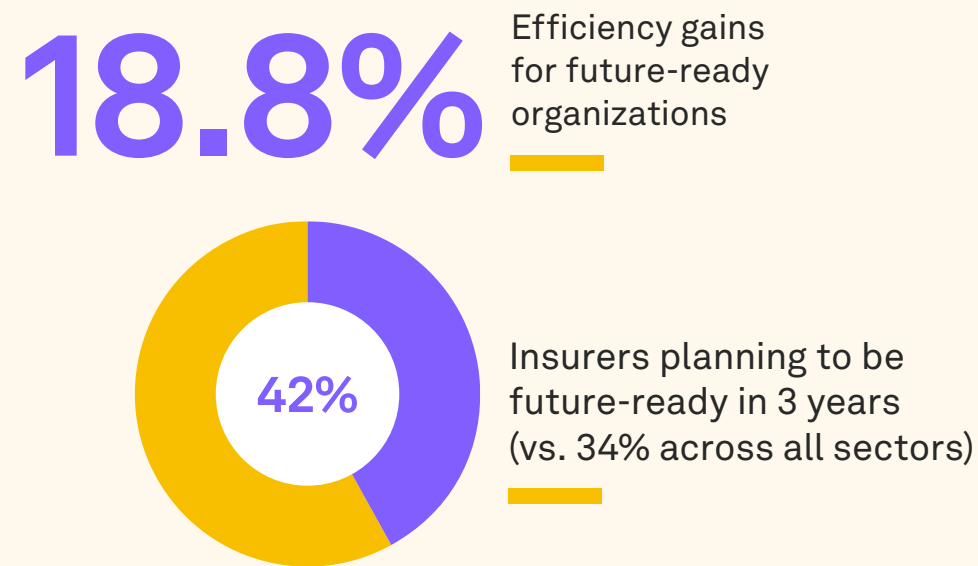
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Getting future-ready by unlocking opportunity

The insurance industry’s rapid march toward full digitization has been fueled by the availability of new technology solutions, as well as necessity. Improved efficiency and profitability have been welcomed, with digital transformation highlighting a facet of the industry’s siloed nature – the current difficulty in sharing and understanding data. This realization points toward the opportunity for progress – a new model for unified organizations where disjointed inputs can someday align to single sources of data truth, shared between people who can more easily collaborate with shared processes and technology.

In any industry, access to the right information has the power to reduce silos, improving efficiency and customer experience. Insurers have a special advantage though, possessing rich internal and external data sources. But for optimization, they must first be unlocked. Once done, these sources can streamline claims and billing processing, as well as deliver effective and cost-efficient stakeholder experiences. It’s important to see that data collection unto itself isn’t where cross-silo opportunity lives; it’s in turning raw data into actionable insights. Leveraging that opportunity comes from alignment of processes and utilizing the right technology solutions in the right places for optimal effect.

The future belongs to those ready for it, today¹



¹ Accenture, *Elevate Every Decision with Intelligent Insurance Operations*, March 2021

What will a silo-less insurance organization look like?

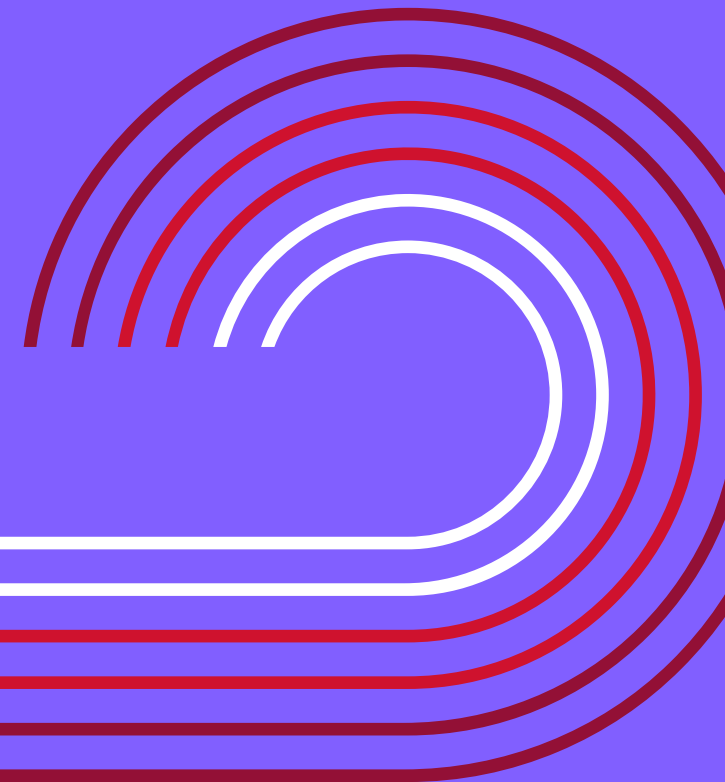
Picture an insurance business that brings data, technology, processes and people into holistic alignment using forward-looking, but currently available solutions and partner ecosystems. Where workflows are reimagined and solutions have been built to work together natively. That’s an organization unshackled from silos.



Insurers are
eager to
accelerate
progress_

Insurers who
believe they operate
predictively*

57%



* Accenture, *Elevate Every Decision with Intelligent Insurance Operations*, March 2021

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Where carriers – and policyholders – stand today

In its simplest description, the insurance industry evaluates and manages risk. By nature this calls for complex decision making, creating defined, perhaps purposefully insulated business functions, each with its own requirements and reasons for maintaining the status-quo (a siloed organization). Lines of business and functions such as settlement, underwriting, adjusting, and administrative support operate under completely different models, objectives, and distribution paradigms based on the type of risk that each line deals with. Compliance, legal and security create further division. Add in hybrid work environments and one has to ask, where does this leave insurers? With separate P&Ls and operational goals, varied processes, and cultural rifts between groups. These functional realities result in a fragmented approach to tech adoption, as business functions implement point solutions that meet an immediate or local need, without considering the larger picture. Another important question though, is, where does this leave customers?

It's about policy holders, not policy writers

As expected, customers are focused on their own needs and desires, not insurers' reality. And today, that means consumers expect to buy insurance products and interact with carriers with the same digitally enabled conveniences they enjoy throughout their lives. One way to see it is that the industry has to play catch up, quick. Another way to look at it – there's opportunity to bring policyholders the solutions they're asking for and excited to use.

There is another reason the industry should up its focus on tech today – the influx of tech companies itching to become more insurance focused themselves. Consumers are buying policies from these tech vanguards in growing numbers, with the percentage of people comfortable going around traditional insurers climbing from 7% in 2016 to 44% in 2020.² Other factors on insurers' radar that should accelerate transformation timelines include rising inflation, global economic instability, severe and unpredictable weather, and the next black swan event.

Customers comfortable with tech insurers vs. traditional providers³

7% _ 2016

44% _ 2020

↑ _ 2032 and beyond



^{2,3} McKinsey, 2022 Outlook: Setting a Course for the Coming Decade, February 2022

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All functions must move forward, together

The risk of knowing more about less

At the moment, many insurers have trouble guarding against external factors because internally they lack interoperability (between systems and people). The complexity and disparity between workflows makes system integration difficult, yet integration is increasingly key to successful transformation. And there are human factors at play here, too, with few employees possessing the tech skills to navigate multiple systems. The immediate result is a narrowed focus – becoming more and more specialized on one’s own area or technology. This creates lack of real-time insights that can span departments, lines of business or sales channels. Taking one solution type – analytics – underscores the problem. Recent research suggests that just 20% of companies are currently using analytics with diverse data at scale.⁴

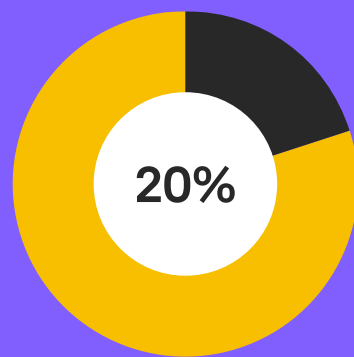
For larger regional and national carriers, another central challenge has been a lack of interoperability across on-premises and cloud environments. In fact, two-thirds of insurers say that the number of applications and the associated technical complexities create barriers to interoperability. Another issue that might be harder to solve is a misalignment of business goals and technology strategies (self-reported by 15% of insurers).⁶



Finding the white space opportunities⁵

2/3

Insurers failing to reach interoperability due to technical complexity



Companies analyzing diverse data at scale

Maintaining the momentum of reinvention

It’s true that the insurance industry has already, quite recently, undergone a revamp necessitated by the pandemic and the availability of new tech solutions. In fact, 1 in 2 companies have had to simultaneously re-organize multiple business systems or functions, or take on a large transformation quicker than in the past.⁷ While the shakeups were no doubt painful in the moment, the industry showed it could rise to the occasion and thrive when adversity demanded it.

^{4,5,6} Accenture, *Elevate Every Decision with Intelligent Insurance Operations*, March 2021

⁷ Accenture, *Value Untangled: Accelerating Radical Growth through Interoperability*, November 2022

Real-world costs, real-world opportunities _

Time saved by one highly interoperable company to close books*

3 days



* Accenture, *Value Untangled: Accelerating Radical Growth through Interoperability*, November 2022

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What silos cost insurers

Low-value tasks rob efficiency. And job satisfaction.

Silos are holding back companies and employees, and creating needless frustration for customers. Some issues are significant, and may require fundamental system overhaul. Others seem miniscule, yet in aggregate may be costing the industry billions. Take for instance the ripple effect of low-value tasks that rob skilled employees of the opportunity to contribute to the bottom line. It's estimated that underwriters (responsible for profit-making and profit-breaking decisions) spend just 30% of their time on underwriting. Where's the other 70% going? Thirty percent is eaten up by negotiation and sales support, while 40% of their time evaporates with administrative tasks.⁸

How underwriters spend their time⁹



^{8,9} Accenture, *Why Insurers Need to Rescue Underwriters from Siloed Data*, July 2022

¹⁰ MIT Technology Review, *Modern Data Architectures Fuel Innovation*, January 2023

The value of clean data

In an industry where data use has always been critical to profitability, the risk of silo'ed operations multiplies as data sources increase. How? Data drift. As data sets are accessed in silos, interpreted in silos, and used to validate decisions in silos, the sets can become outdated and inconsistent compared to their use in other functions. There is massive opportunity cost associated with inefficient data collection and use, including losing market share to more forward-focused leaders, and InsureTech challengers that have been leveraging cloud and integrated systems from their inception.

Less than 5% of companies leverage their data to gain a competitive advantage.¹⁰



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Silos prevent collaboration & insights, create poor experience

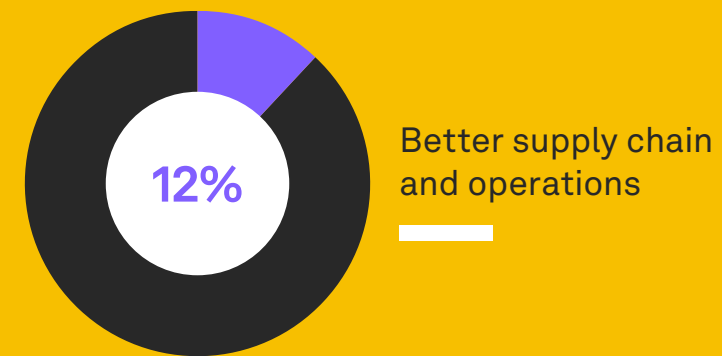
The cost for employees

For companies that have invested in technology, silo'ed functions, departments and mindsets actually undermine any progress they've made. For instance, 79% of underwriters surveyed believe that a lack of process integration was the key factor in technologies *negatively* impacting their work.¹¹ From the same study, one can see that there is incredible room to improve how solutions are selected, rolled out and used by employees, with only 35% of underwriters believing that technology has decreased their workload. Is 35% good or bad? Well, the same question was asked in 2008 and the answer was 36%. Considering the sums of money and countless hours invested into new tech solutions the past 15 years, there is plenty of opportunity for improvement.

The cost for customers

When surveyed, all – 100% – of respondents said that their reason for switching from one carrier to another included issues related to customer experience. Compare this to just 70% who said their switch was motivated by price.¹² Statistically it's difficult to draw causality between poor customer experience and silos, because customers don't see or understand factors "behind the curtain." They simply feel the effects, and then react. However, the 100% figure is difficult to ignore and points to customer experience ultimately impacting bottom line.

Companies with fewest silos see quicker growth¹³



¹¹ Accenture, *Why Insurers Need to Rescue Underwriters From Siloed Data*, July 2022

¹² PublicisSapient, *Innovation in Insurance Report*, 2022

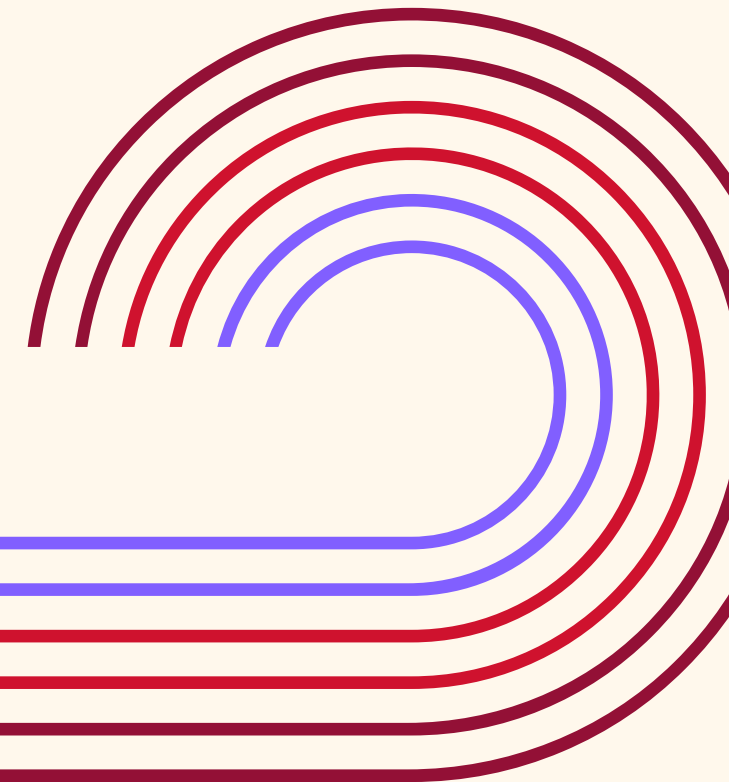
¹³ Accenture, *Value Untangled: Accelerating Radical Growth through Interoperability*, November 2022

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Powerful
solutions exist
today_

Companies leverage
available tech to
unlock inherent
organizational value*

1 in 3



* Accenture, *Value Untangled: Accelerating Radical Growth through Interoperability*, November 2022

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Interoperability is the missing piece of the puzzle

Data's strength is the far-reaching connections it makes possible

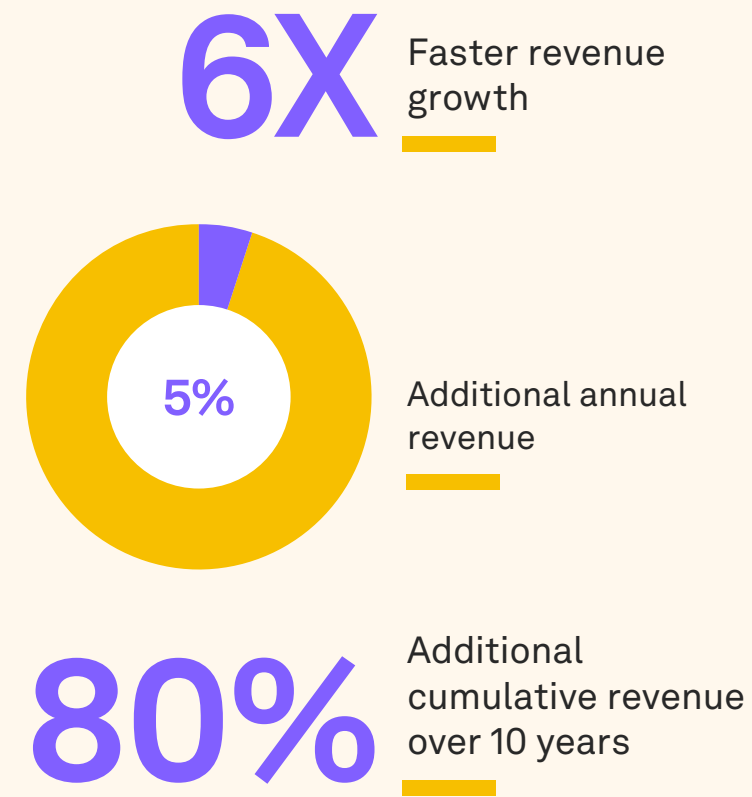
Whether an insurance provider is full-speed-ahead on digital transformation, or in the early stages, it's important to go beyond operational transformation (having systems in place) all the way to extracting optimal value (ensuring the *right* systems are in place, talking to each other, and aligned with business strategy). This silo-less mindset is enabled by real-time analytical visibility across functions and lines of business. However, while 83% of insurance companies say that data is in "wide use" or "at scale," 57% project that they will use analytics by 2023 to untangle diverse data.¹⁴ As that percentage rises, expect silo-related hurdles to give way to increased alignment and drive.

To accelerate the impact, start by mapping out an innovation strategy that respects the data and technology needs of all key functions: ITS, operations, HR, marketing, R&D, finance, customer relations – the work that needs to get done and the people who do it. This is where organizations can sketch out a reimagined model, one that better leverages the total technology investment. Each piece adds to the others. It's the path toward increased agility, resilience, innovation and focus on customers' needs. This blueprint for

interoperability outlines a deliberate trajectory in which companies design transformation on their terms, ready for anything the future sends their way. And a trajectory in which they are able to amplify profitability 2.8X over companies operating at lower levels of technology development.¹⁵

Insurance companies will know that they have achieved true interoperability when there is no perceptible gap from one application or process to another. No friction or slowdown in workflow. No loss of data integrity. Behaviors associated with interoperability include accelerated decision making without loss of confidence, and better connections between people who can align their energy toward shared objectives, rather than trying to make the process work.

Interoperability fuels...¹⁶



¹⁴ Accenture, *Elevate Every Decision with Intelligent Insurance Operations*, March 2021

¹⁵ Deloitte, *2023 Insurance Outlook*, June 2022

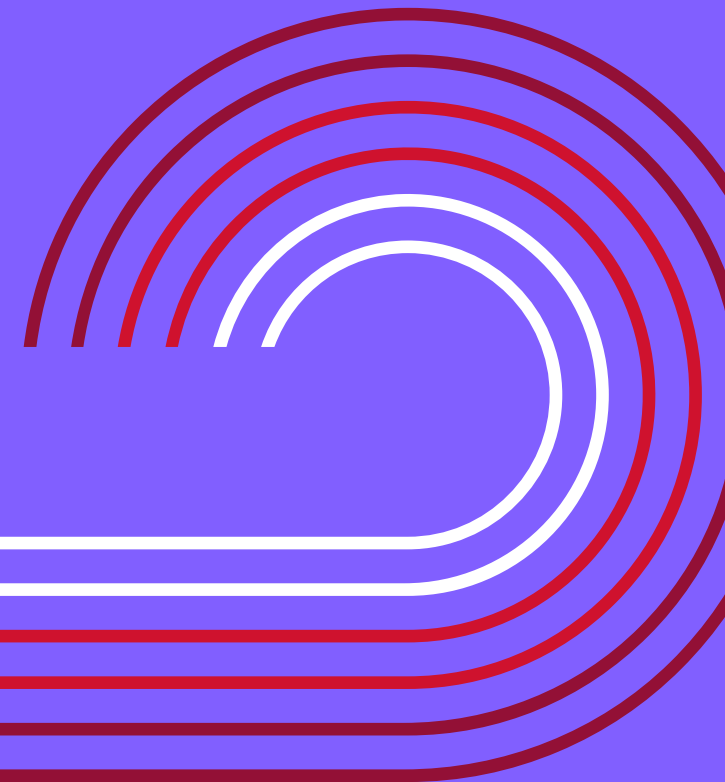
¹⁶ Accenture, *Value Untangled: Accelerating Radical Growth through Interoperability*, November 2022

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Three
fundamentals
for a silo-less
organization_

Insurers seeing
significant
interoperability
change after tech
improvements*

61%



* The Economist Group, *Insurance Industry Profile*, September 2022

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Technology adoption is risk mitigation

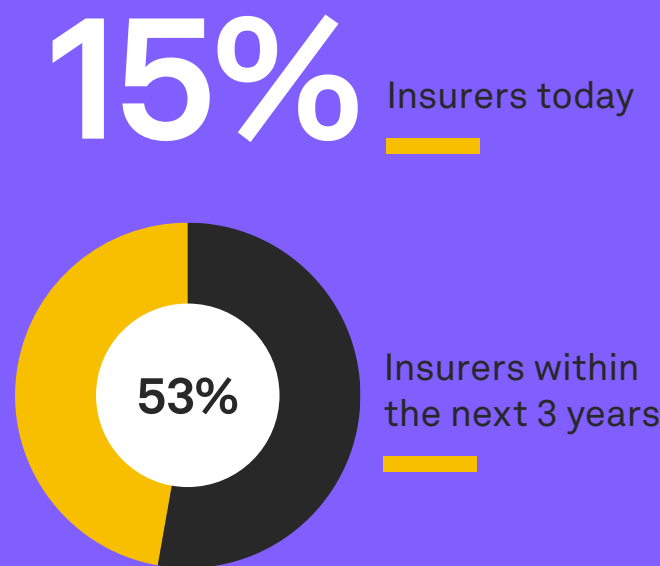
Building a foundation to withstand uncertainty

Given the industry’s current state, challenges on the horizon, and InsureTech competitors with head starts, now is the time for all insurance companies to push toward a more holistic business model. There are three core components: a singular innovation roadmap, free-flowing data, and incremental technology transformation. Of course, collaboration is essential, choosing key strategic partners and ensuring the desire to come together exists from leadership to lines of business to individuals.

Fundamental 1: Create a singular IT roadmap to break operational silos

While many industries have taken piecemeal approaches to digital transformation, it may create more entrenched silos for insurance carriers because of inherent business architecture. So, when IT is the only function steering infrastructure development department by department, solutions may not align with overall business strategy. Creating a singular IT roadmap can remove functional silos. It is built through joint governance and stakeholder alignment and guided by business objectives. This deep collaboration between IT groups and business leadership drives measured decisions. Without this partnership, one risks

Who’s investing in tech that adds business value?¹⁸



^{17, 18} Accenture, *Elevate Every Decision with Intelligent Insurance Operations*, March 2021

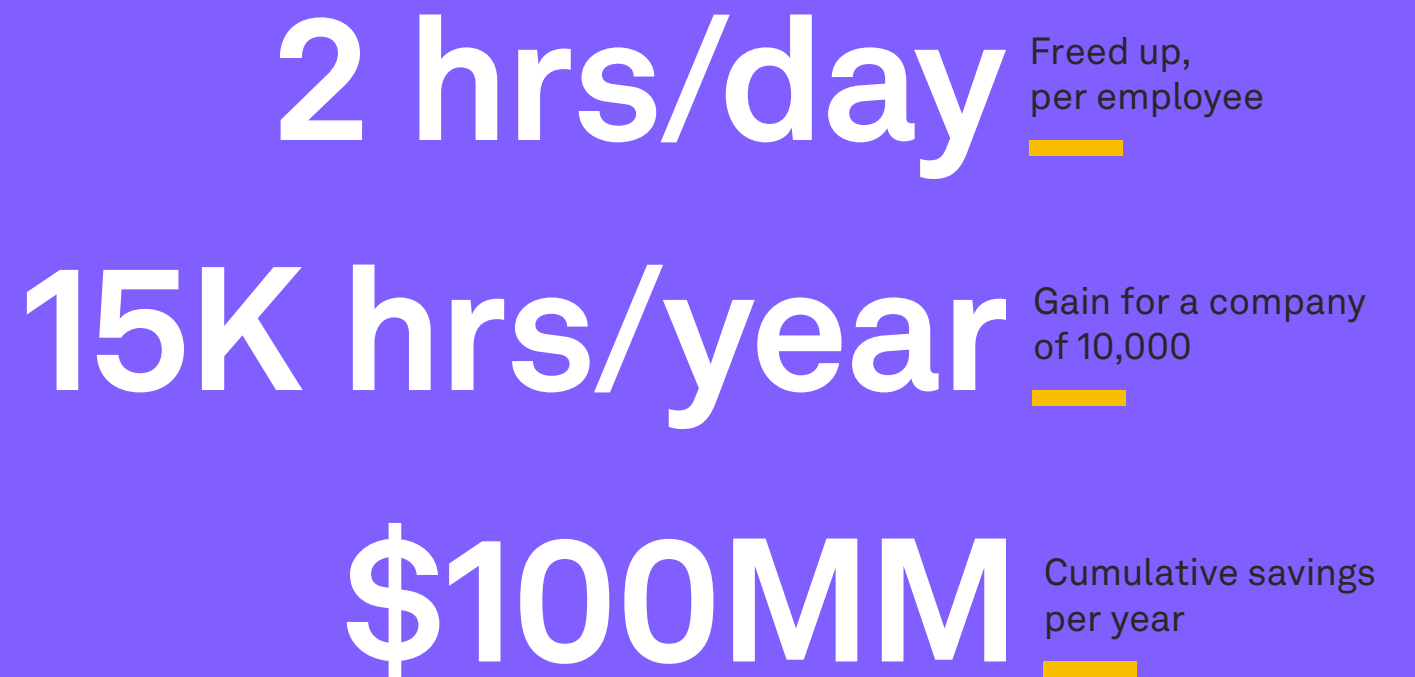
¹⁹ Accenture, *Value Untangled: Accelerating Radical Growth through Interoperability*, November 2022

disjointed transformation initiatives that can’t come close to their full potential. Is this level of alignment possible today? Absolutely. In fact, 86% of “future-ready” companies expect business and tech functions to completely sync by this year.¹⁷ Of course, an outside, third-party perspective helps, too.

Fundamental 2: See data as the strategic asset it is

If insurers have troves of rich internal and external data, shouldn’t data be regarded as one of the industry’s most valuable strategic assets? Free-flowing, optimized data eliminates data silos – the most critical silo to break down. The absence of data silos brings heightened intelligence to decision makers and supercharges technology investments, accelerating the removal of other silos. And as part of a well-defined strategy, data reveals high-value opportunities, activating operational efficiencies and improved customer experience, while safeguarding against market swings. This is the rise of powerful new analytic tools that can help organizations anticipate new challenges and root out systemic inefficiencies.

Decentralized data delivers¹⁹



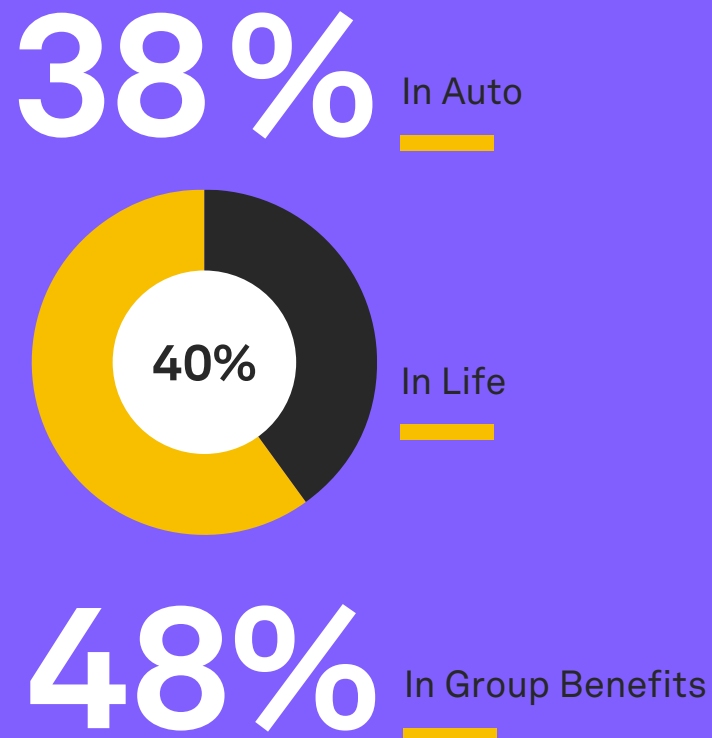
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Accelerating the pace of the journey to interoperability

Fundamental 3: Choose powerful technologies that can break down silos

Technology transformation can radically change how people work individually, and how they work as a unit. Artificial intelligence (AI) and automation are helping to revamp insurance carrier performance and resilience. AI has incredible promise tomorrow, but even today it can unlock the value of other technology investments. It empowers workers with superhuman insights and allows them to work more efficiently. By applying AI at more customer intersections, like smarter chatbot conversational assistants and more robust auto-fill forms, teams can dramatically enhance moments along the customer experience continuum, from accelerating the creation of risk profiles to shorten purchase cycles for instant or near-instant-issue products. AI's ability to quickly process multiple data streams enables usage-based insurance (UBI), customized to particular needs. Underwriting happens with higher levels of confidence, deriving more leverage from those previously mentioned stores of internal and external data.

Automation reduces labor time²⁰



^{20, 21, 22} Bain & Company, *The Automation Advantage in Insurance*, July 2021

Automation improves efficiency and reduces human error. It can assist in fraud detection and increase lead conversion. It will simplify claims reporting in P&C, and claims settlement in Health. It will speed Auto policy recommendations and Life contract cancellations. Across all lines, it will improve rating, pricing, and quoting.

Automation works for employees²¹



Powerful partners speed interoperability
 One-third of survey respondents say automation initiatives didn't meet cost-savings goals because of ad hoc implementation.²²

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Now is an exciting time for the industry

The insurance industry has made leaps in recent years, enacting transformation plans with gusto. While a significant step, it's one phase of the journey. The next phase is interoperability. Imagine taking large quantities of data, better quality data than has ever existed, and integrating it across every facet of an organization through interoperability.

Interoperability will help businesses become silo-free. Getting there can take time, perhaps years, so insurance companies will need to accelerate the pace at which they map out what stakeholders need right now and down the road. All the while, they must account for developments that can't be predicted. The good news is that the solutions exist today, as do partners with deep sector expertise. Finding a tech solutions provider that understands your unique challenges can quickly improve how you manage risk with improved accuracy and efficiency.

We are accelerating the power of information in insurance today.

Accelerating digital transformation.

Accelerating operational efficiency.

Accelerating human-centered technology.

For insurance this means that we are accelerating the...

Power to leverage deep data resources.

Power to supercharge decision making.

Power to reduce functional and data silos.

That's how we accelerate the power of information_

At Ricoh, there is no such thing as too much information

We believe access to the right information translates into better business agility, more human experiences, and the ability to thrive in today's age of hybrid and borderless work. Through our people, experience, and solutions, we create competitive advantage every day for over 1.4 million businesses around the globe. To us, there's no such thing as too much information. Our goal? To capture, connect and secure our customers' information so that they can turn it into powerful results.

Our team of insurance experts is ready to help transform your information into greater competitive advantage.



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