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Hybrid work models are here to stay. Companies that fail to recognize this will likely find it challenging to access the best and brightest talent in a rapidly changing technology world. There's no right answer yet, but we will not be returning to a pre-pandemic norm.

ROB McISAAC
EVP, RESEARCH AND CONSULTING

RETURN TO OFFICE AND TARGET OPERATING MODEL

Return to office (RTO) is top of mind for Novarica's CXO clients. Many executives who came up in a traditional working environment are itching to have their whole teams back in the office like 2020 never happened. But it will be impossible to keep knowledge workers confined to one space now that they have seen the bright lights of remote work.

We recently completed an RTO planning study that focused on how insurers are addressing the issue of where to work now that the COVID-19 situation is improving. Here are three key findings from these discussions:

- Only 43% of insurers have a firm plan for their remote work policy for Q3-Q4 this year.
- 90% expect to offer a hybrid model to most or all of their employees.
- 52% expect to adjust their policies to align with other major employers in key markets.

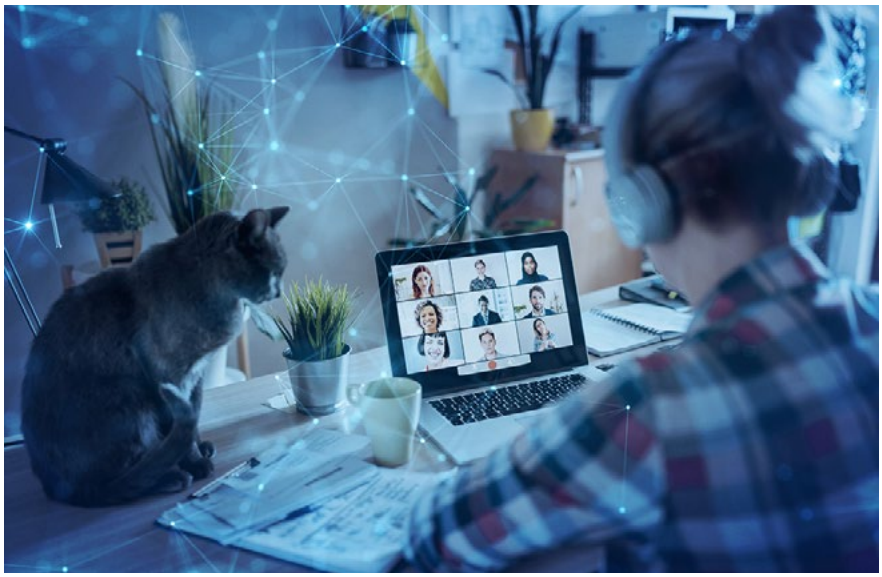
Instead of thinking about RTO, insurers (and all businesses) should be thinking about TOM—target operating model. The main questions aren't "who" will be back in the office and "when" will that happen, but "why" and "how" will getting employees back into a defined office space support the company's strategic goals?

- What work needs to get done, and how is it done most effectively?
- How should organizations be designed to achieve the optimal balance of efficiency, innovation, and customer experience?
- What role does technology play in achieving these goals?

As insurers prepare for the second half of 2021 and the years to follow, answering these questions can help executive teams identify a working model that will serve their teams and their clients most effectively.

AGILE AND HYBRID WORK MODELS: SURPRISING HARMONY

BY ROB MCISAAC



Agile is a competitive advantage, now more than ever. As insurers transition to hybrid work models, doing Agile well can have long-term benefits in making organizations more accountable, flexible, and resilient. The discussion covered many topics, but a few key areas included communication, improving productivity, and focusing on the talent.

Communication is key in hybrid models.

When the pandemic forced everyone to work remotely, a level playing field was created. In the post-pandemic environment, where some return to the office while some remain remote, that democratization of work may be lost. It will be important for insurers to continue focusing on communication; they should experiment with collaboration tools and approaches that work best for their organization, lest they lose some of the hard-won benefits realized as a consequence of COVID-19.

Agile can help increase connectedness and break down organizational boundaries. Elaine Forsyth, a panelist in Novarica's latest Insurer Client and Council Member Virtual Panel on Agile in the Post-Pandemic Era, noted that, "Team breakout rooms in virtual meetings allowed focus and concentration. And more importantly, everyone had a voice. There was no hiding, which is a critical gain from Agile."

Hybrid work models may create greater friction at organizational boundaries and place pressure on scrum masters and managers, whose focus is impediment removal. They should check in with team members and key stakeholders one on one daily, whether it is in the physical office or a virtual room. Scrum masters should communicate the new behaviors they want to see in their teams and assist them to develop practices that optimize the new work model.

Novarica VP Deb Zawisza also underscored the importance of granting autonomy to Agile teams. These teams can self-identify solutions to the problems associated with evolving work models. The key may be allowing teams to be flexible in timing and approach and letting them test and learn what works. As panelist Christ Lowe noted, "Each Agile team has its own maturity journey, goals, and paces. Organizationally, we need to support where that Agile team is at the time. You can't have the same standards and outcomes for each team."

Focus on outcomes, and improve productivity through Agile.

One of the discussions was around measuring productivity in the post-pandemic world. Greg Driscoll noted that the focus should be more on value creation and less on the hours consumed. "In an Agile mindset, teams are doing two-to-three-week sprints, and they meet every day. You know you have that productivity; you don't need the proximity of office space to see it."

Focusing on the outcome and sprint objectives can also help organizations overcome resistance to Agile. Early in the Agile journey, there may be some pushback until teams start to see benefits.

Focusing on the outcome and sprint objectives can also help organizations overcome resistance to Agile. Early in the Agile journey, there may be some pushback until teams start to see benefits. As one panelist noted, the opportunity to show proof points is important. It may also help insurers to "expect a J-curve for productivity initially; expect some people to take adjustment periods."

Agile can, at times, have a reputation for being unstructured, but if properly executed, it's actually a disciplined process. Scrum masters and managers can help coordinate communication and work across teams by establishing regular, cross-functional standups. A panelist also noted using a "team around the teams" concept to orchestrate delivery, where stakeholders look at the backlogs of each area to see if there are touchpoints that need to be synchronized.

Prioritize recruiting and talent retention.

Some leaders are starting to see loss of talent or a need for additional talent. Bringing new talent into an Agile team can have notable benefits. As Elaine noted, "We've put folks right out of school onto Agile teams; the intent is that the roles are blurred so that these folks can pick up different pieces of the backlog. The entire team can prepare to speak even on the first project; it's a different kind of support."

As insurers plan for the post-pandemic world, many are still grappling with the idea of "work wherever." Managing a hybrid work model becomes even more challenging when multiple time zones need to be considered. For insurers, it will be a matter of how to best coordinate teams to work effectively when there's little or no overlap. Flexibility and prioritization can be critical factors. "As long as teams are trying to be accommodating, the team members will find times that would be most productive and schedule accordingly." Another panelist shared the concept of prioritizing work based on risk and created value and categorizing work items into "now, next, and later."

On a final note, the panelists emphasized the importance of trusting their teams. As the panelists put it, "It's the people. Let them make mistakes and work on productivity." "Never underestimate the teams. Let them solve for themselves. Problems don't need to be solved the same way."

BLOG SPOTLIGHT

INDIVIDUAL LIFE SEES HIGHER DEMAND AND EMBRACES DIGITAL, BUT CHALLENGES REMAIN

BY NANCY CASBARRO

Insurers know that it is critical to stay relevant to younger, tech-savvy demographics in customer and producer communities, otherwise they could lose those populations to consumer-friendly financial services alternatives. Attracting these demographics will require better digital capabilities and new products that fit their needs and expectations.

DISTRIBUTION MANAGEMENT SOLUTIONS: DISTRIBUTED ACROSS THE ENTERPRISE

BY KEN TOFFOLO

As companies focus their efforts on legacy transformation and a microservices architecture, they will need to look closely at the way distribution functionality is dispersed inconsistently across their systems. Many policy admin systems offered in the marketplace do not provide the full scope of functionality required for distribution management.

INSURERS ARE LEVERAGING MORE THIRD-PARTY DATA THAN EVER FROM WIDE RANGE OF PROVIDERS

BY ERIC WEISBURG

The need for substantial data sources to supplement and augment internal processes is only growing, driven by the proliferation of predictive analytics, AI, and new consumer expectations for the buying experience. Insurers are also using data to reduce costs—whether for cheaper motor vehicle records or reducing in-person property inspections.

To read more, visit novarica.com/blog

MULTI-FACTOR AUTHENTICATION: VALIDATING EMPLOYEES AND POLICYHOLDERS

BY STEVEN KAYE

Insurers have traditionally balanced security against expense and inconvenience to their users. Regulatory mandates, growing digital adoption, and account takeover have changed the calculus. Insurers are considering multi-factor authentication (MFA) as part of a broader IT security strategy.

Regulation, Risk Management, and Remote Work

In the digital era, legislation (e.g., New York State cybersecurity regulation) and regulators are increasingly mandating MFA to ensure greater security and reduce identity theft and other fraud.

But 80% of insurers say that risk management, rather than regulatory compliance, drives MFA adoption. Insurance use cases for MFA include distributor access, internal/external user access, and policyholder access.

Many knowledge workers moved to a home office during the pandemic, making securing infrastructure another key driver for MFA adoption. Hybrid work models are gaining traction, which makes MFA, and validating that users are actually employees, more crucial.

MFA in Theory

MFA relies on several of the following authentication methods:

- Physical objects (e.g., laptops, mobile devices, security tokens) in possession of users
- Knowledge-based authentication (e.g., answers to questions, passwords, PIN codes, randomly generated authentication codes from authenticator apps)
- Location (e.g., GPS, IP address)
- User characteristics (behavioral or biometric-based)

Some authentication methods are more secure than others. Sending codes or passwords via email or SMS runs the risk of interception by man-in-the-middle attacks. Phishing and other identity theft methods are on the rise in the work-from-home era. Several solutions support adaptive authentication, with less risky access requests requiring fewer authentication methods than riskier ones, as determined by system-generated risk scoring and predefined security policies.

MFA in Practice

Novarica recently surveyed insurer CIOs to understand their deployment of MFA. 30% of participants currently require MFA for distributors or policyholders. Another 20% plan to require MFA within six months. Roughly 80% of participants require MFA for most or all internal systems users.

The most common authentication methods deployed are mobile authenticator apps, which 80% of participants use. More than half of participants reported using SMS. Roughly 40% and 33% of participants use email and security keys, respectively. Fewer than a third of insurers use behavioral authentication, voice-based authentication, IP location, and knowledge-based authentication.

Many insurers are not currently considering MFA, but regulatory scrutiny and IT security enforcement will only increase. The ability of most solutions to offer different levels of authentication for different access use cases means there is less of a tradeoff between customer experience and security.

ENGINEERING FINANCIAL WELLNESS

BY PAUL LEGUTKO

Improving customer experience involves a consistent brand message that engages consumers. Novarica's recent report *CX Technology in Insurance* outlines the many tools insurers can use to accomplish this. The diversity of solution options, however, can make it challenging to deploy them in a consistent, systematic manner.

As my colleague Nancy Casbarro recently explained, over the past few years, consumers have seen the proliferation of "financial wellness" programs. Financial wellness has become an engaging concept for consumers due to the fragility of many Americans' personal or household finances—rooted in spiraling student loan debt, lack of home equity, lack of substantial retirement investments, and, most recently, pandemic uncertainty.

This concept derived from programs promoted by retirement services and retail banks over the last decade, and insurers have now started to jump on the bandwagon. The idea of financial wellness comes through to insurance in three ways:

As a selling point for insurers to market their products. Guardian Life and MassMutual have both developed demand-generation-oriented content around the role of life insurance in financial wellness.

As a product in the group benefits space. Carriers can partner with employers to provide, or broker, a holistic program centered around employee financial wellness. Examples include Workplace Financial Wellness by Principal or WellnessPATH from Lincoln.

As a unifying brand experience designed to engage customers directly. These consumers do not necessarily have to be employees participating in a group plan. Examples of this sort of experience design include LINK by Prudential and PlanSmart from MetLife.

The tools in an insurer's CX tech and MarTech stacks can be deployed and orchestrated in varying ways to engineer and promote these financial wellness programs. Some examples include:

Insurers need to keep their financial wellness offerings singularly branded and not just a collection of products. **Digital analytics** can measure interaction with branded content. **CRM** can store preferences and orchestrate activity. Good content management in **a digital asset management** platform can ensure brand consistency.

CX engineering platforms are the ultimate way to personalize experiences around a consumer's needs and goals. This will provide the AI/data/recommendations to provide real value within the financial wellness experience. **Digital marketing platforms** with good segment targeting can be used to promote the experience and prepare consumers to be engaged.

Survey tools and **social media monitoring** platforms can be deployed to see how well the financial wellness message or program is being received. Favorability with the brand can be correlated with engagement in the platform, and "financial wellness" might be scanned verbatim on social media.

Wealth management firms and retail banks have a head start in this space. But by investing in and mustering these technologies, insurers can promote their own programs and products and start to take market share around financial wellness.

AGENT SPOTLIGHT

Novarica's 400 Under 40 is a private networking and knowledge-sharing group for young, high-producing agents that will share the future of the insurance industry. Technology is evolving faster than most insurance companies can keep up. Your knowledge about the best way to do business will define the insurance industry of tomorrow.

PATIENCE NOAH
Horace Mann

Technology increases the speed and ease of doing business. These advancements allow me to service more customers in a day and magnify my reach. I can't wait to see what the next ten years will bring.

KYLE KEMP
Quantum Assurance International

Carriers that integrate third-party data sources into a guided sales flow encourage producers to have a conversation where a relationship can be built—rather than just data gathering and validation exercise.

CHRIS THOMAS
Great Basin Insurance

Discussing a client's business and learning about their challenges is interesting. Finding a working solution while balancing clients' challenges and decision-making constraints is what excites me.

JOHN LAPOINTE
Lapointe Insurance Agency

Our agency management system (AMS) is also critical to our operations. We use a commercially available AMS. We are very happy with the company, and as a small business, they help us remain competitive by helping us offer more to our clients.

SARAH NORTH
Devette & Ford Insurance Agency

It is important to educate yourself about things outside your industry. Being able to speak the language is critical and helps alleviate potential confusion.

JESSICA MORLAN
Lloyds Insurance and Real Estate

Someone helping you through these big life moments can make the process enjoyable rather than daunting. Ultimately, we should always look to enhance the personal touch in insurance for our customers when it matters most.

SAM NEUGEBAUER
Althans Insurance Agency, Inc.

Having a solid relationship with underwriters offers insight into the changes that their company may be going through and helps me ensure that I'm providing the best options to my clients.

BEN RATHBUN
The Rathbun Agency

Many agents—especially young agents—can be too focused on growing their books and selling more. While this is important to the success of any producer, the role of the agent is to understand and advise customers on products and coverages.

NEW REPORTS

Here's a summary of recently published reports, including studies of insurers' technology experiences, capabilities, and plans from our Research Council; business and technology trends; CIO best practices; vendor information in our Novarica Market Navigators; and recent webinars and presentations. All of the research summarized here is available for download by our advisory clients at novarica.com. Research reports can also be purchased individually.

EXECUTIVE BRIEFS & REPORTS

CX TECHNOLOGY IN INSURANCE: OVERVIEW AND KEY ISSUES

SNAPSHOT: QUANTUM AND INSURANCE UPDATE 2021-Q2

YOUNG AGENT INSIGHTS: TECHNOLOGY AND SERVICE NEEDS AND PREFERENCES

CIO CHECKLISTS

IT COST CONTAINMENT STRATEGIES

BUSINESS TECHNOLOGY TRENDS

SPECIALTY LINES

ANNUITIES

RESEARCH COUNCIL STUDIES

RETURN-TO-OFFICE PLANNING: ANTICIPATED CHANGES FOR Q3 AND Q4

SPEED TO MARKET FOR LIFE/ANNUITY/BENEFITS INSURERS

SPEED TO MARKET FOR PROPERTY/CASUALTY INSURERS

CLOUD ADOPTION IN INSURANCE: TRENDS AND ISSUES

NOVARICA MARKET NAVIGATORS

PROPERTY/CASUALTY POLICY ADMINISTRATION SYSTEMS

LIFE/ANNUITY/BENEFITS POLICY ADMINISTRATION SYSTEMS

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NOVARICA

Novarica helps more than 150 insurers make better decisions about technology projects and strategy through research, retained advisory services, consulting, and special programs.

We serve clients in life/annuity/retirement, property/casualty, workers' compensation, and reinsurance. Our clients range from Fortune 100 insurers to small regionals and specialty companies. Although most of our clients prefer we keep their names confidential, a partial client roster includes AF Group, Amica, Grange, Hanover, Mercury, National Life, OneAmerica, Penn Mutual, Principal, ProSight, RLI, SunLife, and WCF.

Our senior team has direct experience as senior IT executives at firms including AIG, Arbella, AXA, Guardian, Liberty Mutual, Marsh, MetLife, Progressive, Prudential, Travelers, and others.

We publish frequent, independent, in-depth research on trends, best practices, and vendors. Our research projects are directed by our senior team and leverage our relationships with the more than 400 insurer CIO members of our Research Council. We conduct more than 2,000 conversations with insurer executives every year.

Our retained advisory services provide enterprise access to our research, unlimited phone and email consultations with our team, facilitated 1-on-1 conversations with other CIOs in our network, and an annual trends and best practices workshop.

Our consulting services include assessments, strategic blueprints and roadmaps, benchmarking, business process visioning, and vendor evaluation across digital, data/analytics, core systems, operating model, and innovation.

Our special programs include our Silicon Valley Innovation Tour, InsureTech Summits, Executive Leadership Development with Brown University, an online learning course in *Foundations of Insurance Technology Strategy*, and more.

More information at https://novarica.com

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