

Connected Experiences: Changing the Game in Insurance

Bill Hartnett
Microsoft Corp.

"Insurance is the DNA of capitalism. Buildings and homes don't get built, lives can't be repaired, products aren't made, food doesn't get produced, and services can't be delivered without it. Insurance is vital to the modern global economy, and navigating these megatrends will increasingly define our success in helping to propel it."

Joe Plumeri, Willis Group Chairman & CEO, 2/27/2008
A.M. Best Company's 15th Annual Review and Preview Conference

video

Back to the Future

The Future Circa 1954



“It is not too much to expect that our children will enjoy electrical energy in their homes too cheap to meter” – Chairman AEC

What if IT was free?

Transistors?



What if this was free?
Storage?



Bandwidth?



Processing Is Free

1968
\$1.00

COST PER TRANSISTOR

2004
\$.00000001



Storage Is Free

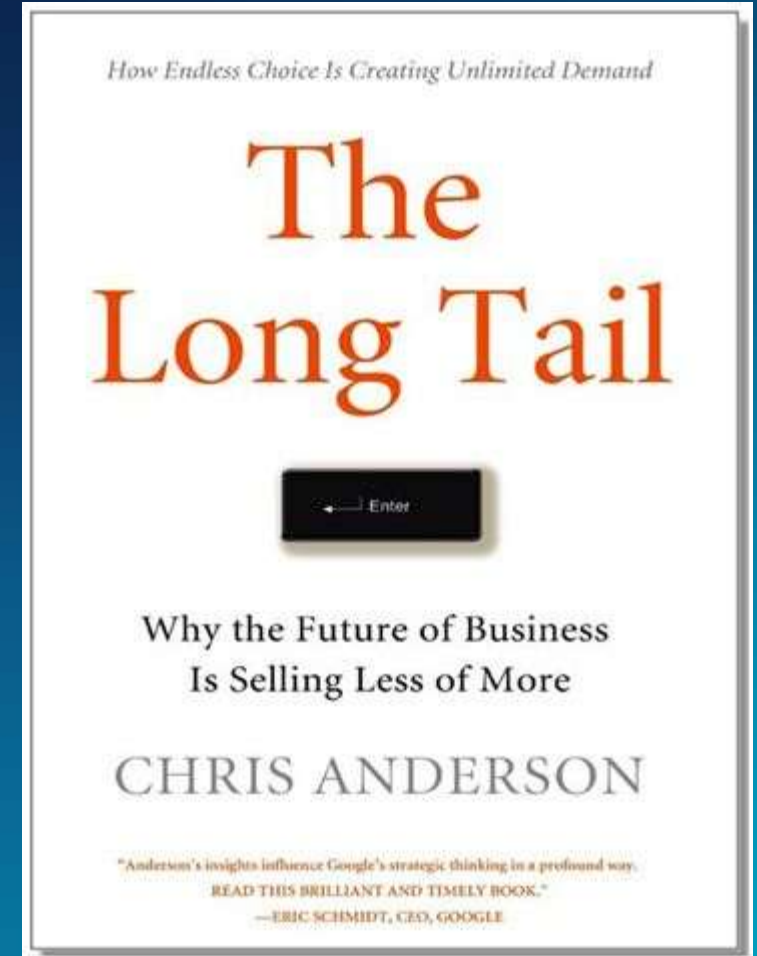
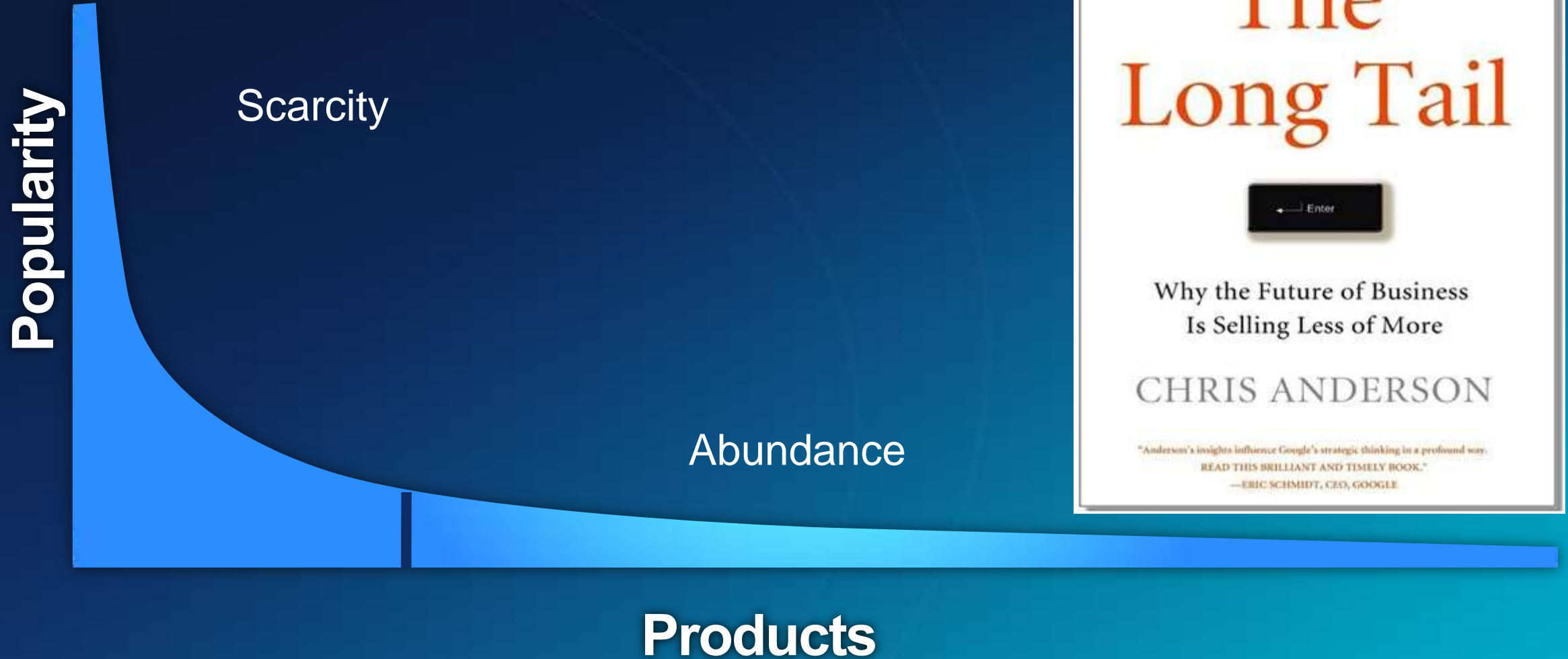
1997
\$78.00

COST PER GIGABYTE



2006
\$.40

The New Marketplace



experience

experience



C

E

O

customer

employee

operations

Experience as a brand differentiator

amazon.com

WHOLE
FOODS
MARKET

NORDSTROM

people l ready



 **CEMEX**
Building the future™



The “Experience Ladder”



Experiences

Services

Goods

Raw Materials

Tom Peters, Re-Imagine! Business Excellence in a Disruptive Age

Closing the Value Gap

The Rewards

How innovation translates into **higher prices** by moving up the experience chain.

COMMODITY	GOODS	SERVICE	EXPERIENCE
<p>Prevailing prices for various coffee offerings</p>  <p>1¢-2¢ Per Cup</p>	 <p>5¢-25¢ Per Cup</p>	 <p>75¢-\$1.50 Per Cup</p>	 <p>\$2-\$5 Per Cup</p>

Data: Pine and Gilmore, *The Experience Economy*, 1999

Technology has changed reality



Drivers for Change

A New World of Work Emerging



Always On, Always Connected



- 12 million American's telecommute everyday¹
- Another 10 million telecommute 1 day a week²
- 90% of organizations have some form of mobile or remote work³

WiMax Growth: 15.4M by 2010 from 23,000 in July 2006.
(Senza Fill Consulting as reported in BusinessWeek)

Africa: 625.8 % increase in Internet use (ITA) – 3.6% of population

Hong Kong: 125.1% cellular penetration in April 2006.
(Office of the Telecommunications Authority)

Africa: 5,000 % increase in mobile phone use 1998 to 2003
(Centre for Economic Policy Research, 2005)

India: 1 in 9 have a cell phone (ZDNet Asia, October 18, 2006)

Australian telecom vendors report 50% of new order are for VoIP.

¹Dieringer Research Group for International Telework Association & Council

²Mercer Human Resources Consulting

³META Group, 2004

Transparency

- In just the past five years, it is estimated that nearly 10,000 regulations have been created by federal and industry entities; all mandating the capture and control of electronically stored documents (which now make up 80% of all business information)
- AMR Research said that in 2005 alone \$15.5 billion was spent on a wide range of compliance programs and \$80 billion over the next five years

Dutch Finance Minister estimated EU regulatory burden at 2% of Netherlands GDP
(Speech by G. Zalm, 2004)

Spain: Spain has more than 700 federal and local laws governing the opening of new stores (OECD)

According to the Financial Executives International (FEI), in a survey of 217 companies with average revenue above \$5 billion, the cost of compliance was an average of \$4.36 million.

¹Dieringer Research Group for International Telework Association & Council

²Mercer Human Resources Consulting

³META Group, 2004

Workforce Dynamics

58% of mothers with children age 5 and under work outside the home. 74% for mothers with children ages 6 to 17. 90% of fathers are employed. (The Week/Money Feb. 3, 2006 page 38)



80% of Baby Boomers will work past 65 (AARP)



76.6% college graduation wage premium

Europe's youth already disappearing very rapidly. "We already report totals of about 600,000 to 800,000 declining every year. This will continue in the near future. Labor forces in Europe will start declining in the next five years.

AGE DOES MATTER <http://www.tmpsxm.com/content/view/105/70/>

The number of available jobs could outnumber workers by 4.3 million when the baby boomers start retiring in 2011. The study concludes that the gap would then widen to a staggering 35 million workers by 2031 (Employment Policy Foundation, Washington, D.C.)

850,000 mainly high quality engineers have chosen to live overseas.

Hugh, Adelaide University: Australian Financial Review

World Bank: 1.5 billion young people between the ages of 12 and 24 in the world

South and Central America: 140 Million 12-24 year olds peaking between 2000 and 2030
World Bank

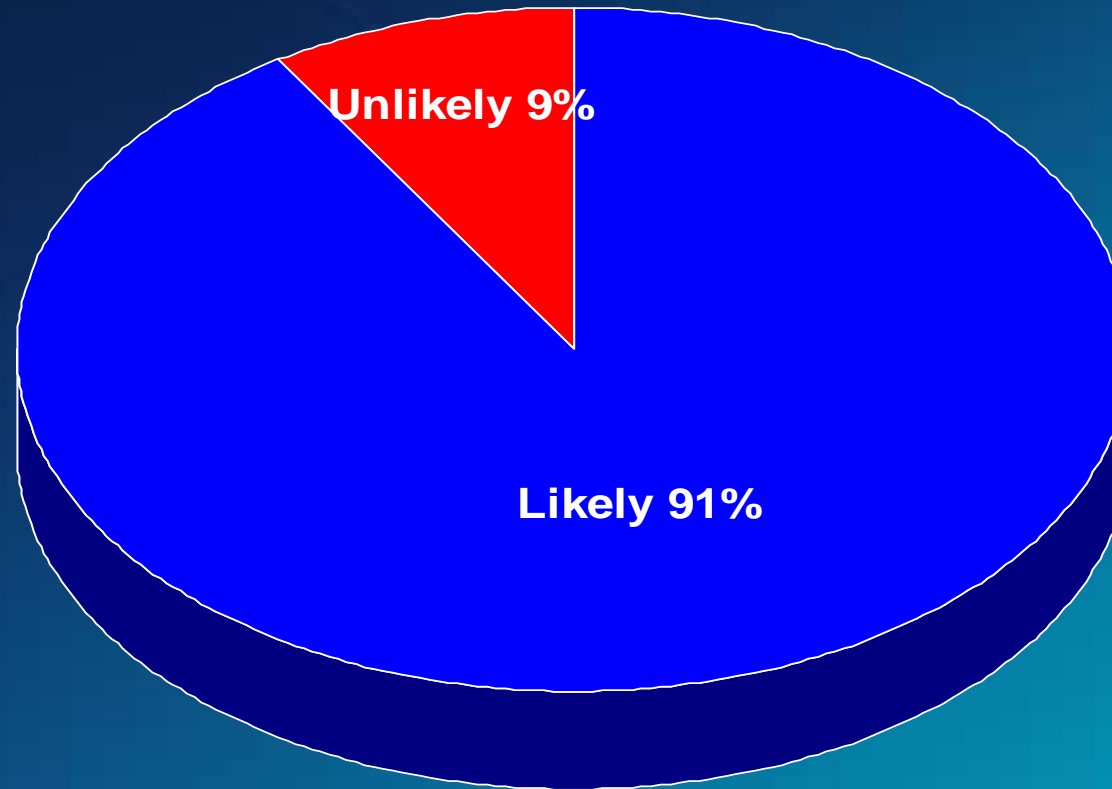
Technology expectations of workplaces

Regardless if you work in this type of office environment currently or not, please tell me if you would expect to use any of the following technologies or services within a professional workplace, office, or office space? % saying “yes”



Importance of newer, innovative technology

Would having more access to work with newer, innovative technologies make you more or less likely to consider a potential job opportunity?



Perception of Insurance Industry

I'm now going to read you some statements and after each one I would like you to tell me how well you believe this statement describes the insurance industry – very well, somewhat well, not too well, or not well at all? % saying “well”

The insurance industry has
a poor public image

65%

The insurance industry is
old in general

63%

The insurance industry has
older workers

58%

The insurance industry is
not innovative

53%

Connected Experiences



Digital Work Digital Generation Lifestyle

Are Trends Destiny?



The Challenge of Continuous Innovation

SHARED VISION

RESEARCH &
DEVELOPMENT

CUSTOMER &
PARTNER FEEDBACK

***NEW
PRODUCTS
& SERVICES***

GRASSROOTS

ACQUISITIONS

Shared Vision: Quests



Shared Vision for Information Workers Connected, Informed & Productive



Empowering Your People

User Base

Web Portals

(Corporate Intranet and Web site)

Enterprise Data Repositories

(Highly Structured)

Departmental Solutions

(Structured & Unstructured)

Collaboration Team Sites
(Unstructured content)

Personal Sites
(MySites)

Enterprise Content and Applications

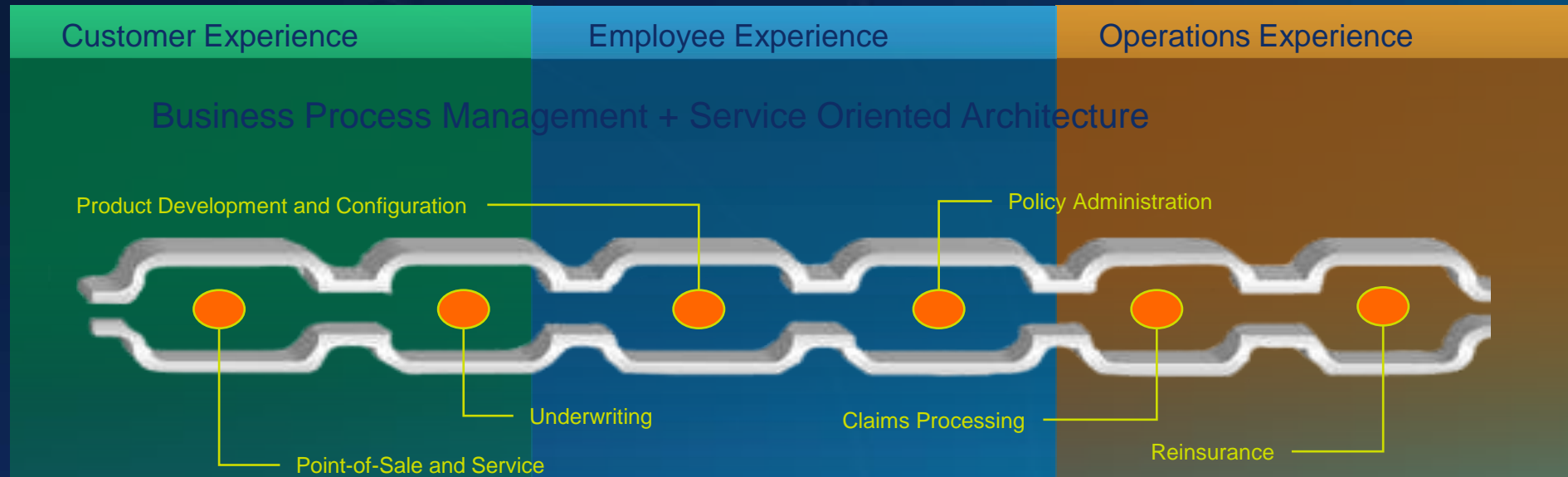
video

Unified Communications in Insurance

Shared Vision for Business Leaders: Superior value Chain & LOB Solutions

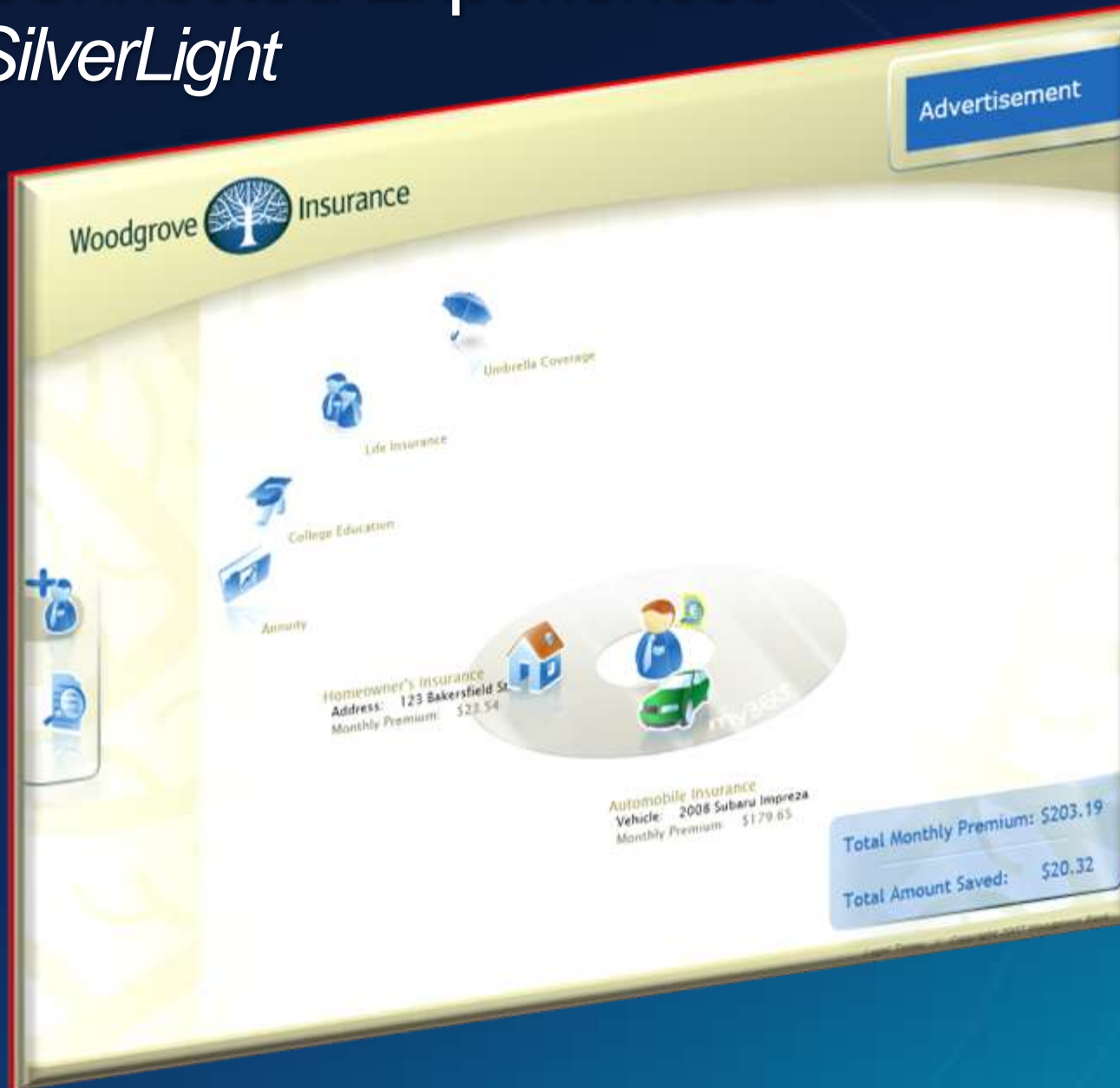


Insurance Value Chain Conceptual Framework



The Microsoft Insurance Value Chain

Connected Experiences *SilverLight*



- Rich Web Experiences
 - Stunning animation, audio & video
 - Multi-browser support, Windows and Mac
 - High performance video & graphics engine
 - Search-engine friendly for richer discovery
- Productivity and Performance
 - Powerful application model using existing Web (AJAX) and .NET skills
 - Breadth of tools & ecosystem for designers and developers
 - Rich framework makes great Web apps easy to build
- More Efficient and Cost-Effective
 - Small, friction-free client install
 - Best video quality w/ lowest cost to deliver
- X-Platform and X-Browser

demo

SilverLight in Insurance
Connected Experiences for Agents and Consumers

Customer and Partner Feedback



Impacting a BRAND...

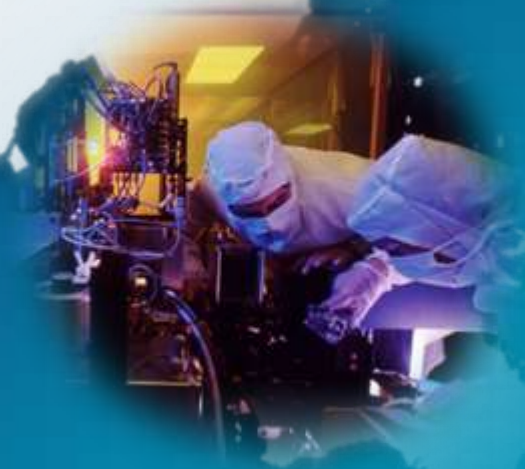
SYNC In-Vehicle Technology



45 to 14
85%



Microsoft® Research



Microsoft's Unique Enterprise Formula

Our Investment in Innovation

Microsoft surpasses IBM...

Microsoft is #1 on Patent Scorecard of top IT Patent Holders

- 8500 Patents Granted
- 15,000 Pending
- Adding approx 3000 per year



- “Future-proof” against “rip and replace”
- Architectural compatibility gives stability, agility
- Extended support for product lifecycle

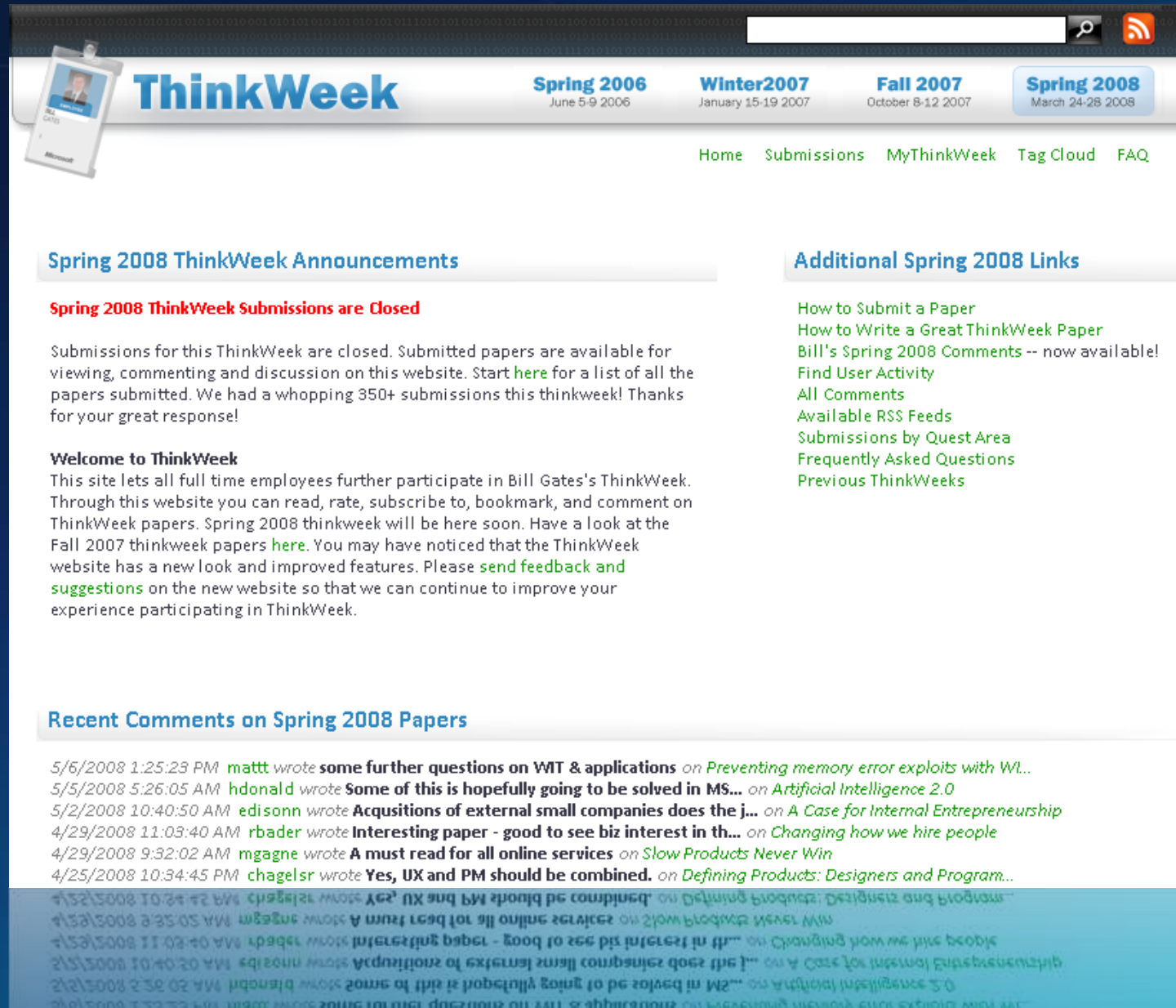
Connected Experiences



Outside Inspiration: Acquisitions



Grassroots Innovation: ThinkWeek



The screenshot shows the ThinkWeek website with a dark blue header. On the left is a Microsoft ID card for 'Bill Gates'. The header contains the 'ThinkWeek' logo, navigation links for Spring 2006, Winter 2007, Fall 2007, and Spring 2008, and a search bar with a magnifying glass icon and an RSS feed icon. Below the header is a navigation menu with links: Home, Submissions, MyThinkWeek, Tag Cloud, and FAQ. The main content area is divided into two columns. The left column has a section titled 'Spring 2008 ThinkWeek Announcements' with a sub-header 'Spring 2008 ThinkWeek Submissions are Closed' and a paragraph about the closure of submissions. Below this is a 'Welcome to ThinkWeek' section. The right column has a section titled 'Additional Spring 2008 Links' with a list of links including 'How to Submit a Paper', 'How to Write a Great ThinkWeek Paper', 'Bill's Spring 2008 Comments -- now available!', 'Find User Activity', 'All Comments', 'Available RSS Feeds', 'Submissions by Quest Area', 'Frequently Asked Questions', and 'Previous ThinkWeeks'. At the bottom is a 'Recent Comments on Spring 2008 Papers' section with a list of comments from users like mattt, hdonald, edisonn, rbader, mgagne, and chagelsr.

ThinkWeek

Spring 2006 June 5-9 2006 Winter2007 January 15-19 2007 Fall 2007 October 8-12 2007 Spring 2008 March 24-28 2008

Home Submissions MyThinkWeek Tag Cloud FAQ

Spring 2008 ThinkWeek Announcements

Spring 2008 ThinkWeek Submissions are Closed

Submissions for this ThinkWeek are closed. Submitted papers are available for viewing, commenting and discussion on this website. Start [here](#) for a list of all the papers submitted. We had a whopping 350+ submissions this thinkweek! Thanks for your great response!

Welcome to ThinkWeek

This site lets all full time employees further participate in Bill Gates's ThinkWeek. Through this website you can read, rate, subscribe to, bookmark, and comment on ThinkWeek papers. Spring 2008 thinkweek will be here soon. Have a look at the Fall 2007 thinkweek papers [here](#). You may have noticed that the ThinkWeek website has a new look and improved features. Please [send feedback and suggestions](#) on the new website so that we can continue to improve your experience participating in ThinkWeek.

Additional Spring 2008 Links

- [How to Submit a Paper](#)
- [How to Write a Great ThinkWeek Paper](#)
- [Bill's Spring 2008 Comments -- now available!](#)
- [Find User Activity](#)
- [All Comments](#)
- [Available RSS Feeds](#)
- [Submissions by Quest Area](#)
- [Frequently Asked Questions](#)
- [Previous ThinkWeeks](#)

Recent Comments on Spring 2008 Papers

- 5/6/2008 1:25:23 PM [mattt](#) wrote **some further questions on WIT & applications** on *Preventing memory error exploits with WL...*
- 5/5/2008 5:26:05 AM [hdonald](#) wrote **Some of this is hopefully going to be solved in MS...** on *Artificial Intelligence 2.0*
- 5/2/2008 10:40:50 AM [edisonn](#) wrote **Acquisitions of external small companies does the j...** on *A Case for Internal Entrepreneurship*
- 4/29/2008 11:03:40 AM [rbader](#) wrote **Interesting paper - good to see biz interest in th...** on *Changing how we hire people*
- 4/29/2008 9:32:02 AM [mgagne](#) wrote **A must read for all online services** on *Slow Products Never Win*
- 4/25/2008 10:34:45 PM [chagelsr](#) wrote **Yes, UX and PM should be combined.** on *Defining Products: Designers and Program...*

One Possible Future - Innovation on the Road

- By 2013, global positioning system (GPS) , advanced telematics, and WiMAX technologies will be providing huge volumes of data that insurers can use to improve pricing accuracy - even creating new dynamic pricing models - and communicate with customer in real-time
 - Cars will “authenticate” drivers, allowing insurance to follow you as you drive your own – or other cars
 - Real-time notification of approaching severe weather, traffic congestion, or accidents – including alternate routing - minimizes loss exposure
 - Automatic notification of carrier/agent when airbag or other sensors triggered
 - Cars become “nodes” on insurance carriers networks allowing real-time view of values at risk
- Event data recorder technology used by motor vehicle manufacturers to improve the performance of air bags will see increased use by claims organizations to correctly assign fault in accidents and prevent fraud.
 - Data from on-board recorders – time, location, speed, direction, angle of impact – allow automated settlement
 - Safety-enhancing technology will reduce collision frequency by 90-95% and severity by 15% within 10 to 15 years

Microsoft Virtual Earth™



Looking Ahead . . .



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Thank You