
Insurance Nexus Global Trend Map 2017

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Acknowledgements

ABOUT INSURANCE NEXUS

Insurance has been disrupted, and the accelerating pace of change has created many challenges and opportunities for insurance executives. New technology, innovative business models and the rise of IoT, digital transformation and customer engagement is changing the face of the industry and inspiring new products, services and strategies. Insurers must seize the opportunities that digital transformation brings.

Situated between London's Silicon Roundabout and the City, Insurance Nexus is at the innovative heart of an industry undergoing significant disruption and innovation. We are a team of energetic professionals who are passionate about insurance, technology and innovation, and are ready to provide the tools, insights and opportunities for insurers to thrive in the future.

Insurance Nexus is the central hub for insurance executives. Through in-depth industry analysis, targeted research, niche events and quality content, we provide the industry with a platform to network, discuss, learn and shape the future of the insurance industry.

DISCLAIMER

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Introduction



This report explores both the overarching trends shaping the insurance industry in 2017 – a market cycle characterised by low interest rates and soft market conditions, increasingly complex global risk and insurance’s growing fixation on the customer – and the specific technologies that accompany them at every level of the insurance operation: from analytics and AI to Blockchain and IoT.



**ALEXANDER
CHERRY**

Head of Research at
Insurance Nexus

Welcome to Insurance Nexus’ annual **Insurance Nexus Global Trend Map**. We hope that you find this an enjoyable and useful read.

From 2016-7, Insurance Nexus undertook wide-ranging research with the aim of understanding the global state of the insurance industry, not just in terms of the overarching themes within it but also on a regional basis: to create a first-of-its-kind ‘map’ of insurance trends worldwide. In the course of our outreach, we collected over 1,000 survey responses from all around the world, increasing our range via partnerships with a number of regional insurance associations.

In the following pages, we present our findings in glorious technicolour, through a combination of infographics, written explication and industry commentary. We explore not just the key themes grabbing people’s attention in today’s insurance universe – analytics, IoT, AI and customer-centricity to name a few – but also how these themes vary on a region-by-region basis, with comparison of key trends in North America, Europe, Asia-Pacific, LatAm, Africa, the Middle East and Central Asia, supplemented by extensive direct testimony from respondents in these regions.

Throughout this report, we have tapped our network of insurance influencers, drawn not just from leading global insurers but also from the brave new world of Insurtech, so that we can provide up-to-the-minute comment (details of all our influencers can be found at the back). This report aims to present both our key survey findings and the observations of our influencers as clearly and objectively as possible – although we allow ourselves a level of speculation where we believe this to be justified.

The fundamental challenge putting this report together was the need to present both regional and thematic trends

in a way that readers would find useful and accessible. For this reason, we have split the body of the report (which is preceded by an in-depth overview of our respondents) into three key sections, each one with a different flavour.

SECTION 1 (Global Trends) a **general** section on insurers’ key challenges, priorities, service consumption and investments across the world.

SECTION 2 (Key Themes) a **thematic** section that looks in more detail at specific topic areas, departments and technology developments within the insurance industry.

SECTION 3 (Regional Profiles) here we take each part of the world under the microscope for a closer examination of **regional** trends.

Whether your interest in today’s insurance market is **general**, **thematic** or **regional**, our report is designed to give you immediate access to the information you are most intent on finding out. Using the interactive menu on the right, simply jump straight to the section of your choice, whichever angle you want to approach the industry under.

We hope that you find value in this Trend Map, whatever the nature of your involvement and interest in insurance, and we look forward to hearing what you think!

Thanks and regards,

Alexander Cherry

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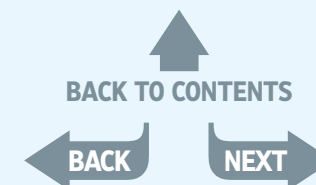
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Comments from our 40+ influencers drawn from every corner of the insurance industry can be found in the page margins – complementing the trends, observations and statistics from each section. Details of all our influencers, as well as of our additional contributors, can be found at the back of the report. You can share your favourite infographics on the way via the built-in Twitter widgets, so please join the social conversation!



ALEXANDER CHERRY

Head of Research at
Insurance Nexus

Before we get started, we'd like to quickly introduce you to our respondents. You may find this section most useful as a reference, and you can jump back to it at any time via the interactive menu on the right – in any case, the stats we use in the later sections should always be self-explanatory.

Given the all-encompassing nature of this Trend Map, Insurance Nexus sought responses not just from every global region but from every part of the insurance ecosystem – from (re)insurers through brokers and affiliate partners to technology providers, regulators and associations. Furthermore, due to the variety of specific themes we wanted to explore in detail, we needed responses from every single division within (re)insurers, from claims and underwriting through to cybersecurity and investments.

For the survey underlying this report, we gathered over 1000 responses, capturing information about: Respondent Region, Respondent Company Type, Respondent Department, Respondent Insurance Line and Respondent Seniority.

As far as our treatment of the stats is concerned, we have been guided primarily by what we deem most useful and interesting for readers. We have also tried, wherever possible, to corroborate and qualify our findings with input from respected industry commentators. We now briefly review our audience segments.

RESPONDENT REGION

For the purposes of this Trend Map, we divided the world into seven regions: North America, Europe, Asia-Pacific, LatAm, Africa, Middle East and Central Asia. The world-map diagram on the next page illustrates exactly how we have defined these regions, and shows the share of our respondents that came from the first four of these.



As a result of the high level of representation, we have been able to segment most of our general stats on North America, Europe and Asia-Pacific, which for this reason we sometimes refer to during the report as our 'three key regions'.

We explore the key challenges, priorities and developments within all our regions as part of our Regional Profiles section at the back, drawing heavily on perspectives from in-region correspondents. This way, we have been able to provide a qualitative picture of those regions for which we have limited statistics (LatAm, Africa, the Middle East and Central Asia).

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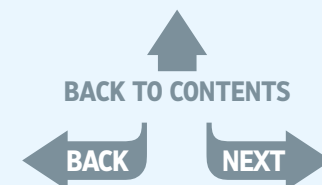
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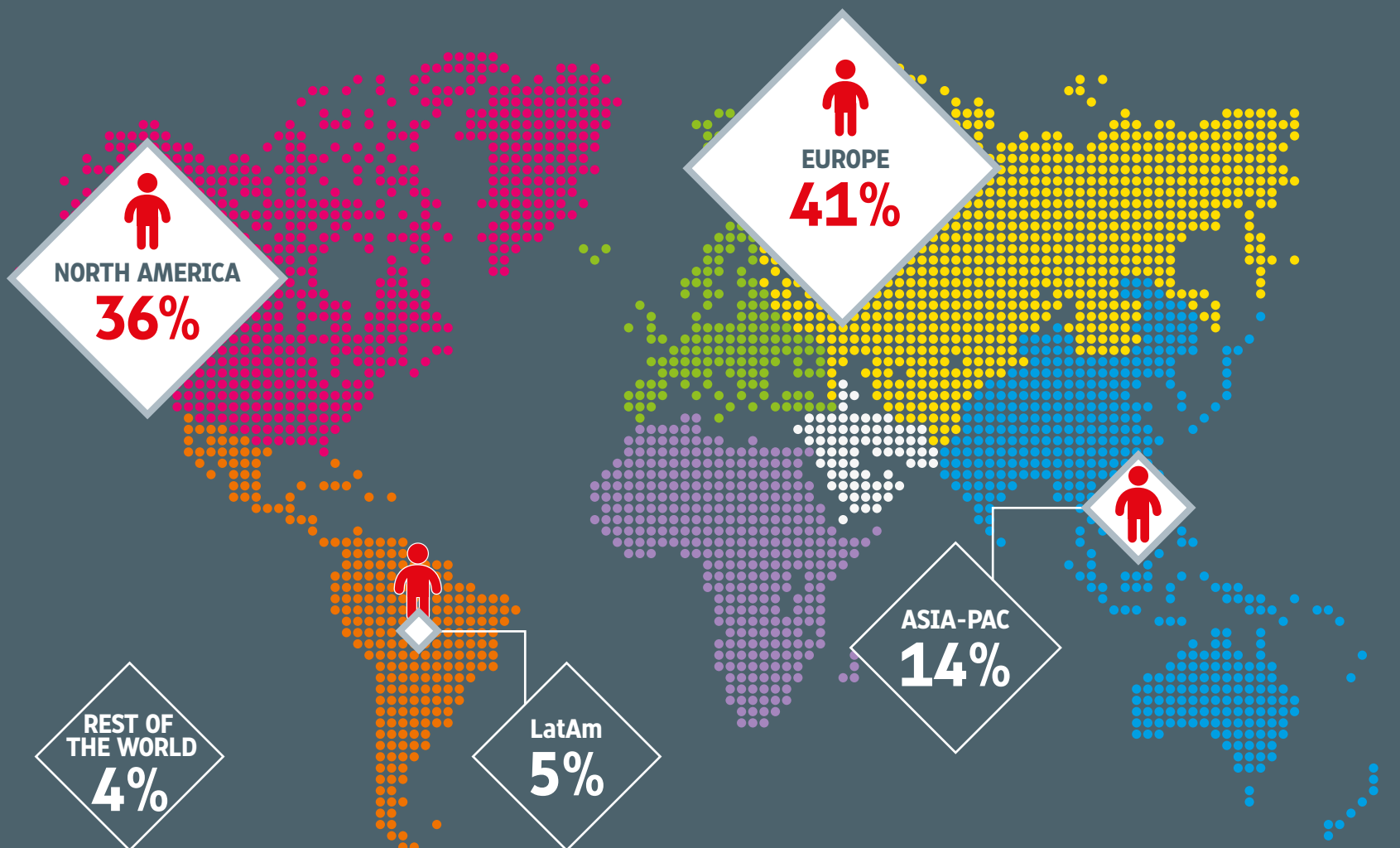
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HOW OUR RESPONDENTS WERE DISTRIBUTED GLOBALLY...



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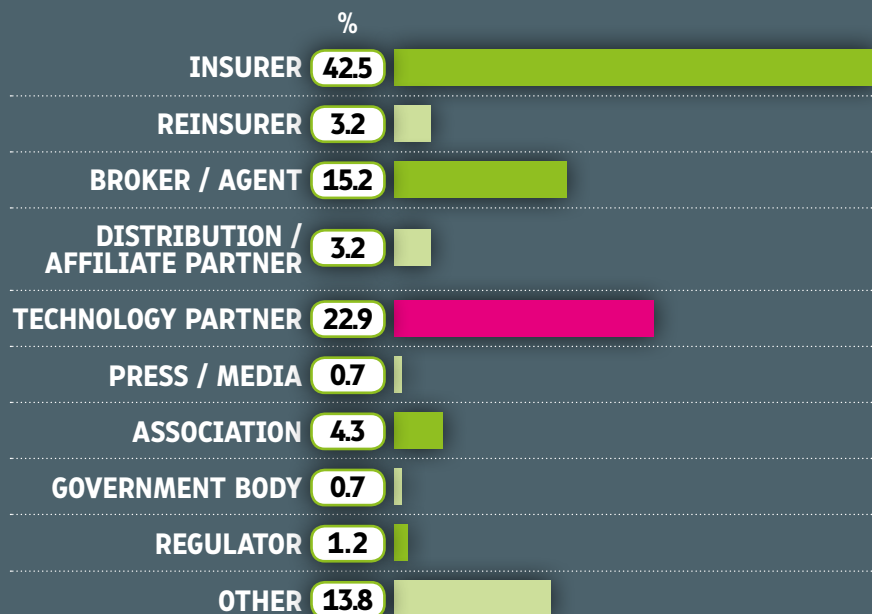
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RESPONDENT COMPANY TYPE

The insurance ecosystem is a varied one, with a multitude of different players performing a multitude of different roles, and we gathered responses from every corner. We gave our respondents the option to choose from nine different company types, which we array in the following table:

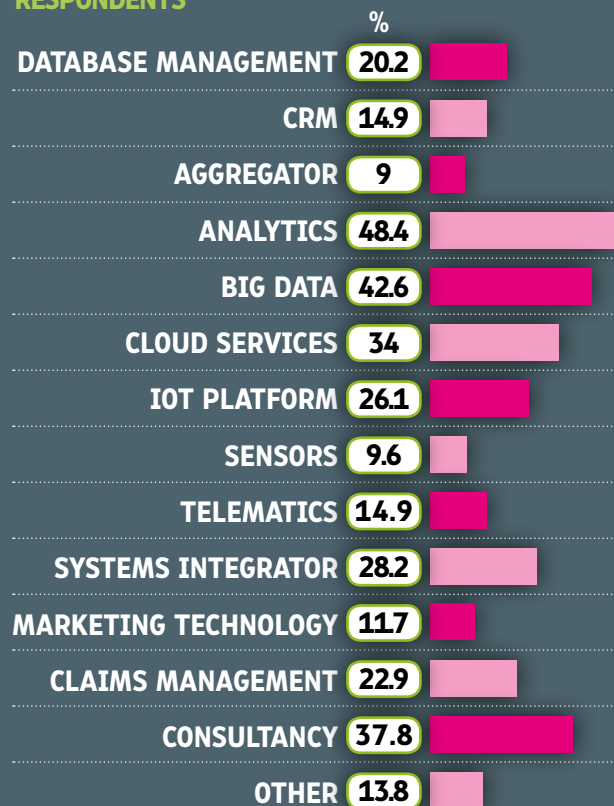
WHICH SORTS OF COMPANIES DO OUR RESPONDENTS WORK FOR?



44% of our respondents identified themselves as being either Insurers or Reinsurers (a number indicated that they were both). The other abundantly represented categories were Brokers & Agents and Technology Partners. Under 'Other', we found a diverse range of unlisted company types, including loss adjusters, legal assistance and search firms.

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BREAKDOWN OF OUR 'TECHNOLOGY PARTNER' RESPONDENTS



Within the category of Technology Partner, we gave respondents the opportunity to identify themselves further. This gives us a good idea of the sorts of vendors and services dominating in today's market. The top Technology Partner categories are thus Analytics provider, Big Data services, Consultancy, Cloud Services, Systems Integrator and IoT Platform provider.

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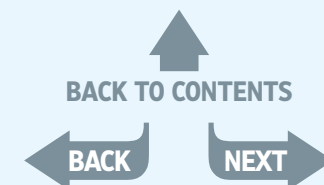
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About our Respondents



Insurance Nexus is active across the insurance ecosystem, with a focus not just on the rise of new cross-functional technologies but also on the prime concerns of specific departments. This breadth – as well as the seniority of our community – is reflected in these stats detailing the make-up of our respondents.



JAMES VINCENT

General Manager at
Insurance Nexus

RESPONDENT DEPARTMENT

We also asked Insurers & Reinsurers to specify which departments they worked in from a range of 20, laid out in the table below (the figure in brackets is the percentage working in OR with that department).

Actuarial	12.3%	(25.4%)
Analytics	21.6%	(27.9%)
Broker Relations	9.6%	(14.4%)
Capital Management	4.7%	(9.1%)
Claims	14%	(28.2%)
Customer Services	12%	(22.1%)
Digital	13.5%	(21.6%)
Distribution	10.8%	(22.9%)
Fraud	6.4%	(11%)
Investment	3.8%	(8.8%)
IT	14.6%	(26.2%)
Marketing	17.5%	(27.1%)
Operations	15.2%	(25.4%)
Pricing	12.9%	(20.3%)
Risk	14.9%	(21.8%)
Sales	10.5%	(22.4%)
Senior Leadership	19.9%	(29.7%)
Strategy	29.2%	(32.3%)
Treasury	3.2%	(5.7%)
Underwriting	20.2%	(29%)

RESPONDENT INSURANCE LINE

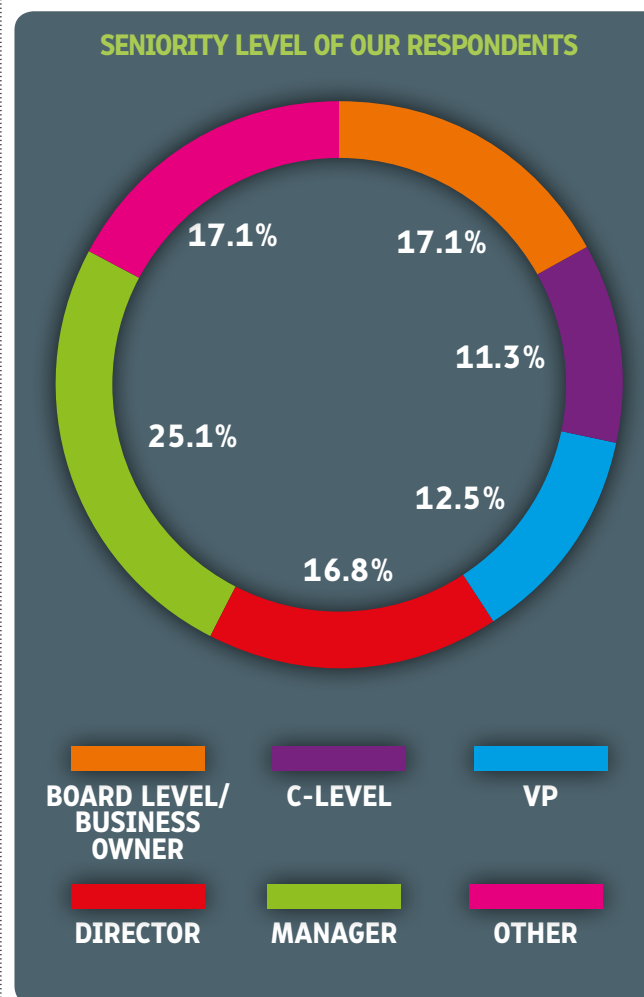
We achieved representation from six main lines, with the majority of respondents working in multiple lines:

Auto	60.1%
Home	53%
P&C/General	63.1%
Commercial	53.7%
Health	32.9%
Life	37.5%

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RESPONDENT SENIORITY

Finally, a note on the seniority of respondents. As can be seen from the pie chart below, the level was generally senior, with 28.4% belonging either in the C-Suite or in the Board Room.



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- Industry Challenges
- Insurtech Perspectives
- Insurer Priorities
- Services, Investments and Job Roles

SECTION 3: REGIONAL PROFILES

- Europe • North America • Asia-Pacific
- LatAm • Middle East • Africa • Central Asia

150 further pages of insight,
30+ full-colour infographics and
50+ contributors, all waiting to be
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Insurance Nexus has chosen eleven key themes to explore in greater detail - these are by no means exhaustive but aim rather to capture perspectives from across the full lifecycle of insurance: from the initial distribution of policies through to the investment of premiums and pay-out of claims.



**ALEXANDER
CHERRY**

Head of Research at
Insurance Nexus

The preceding section on Global Trends gave a general 'big picture' of insurance both globally and in North America, Europe and Asia-Pacific. By contrast, this section is theme- rather than region-led, and examines eleven key technologies and activity areas, some vertical and some horizontal. These were chosen off the back of Insurance Nexus' broader research, guided by the desire to capture a snapshot of the full lifecycle of insurance without exceeding space constraints. Where we do make reference to regions, departments or lines, this is because we believe there is a comment-worthy trend; otherwise it can be assumed that there is no clear tendency. We develop many of these themes further in our closing Regional Profiles section.

Stand-out technologies are Analytics (under which we include AI and Machine Learning) and Internet of Things; in this year's edition of the Trend Map we do not have a dedicated section on Blockchain, although we do touch on it under our section of Fraud. Stand-out activity areas are Claims, Distribution and Product Development. Use the interactive menu on the right in order to jump to the topic you are most interested in!



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Section 2: Analytics



Causing the greatest stir out of all today's analytics tools is AI, which stands to revolutionise the whole insurance industry over the next 2-5 years, from robo-advisors and chatbots through to claims automation and mitigating fraud. While analytics teams retain the greatest degree of oversight, AI capabilities are currently being embedded across the whole insurance organisation.



HELEN RAFF

Head of Content at Insurance Nexus

ANALYTICS

Insurance, relying as it does on predictions about complex future events, has always been a data-hungry, data-driven industry. The big-data explosion of the past decade is therefore something that insurers have followed with keen eyes: according to IBM, the world generates 2.5 quintillion bytes of data every day, with 90% of the world's data having been created in the last two years.¹

While insurers, and most companies for that matter, have for a fair while had more data than they've known what to do with, analytical and machine-learning models are now sufficiently mature and sophisticated for them to start reaping the much-heralded rewards of the big-data revolution. This is not without its challenges though, with silos and legacy systems in particular acting as a drag on innovation.

Analytics is being deployed at every point within the insurance ecosystem, so, in this section, we look at analytics & data usage among our various ecosystem players, their overall data strategy and their issues with silos and legacy systems. We round off by looking at the different flavours of analytics in use (descriptive, diagnostic, prescriptive, predictive, behavioural and AI) and where different parts of the insurance lifecycle fall on the analytics spectrum..

Interesting is the leadership on many measures provided by Reinsurers – this is evidence of their proactivity in driving the whole ecosystem forwards, and in this they often take the lead over Insurers. We also see this more generally; for example, the giants Swiss Re and Munich Re have been particularly active in accelerator-based innovation over the past two years.²

Is your investment in / focus on analytics increasing?

84% of all respondents are increasing their investment in analytics. This conforms to the stats we presented on

¹ ibm.com/software/data/bigdata/what-is-big-data.html

² cbinsights.com/blog/reinsurance-tech-startup-moves/

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investments in the Services, Investments and Job Roles section, whereby Analytics was second only to Digital Innovation for increased investment. Drilling down further into the responses of different company types, we see that similar proportions of Insurers (82%), Brokers & Agents (76%) and Technology Partners (85%) are increasing their investment. Of interest is the clean sweep by Reinsurers, exemplifying the leadership trend.

Analytics has applications across all the major lines. Health and Auto are two obvious examples given the ready availability of connected health devices and in-car sensors, which make data easier to capture and, as an extension of this, models easier to feed. This facilitates Usage Based Insurance (UBI), which we explore in more detail in our section on Internet of Things, whereby actual living/driving habits inform policy prices. Analytics also has obvious applications for predictive maintenance and security in Commercial, Auto and P&C/General lines, particularly where valuable assets (like property) are in play. Analytics is also growing in Home insurance thanks to the increasing prevalence of connected-home devices, with Berg Insight estimating that there were approximately 18 million smart homes in Europe and North America by the end of 2015.³

IS YOUR INVESTMENT IN / FOCUS ON ANALYTICS INCREASING? %

82 INSURER

100 REINSURER

76 BROKER / AGENT

85 TECHNOLOGY PARTNER



³ iot-now.com/2016/05/31/47936-the-number-of-smart-homes-in-europe-and-north-america-tops-17-9-million-in-2015/

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Section 2: Analytics



There will be much more data from structured and unstructured data sources in the future – a huge challenge! 'Past developments are a good representation of future uncertainty' will not be replaced but solutions with AI-tech (big data) in combination with smart data strategies will enable insurances to make decisions based on models and evidence.



ANDREAS STAUB

Managing Partner
at FehrAdvice

Is your analytics strategy coordinated across your organisation?

The uses and advantages of analytics have been obvious for a long time, and we have seen analytics initiatives sprouting up in nearly every corner of the insurance business, from underwriting through to counter-fraud. An ad-hoc approach, often inevitable in the early days of a technology, quickly becomes unwieldy, and the benefits from coordination are substantial.

It is encouraging therefore to see 57% of all respondents indicating that their analytics strategy is coordinated across their organisation. The trend across our different company types is similar to the one we saw in the investment/focus question above – unsurprisingly,



as coordination is vital to gain maximum value from increasing investment and focus, and often represents a large investment in and of itself. We thus see 59% of Insurers coordinating, 54% of Brokers & Agents and 55% of Technology Partners, with Reinsurers once more taking the lead (77%).

Are you utilising external data sources?

Plenty of data is available for analytics use beyond that directly captured by insurance companies themselves, both publicly available (like social media) and for-purchase (from third-party aggregators). There is no clear trend across our ecosystem players on this measure, with 77% of Insurers, 67% of Brokers & Agents and 81% of Technology Partners affirming their use of external data sources (Reinsurers had a small though insignificant lead).

Segmenting by region, we can tentatively identify Asia-Pacific as trailing on this measure, and our broader research and industry engagement does indeed suggest that the third-party data culture is less well developed here than it is in North America and Europe. That said, public sources of data remain available, from unstructured social media through to data generated/collected by incipient smart-city infrastructure (like in Singapore).

Do you have a formal data-governance strategy?

Insurance companies are being borne along on an exponentially growing tide of customer data, which has brought data governance to the forefront of people's minds; yet, as of today, only 57% of Insurers, 51% of Brokers & Agents and 58% of Technology Partners possess a formal data-governance strategy. We expect this figure to rise sharply in the years to come. Reinsurers once again appeared to lead (with 77% affirming the existence of a data-governance strategy).

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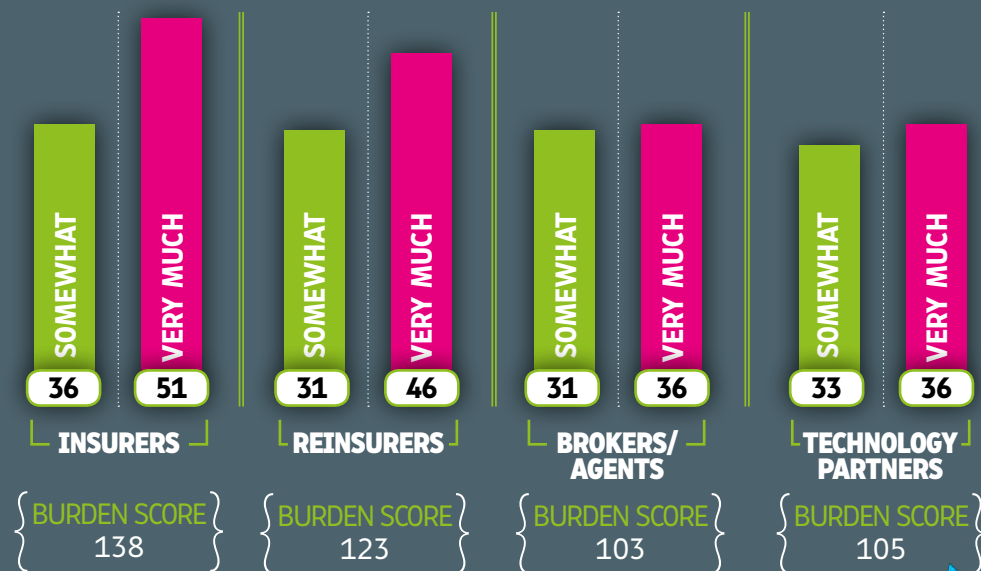
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ARE LEGACY SYSTEMS AND SILOS A PROBLEM FOR YOUR BUSINESS?

%



Are legacy systems and silos a problem for your business?

Capturing data is only the first part of the story to building out an analytics-based business. In many cases, analytics and big-data projects within insurance companies come unstuck not because of a lack of investment or strategic focus but for reasons more prosaic in nature: silos and legacy systems. If infrastructural bottlenecks strangle rather than feed analytical models, preventing them from operating at scale across all the relevant data pools, then the output will be etiolated and limited in use.

We asked respondents whether legacy systems and silos represented 'somewhat' or 'very much' of a problem for their businesses, and then created a 'burden score' based

on a weighted combination of these two figures. Insurers clocked up a burden score of 138, Brokers & Agents 103 and Technology Partners 105 (Reinsurers score 123).

There are two key takeaways from this. Firstly, that silos and legacy systems are a problem for the entire insurance ecosystem. And secondly, that carriers are generally harder-hit (comparing Insurers & Reinsurers to the Rest of the Industry), which may well reflect their position as the central node of the industry into which all the other players feed.

Which analytics forms are you using?

With all new technologies or methods, there is generally a gap or lag between what is theoretically possible and what finds its way into commercial practice. We asked Insurers & Reinsurers what forms of analytics they were deploying out of a possible six options:

% (RE)INSURERS USING EACH ANALYTICS TYPE

Predictive	74%
Descriptive	71%
Diagnostic	61%
Behavioural	39%
Prescriptive	31%
Machine Learning / Artificial Intelligence	28%

As we can see, every form of analytics has attained at least a modest level of penetration, and we can tentatively construe from this an adoption curve of different analytics formats running roughly from predictive, descriptive and diagnostic (high degree of current adoption) through to behavioural, prescriptive and machine learning / artificial intelligence. So, while most respondents have developed capabilities to describe

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The rise of InsurTech, the analytics explosion and the new face of insurance has created a birth of new roles and impact points across the industry. No longer is analytics and data relegated to just information technology and actuarial — we are now seeing it being integrated into the business culture and DNA of insurance organisations.



MARGARET MILKINT

Managing Partner at
The Jacobson Group

and predict, only a minority have advanced beyond this towards prescriptive and AI capabilities.

Analytics is a very broad category with applications across almost every part of insurance, from underwriting and marketing through to fraud and claims, as well as on the investment side of the business. For sake of clarity, we have chosen to focus in on two areas of insurance work, Underwriting and Claims, in order to capture a snapshot of analytics maturity at the start and at the end of the policy 'lifecycle'.

The donuts below indicate the share of analytics work (as a proportion of the whole) being undertaken by respondents working in the areas of Underwriting and Claims – this is an intuitive way to compare the prominence of different flavours both within, and between, these two areas.

A larger proportion of the analytics work undertaken by Underwriting respondents appears to fall at the early stage of the adoption curve (descriptive and predictive) and a smaller proportion at the later stage (moving towards machine learning and AI), when compared to respondents working in Claims. This implies that Claims either encourages more advanced analytics than Underwriting – which seems unlikely – or that, for whatever reason, it leads Underwriting on analytics maturity.

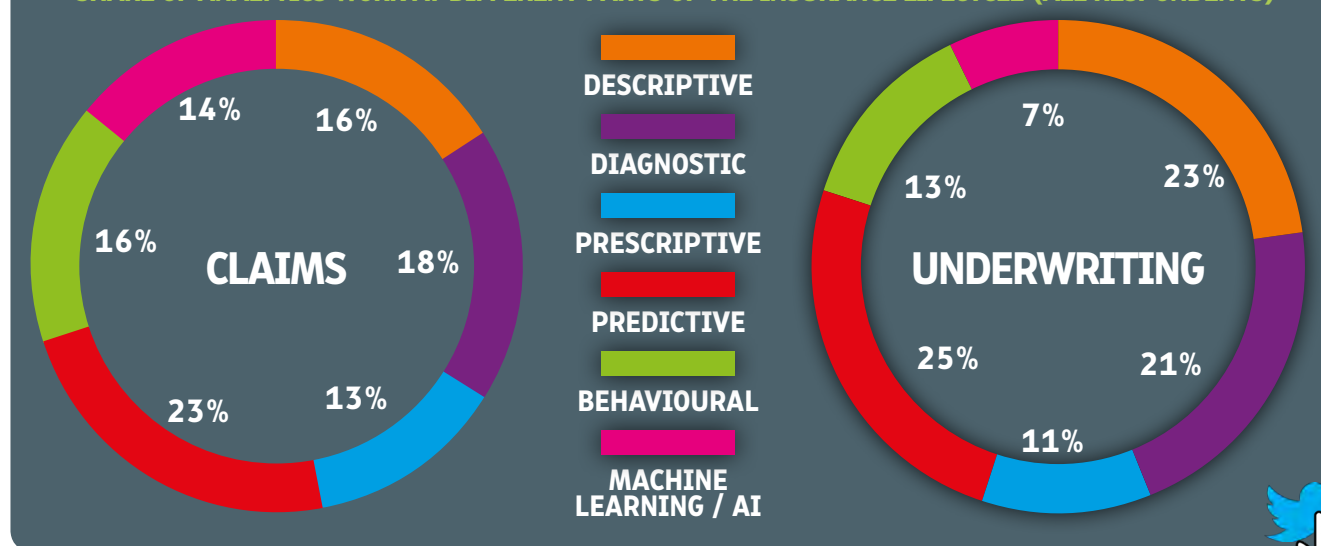


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SHARE OF ANALYTICS WORK AT DIFFERENT PARTS OF THE INSURANCE LIFECYCLE (ALL RESPONDENTS)



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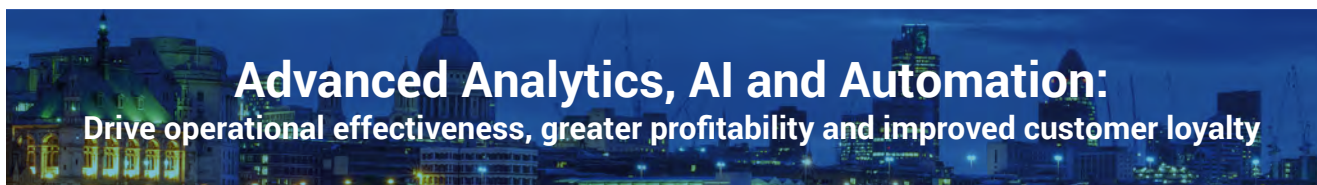


HELEN RAFF

Head of Content at Insurance Nexus

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Section 2: Digital Innovation



Digital Innovation is not only about technologies and channels, Multi- or Omni-channel. Digital Innovation means you have to develop your insurance company to an open and digitally enabled platform which can interface with everybody every time in real-time - from customers to brokers, to other insurers, but also to Fintechs and Insurtechs.



OLIVER LAUER

Head of Architecture /
Head of IT Innovation
at Zurich

DIGITAL INNOVATION

As we saw in the Global Trends section, Digital Innovation topped not just our global priorities chart but also our regional charts for North America, Europe and Asia-Pacific, as well as representing the service area in which investment from Insurers & Reinsurers was increasing the most.

In this section, we focus on the digital, mobile and cross-platform strategies of our different ecosystem players, before looking more qualitatively at the sorts of digital strategies being deployed by Insurers & Reinsurers. The way carriers approach digital and/or mobile has far-reaching implications not just for their marketing and distribution but also for customer experience more broadly (claims, renewals and complaints are three obvious areas that spring to mind) and, ultimately, the whole business.

In general, we see companies' digital, mobile and cross-platform focus increasing the closer they find themselves to end-consumers within the overall value chain, from Insurers up above to Distribution/Affiliate Partners on the ground (the capabilities under consideration in this section are predominantly B2C, so we generally exclude Reinsurers from our analysis). The overriding trend we encounter – and this is reflected in many other sections of this report – is of insurers trying to get closer to their customers, moving from the back room to the front.

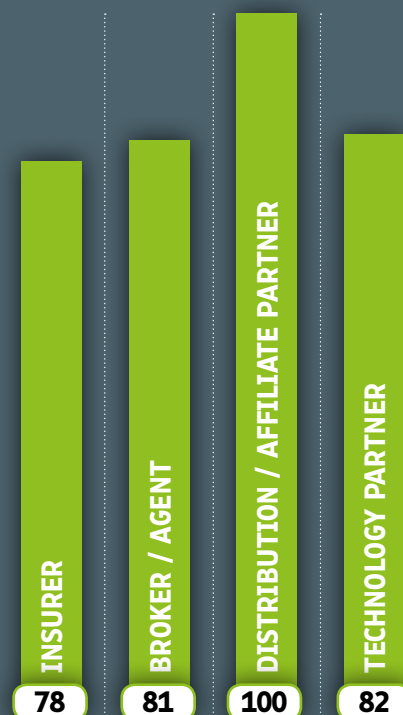
Does your organisation have a digital strategy?

The rise of digital channels and experiences has transformed many an industry already (just think retail), and insurance is not going to be an exception. Lacking a formal digital strategy is not the same as lacking digital capabilities, but it would appear a prerequisite for any company wanting to do more than just react to industry changes.

INSURANCENEXUS

As we see from the graph on the right, digital strategies are evenly prevalent across much of the ecosystem, with 78% of Insurers, 81% of Brokers & Agents and 82% of Technology Partners indicating the presence of a strategy. Every respondent in the Distribution/Affiliate Partner category, which we include here owing to the strong trend of which it forms a part, indicated that they have a digital strategy.

DOES YOUR ORGANISATION HAVE A DIGITAL STRATEGY?



%



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#insurancemap

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“Whenever you switch on a device or use an app, huge amounts of data are generated about your behaviour and lifestyle. These insights are critical because they can drive the overall business strategy and help companies design products to better meet the needs of our customers.”



DENNIS NILSSON

Assistant Vice President, Head of Advanced Analytics, Insurance, at TD Insurance

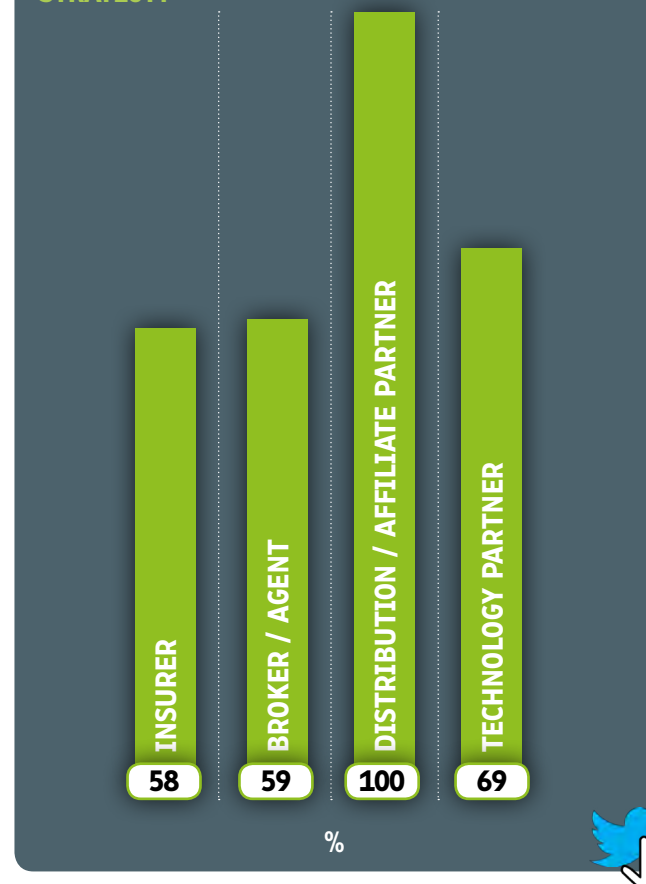
Does your organisation have a mobile strategy?

Most industries had barely begun to adapt to the strictures and opportunities of a desktop future, when the shift to mobile announced itself with a bang. We see this triumph of mobile reflected in many different measures; for example, eMarketer recently announced that the majority of Google's ad revenue in the USA now comes through mobile, not desktop.¹ While this new change has given rise to many mobile-specific functions within organisations, it is true that many have subsumed 'mobile' within 'digital' so as to avoid unnecessary silos in personnel and strategy.



As we can see, formal mobile strategies are for the most part less well established than formal digital strategies. Their prevalence is fairly even across much of the ecosystem, with 58% of Insurers, 59% of Brokers & Agents and 69% of Technology Partners indicating the presence of a strategy. Once again, every Distribution/Affiliate Partner respondent acknowledged having a mobile strategy, likely a consequence of their proximity to the mobile-touting end consumer.

DOES YOUR ORGANISATION HAVE A MOBILE STRATEGY?



Does your organisation have a cross-platform strategy?

As we mentioned, organisations can approach desktop and mobile either with dedicated teams and strategies or under one broad 'digital' umbrella, and neither approach necessarily reveals much about that all-

¹ emarketer.com/Article/Mobile-Moves-Majority-Share-of-Googles-Worldwide-Ad-Revenues/1014633

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Whether it's filing a claim through an app on their phone or receiving a claim payment electronically to an app or to their bank account, or even just exchanging information like adding another vehicle to the policy, today's consumers don't want to have to make phone calls and they don't want to send emails. They basically just want to exchange digital information as quickly and efficiently as possible.



**STEPHEN
APPLEBAUM**

Managing Partner
at Insurance
Solutions Group



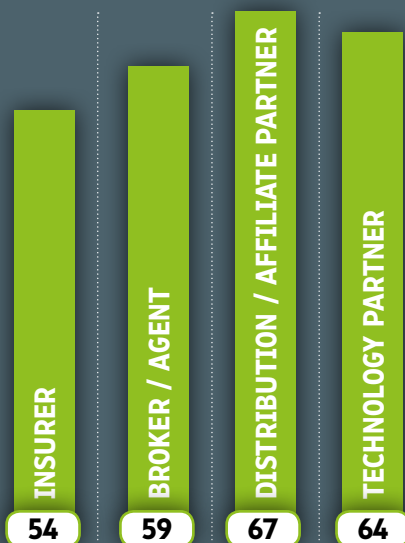
important factor: how well these digital channels are coordinated on the ground.

Whichever strategy they have chosen ('digital' and 'mobile' separate or combined), companies will live or die in today's multi-device world by their cross-platform capabilities. The world's best digital experience optimised for desktop stands to be wrong-footed by the on-going swing towards mobile; yet, at the same time, there are consumer segments and lines where 'digital' genuinely still does mean desktop. The optimum approach, we believe, involves catering for both, led ideally by market segmentation.

Cross-platform strategies appear similarly prevalent to mobile strategies, with no clear trends across the ecosystem: 54% of Insurers, 59% of Brokers & Agents and 64% of Technology Providers indicate the presence of a strategy (and 67% of Distribution/Affiliate Partners).

This solid result is certainly encouraging for traditional industry players encouraging for traditional industry players.

DOES YOUR ORGANISATION HAVE A CROSS-PLATFORM STRATEGY?



%





Both public and commercial consumers are increasingly digital, with many living their entire lives in cyberspace (commercial examples: Air BnB and Uber). Failing to address this with an equally agile proposition will result in the insurance sector's client base seeking alternative ways to transfer their risk. The market simply cannot live by the cliché 'it's worked this way for over 300 years...' if it hopes to retain relevance.



GARETH EGGLE

Head of Insurance
at Flint Hyde



While 'digital', 'mobile' and 'cross-platform' are useful concepts, they are too crude to capture the full spectrum of digital strategy, which is spilling out into every operational nook and cranny (albeit at different rates) as insurers look to transform the way they do business. So while, as we pointed out, digital strategies are currently more prevalent at the front end of the value chain (affiliate partners) than at the back (carriers), 'digital' will ultimately touch or subsume all aspects of the business.

In the past, the back end (the product) largely constrained the front end, but now that situation is reversed, with the digital needs of the front (the

customer) driving transformation all the way through to the back. The distinction between front and back is therefore becoming increasingly superfluous (and often outright unhelpful) for insurers. Or, in other terms: if you treat your front-end digital, mobile or cross-platform strategy as somehow separate from your back-end systems and processes, then you are heading for disaster.

In order to fill in our picture of the broader ramifications of 'digital' for (re)insurers, we spoke to our influencer Denise Garth, SVP of Strategic Marketing, Industry Relations and Innovation at Majesco. Garth points out the many facets of the insurance business that must feed, and be fed by, the overarching digital strategy –

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The value you hope to extract out of data will be stalled if you don't have infrastructure. Many of us struggle because it's hard to attach ROI to core infrastructure. You need a compelling vision for the future and some examples of current success to have the leadership fortitude to invest.



CATHERINE BISHOP

Head of Insurance
Strategy and Data at
RBC Insurance

and believes that the future of insurance is not 'digital' or 'mobile' per se but ultimately an all-encompassing 'Amazon-like' experience:

'Today's digital shift for insurance is moving from product-driven to customer-driven strategies; from limited distribution channels (such as agents) to an array of channels based on customer choice; from line-of-business silos to customer-centricity and customer experience for all products across all lines; from simply containing risk to proactively providing personal risk management; and from siloed solutions focused on transactions to a platform portfolio that bridges together real-time interaction for all products and services for a customer, giving them an Amazon-like experience.'

To create this new customer experience, as noted in Majesco's Insurance in the Digital Age thought leadership, insurers' digital strategy must be more than a digital front-end, website or portal.

First, it must be customer-driven. Second, it must be influenced from outside insurance. It must focus on the customer journey, across channels, products and processes that leverage behavioural data for different personas, whether agents, customers or others. The journey is refined and adjusted based on the behavioural data and insights, creating a compelling, consistent and personalised journey via a high level of digital sophistication.'

What is clear is that digital strategy is about much more than just channels, necessitating a transformation of the back end as well as a fundamental change in company mind-set. To explore this further, we identified seven qualitative categories of digital strategy: 'consumer',



'efficiencies', 're-platforming', 'product', 'customer journeys', 'agent integration' and 'innovation', each one with a slightly different emphasis and different implications for the business as a whole. Overleaf, we explain these flavours in a bit more detail and look at which ones are currently finding favour with carriers and the industry more broadly.

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We think it's very important for insurers to exist in three timelines at the same time. They have to mitigate the limitations of their legacy systems, they have to address current business needs – short-term, tactical business needs – and then they have to keep an eye on the future in terms of how technology is going to change their business tomorrow.



MATTHEW JOSEFOWICZ

CEO at Novarica

What flavour is your digital strategy?

We asked Insurers & Reinsurers from around the world to say which out of our seven qualitative statements (detailed below) best applied to their digital strategies. This allows us to see where the industry is currently focusing, as well as to construe how this may evolve going forwards.

The two stand-out flavours we see here are Consumer (first place) and Agent Integration (second). Efficiencies, Product, Customer Journeys and Innovation all find themselves in a similar range, with Re-Platforming lagging behind.

THE MANY FLAVOURS OF DIGITAL STRATEGY

WHICH BEST CHARACTERISES YOUR DIGITAL STRATEGY?	(Re)Insurers	Rest of Industry
CONSUMER – Engaging with new consumer expectations and demands	79%	82%
Creating EFFICIENCIES across the business	50%	52%
RE-PLATFORMING – Moving away from legacy systems	40%	38%
PRODUCT – Delivering more personalised products	54%	54%
Understanding CUSTOMER JOURNEYS	45%	44%
AGENT INTEGRATION – Delivering fast information access for agents	64%	63%
INNOVATION – Promoting an internal innovation culture	55%	52%



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Section 2: Digital Innovation



Sometimes we benefit from a 'burning platform' scenario, whereby a specific business problem accelerates the need for us to invest in technology. But normally, we find ourselves challenged in moving our data capabilities forward when the infrastructure costs are large and the benefits are uncertain or longer-term. It helps if you have a good strategy, and a good organisational culture around innovation.



CATHERINE BISHOP

Head of Insurance
Strategy and Data at
RBC Insurance

Given that we have categorised the current disruption of the insurance industry as being fundamentally consumer-led, it is no surprise at all to see the overwhelming majority of Insurers and Reinsurers emphasizing the consumer. This is totally in keeping with the overall priority allocated to Customer Centricity (2nd-ranked priority globally), the volume of third-party services being sought in the area of Customer Centricity and the prominence of the Chief Customer Officer role, all of which we saw in the preceding section on Global Trends.

More unexpected perhaps is the second highest-ranked digital flavour, Agent Integration. What this tells us is that brokered channels are an integral part of being customer-centric and that, at least for now, customer-centricity is not all about the direct-to-customer channel. Many consumers in both personal and business lines continue to value indirect channels as part of their overall buying process – whether that be for researching the product, receiving expert advice or for sealing the deal.

The insurer who wins out will be the insurer who is able to adapt their channel blend to their market – not the other way round – and here we are talking not just about mobile versus desktop but the full range of physical channels as well. Encouragingly in this regard, we can see that the whole industry is broadly aligned in terms of the tilt it is giving to digital strategy, with the same flavours being favoured by the Rest of the Industry as by Insurers & Reinsurers.

Another point of interest is the relatively small focus on Re-platforming. When the subject of digital transformation comes up, it is easy to think about mega-projects and wholesale system replacements. In reality

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though, these are more often than not prohibitively expensive and high-risk, and carriers must proceed to a large extent via increments: there is plenty of low-hanging fruit to be had from rendering existing systems and processes more efficient and customer-centric.

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Section 2: Internet of Things



There is a big shift from today's protection to tomorrow's prevention. New technologies using sensors and devices are becoming more widespread and can prevent incidents from happening. Broadly speaking from an industry perspective, it has potential for better risk understanding and creates happier customers.



DENNIS NILSSON

Assistant Vice President, Head of Advanced Analytics, Insurance, at TD Insurance

INTERNET OF THINGS

The possibilities of the Internet of Things for insurance are boundless, from turbocharging underwriting models and using sensor data for preventative messaging to usage-based products and dynamic pricing. While other technological advances often represent the optimisation of an established insurer capability (as with many applications of analytics, for instance), IoT is fundamentally enabling insurers to rewrite the rules of the game by moving from risk protection to risk prevention.

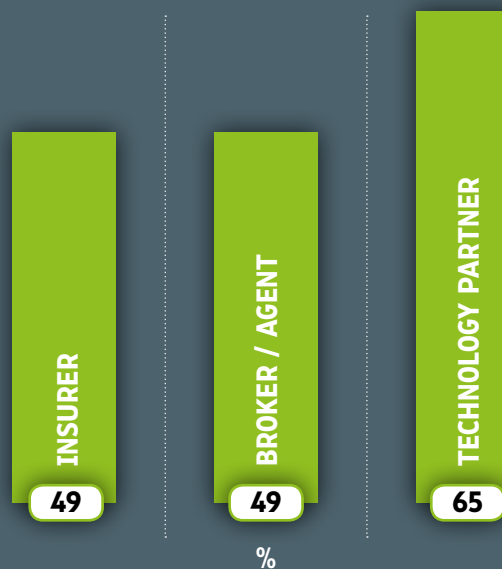
In this section, we firstly explore where IoT technologies stand to produce the greatest benefit, both across the insurance lifecycle and across different insurance lines. As part of this, we review the new models IoT enables, such as usage-based and on-demand insurance.

Secondly, we look at IoT platform implementation across different lines and regions. The trend we see emerging is of Europe as the front-runner from an implementation perspective - but this is a technology rapidly gaining in profile the world over. Line-wise, Commercial currently trails from an impact and an implementation perspective - but the potential for innovation in the line is undoubted.

Do you have an IoT strategy?

54% of All Respondents have an IoT strategy, and we see that this is fairly uniform across the ecosystem, Insurers and Brokers & Agents scoring 49% apiece, and Technology Partners 65%. This solid showing by Technology Partners is not surprising - in many cases, insurers' IoT platforms are being developed by third-party service providers. Given the upwards trend in platform implementation that we observe over the coming 12-24 months (and which we explore later in this section), we expect that the proportion of insurers with formal IoT strategies will sharply rise in this time-frame as well.

DO YOU HAVE AN IOT STRATEGY?



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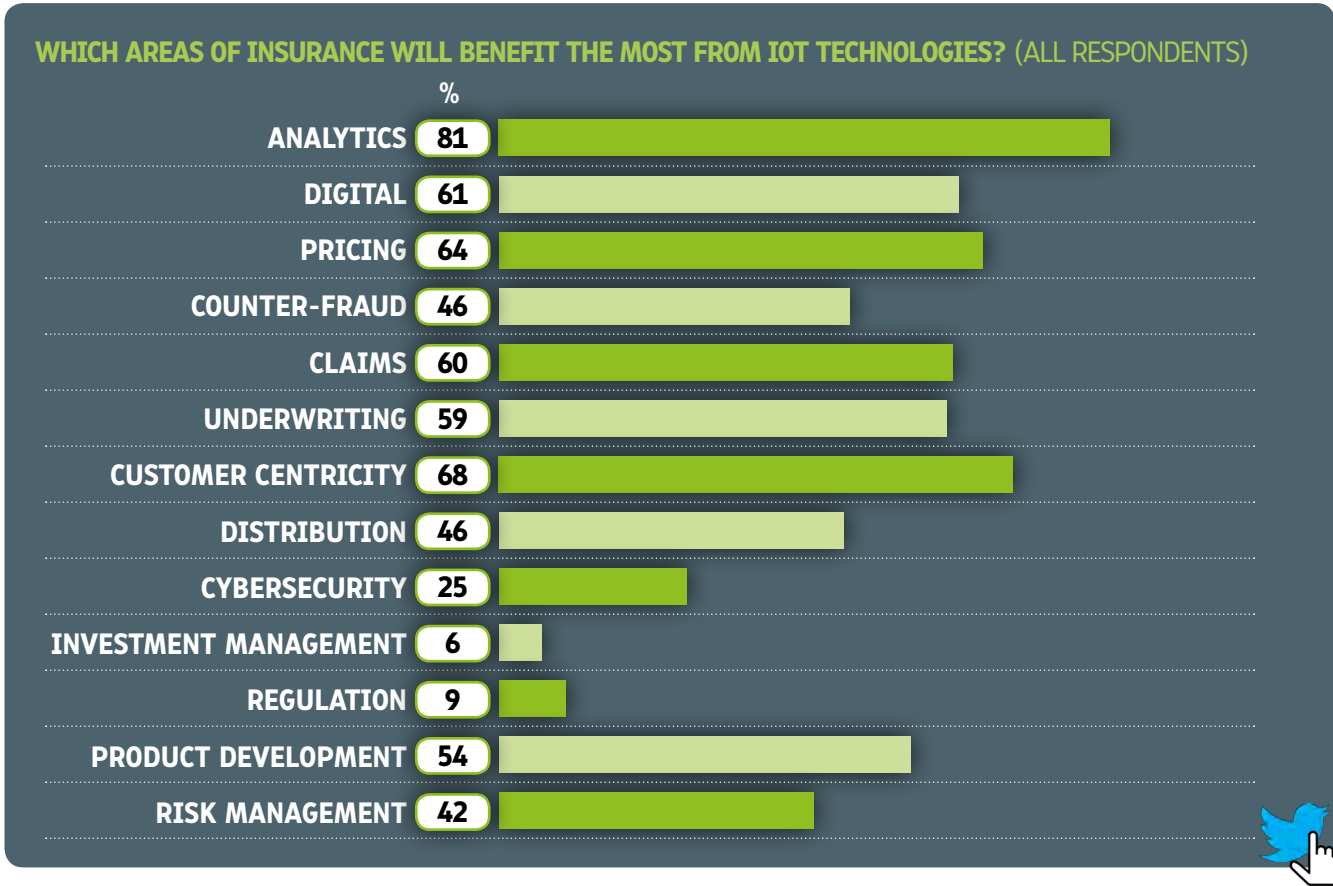
“Drones, which are also IoT devices, are being used by property and casualty companies to examine property damage after catastrophes and storms, saving them a lot of time and money, so people don’t have to climb up on the roofs, which is dangerous and time-consuming.



STEPHEN APPLEBAUM

Managing Partner
at Insurance
Solutions Group

Assessing the Impact of IoT: Insurance Lifecycle



IoT is such an open-ended technology that we further asked All Respondents to specify those areas of insurance they thought would benefit the most. The areas that come out on top are Analytics (81%), Customer-Centricity (68%), Pricing (64%), Digital (61%), Claims (60%) and Underwriting (59%). The clear lead for Analytics is understandable given the symbiosis in which these two technologies stand. No

IoT means limited data for analytical models; no analytics substantially weakens the business case for IoT.

Overleaf, we explore some of these key IoT beneficiaries in a bit more depth and observe how they mesh together as part of today’s emerging Usage-Based Insurance (UBI) model.

Section 2: Internet of Things



Technology used well can change the current customer proposition.

The traditional insurance model has the opportunity to move from post-loss reactive reimbursement to proactively managing down customers' risks. The latter model is significantly more valuable to the customer and can change insurance from the grudge transaction that many view it as today into an ongoing value-enhancing relationship. Incumbents working with Insurtech start-ups can accelerate this evolution.



NICK MARTIN

Fund Manager at
Polar Capital Global
Insurance Fund

Key Impact Areas: from Underwriting to Claims, and Beyond

Before checking out the impact of IoT on different insurance lines, let's quickly explore the constellation of impact areas we pulled out of the previous chart: Analytics, Customer-Centricity, Pricing, Digital, Claims and Underwriting.

IoT does not affect all these areas separately; rather they are all co-beneficiaries of the paradigm IoT enables, in which the underwriting and claims components of the insurance lifecycle are increasingly fused together.

On the one hand, the massive volume of data being generated by connected devices is feeding analytics and algorithmic models, increasing (re)insurers' understanding of risk and the accuracy of initial underwriting models. On the other, this data is not a static mountain, it is accessible in real time. This means that underwriting models can be continuously updated by way of dynamic pricing.

This new model, often called Usage-Based Insurance (UBI), means that policyholders can be judged on their actual behaviour – which they can feel motivated to change – instead of being subjected to the Tyranny of Averages. So instead of charging high premiums for bad risk and then being hit with the claims bill, insurers can incentivise less risky behaviour on the part of their policyholders through the prospect of lower premium prices and thereby reduce the burden of their claims pay-outs.

IoT does not just enable insurers to tailor policies to actual behaviour, it also allows them to offer flexible policy spans (essentially insurance as an on-demand service). So rather than taking out an annual policy, which may overshoot the mark, customers can take out insurance in real time on a case-by-case basis, precisely when they need it the



most (for example, insuring their car against theft for the duration of a trip into town or their airport luggage against loss at the point of check-in).

This ability to sustainably offer lower premiums – which relies on reducing claims costs or premium spans – opens up to carriers segments of the customer base that were hitherto under- or un-insured, expanding the scale at which they can operate.

As we have indicated, IoT innovation can be particularly significant for claims departments, and this is not just by reducing pay-outs but also by allowing insurers to work out exactly what has happened when a claim event does occur (for instance with car crashes). To further investigate the impact of IoT on claims (which we also cover in our dedicated Claims section), we spoke to our influencer Minh Q Tran, General Partner at AXA Strategic Ventures.

'IoT could have a huge impact on claims by preventing accidents from happening or warning so that the damage doesn't get worse,' explains Tran.

'In the car industry, the development of connected and autonomous cars should prevent accidents and decrease dramatically linked damages, changing at the same time

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Section 2: Internet of Things



Technology is having an impact. In the P&C space we are seeing a real focus on IoT and how devices can give better information and be part of an insurance programme. Wearables are going to make even more inroads into health and wellness products.



CINDY FORBES

EVP & Chief Analytics
Officer, Manulife
Financial

insurance intervention. Car insurance start-ups are using auto-tracking devices to teach newer drivers how to stay safe (Marmalade Insurance) and help locate cars if they are stolen (Insure The Box).

Many InsurTechs are being created to more accurately analyse drivers' attitudes and data, so that insurers can adapt their offer to customers and new ways of driving.'

This model requires more than just IoT devices and back-end analytics to be effective, however: insurers also need to radically re-evaluate the relationship with the customer. In the past, policies were renewed infrequently (in many cases as rarely as once a year); the dynamic pricing inherent in UBI requires more frequent interactions and a larger number of (digital) touchpoints.

Insurance needs to change its perception in the eyes of consumers if it is going to gain firstly their trust and secondly their data, by becoming fundamentally more customer-centric and making its value proposition clearer (we go into these themes in more detail in our later sections on Marketing and Customer-Centricity and Distribution). We can see then that IoT is not, and cannot be, a siloed technology for the new-age insurer; it directly impacts, and is impacted by, all work being done in analytics, customer-centricity, pricing, digital, underwriting and claims.

Assessing the Impact of IoT: Insurance Lines

We didn't just ask respondents to indicate which aspects of insurance they saw benefiting the most but also which insurance lines. Auto, Home and Health came out on top, while P&C/General, Commercial and Life were relatively behind.

The new UBI model enabled by IoT has clear implications for our three leading lines (and for personal lines in

general). In Health, we can point to connected wearables to monitor an individual's health and to price accordingly; in Auto, to in-car telematics that monitor driving behaviour; and in Home, to smart security devices. We see a whole host of commercialised solutions in these areas already.

Our influencer Sam Evans, Managing Director at Eos Venture Partners, goes into some more detail on the impact of IoT in Home insurance:

'There are a multitude of applications ranging across motor, home and health. One key application where we have seen significant progress in insurance is combining smart home technology with a traditional home insurance policy.'

There are multiple benefits for both the insurer and the policyholder. The technology, including smart cameras, motion sensors and water-leak devices has the potential to significantly reduce claims experience by providing early warning and notification. As an example: in the UK, where the largest cause of damage is water leakage, a device that allows the water to be shut off when a leak is detected will therefore significantly reduce claims costs and ensure a happy homeowner.'

One of the leaders in this area is a UK InsurTech called Neos, which is pioneering the move to preventative home insurance leveraging the latest IoT devices.'

INSURANCENEXUS

3rd Annual

Insurance IoT USA Summit

November 30 - December 1, 2017 · Radisson Blu Aqua Hotel · Chicago, USA

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#insurancemap

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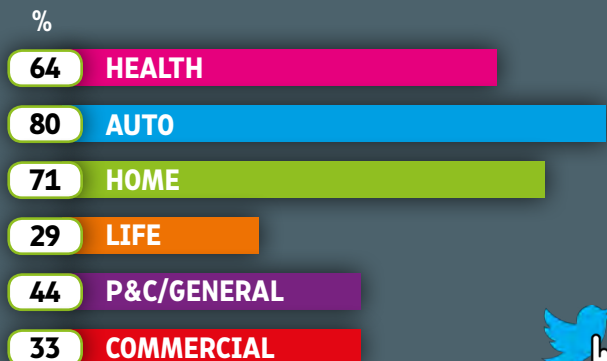
Connected insurance is a big opportunity in commercial insurance but it won't come overnight. It's the less mature use case today because it's more difficult to figure out the commercial or industrial process, how to put sensors on that process and how to get at the data. But the opportunity to change the product's structure, the paradigm you are using to insure that kind of risk is really large, it's impressive.



MATTEO CARBONE

Founder & Director at
Connected Insurance
Observatory

WHICH TYPES OF INSURANCE WILL BENEFIT MOST FROM IOT? (ALL RESPONDENTS)



As we see above, there is a substantial gap between our leaders, Auto (80%), Home (71%) and Health (64%), and our stragglers, P&C/General (44%), Commercial (33%) and Life (29%). However, the current primacy of the personal lines should in no way blind us to the potential of IoT for commercial lines, which, despite not attracting quite the same media attention to date, remains huge.

IoT can transform the insurance proposition attaching to any kind of valuable commercial asset – provided that it can be monitored. For example, opening up data streams from industrial equipment for algorithmic modelling enables preventative maintenance, reducing the burden of failure for both equipment owners and insurers alike, and the same applies to sensitive cargoes in transit. As with UBI for the personal lines, the carrier is transformed from insurer to assurer.

Our stats on implementation (a question we examine overleaf) show that Commercial & P&C/General currently exhibit a level of platform implementation lower than



our other lines. However, in line with the strong all-round potential we have indicated here, we find that there is minimal difference between our different lines when we look forwards to anticipated levels of implementation over the next 12-24 months.



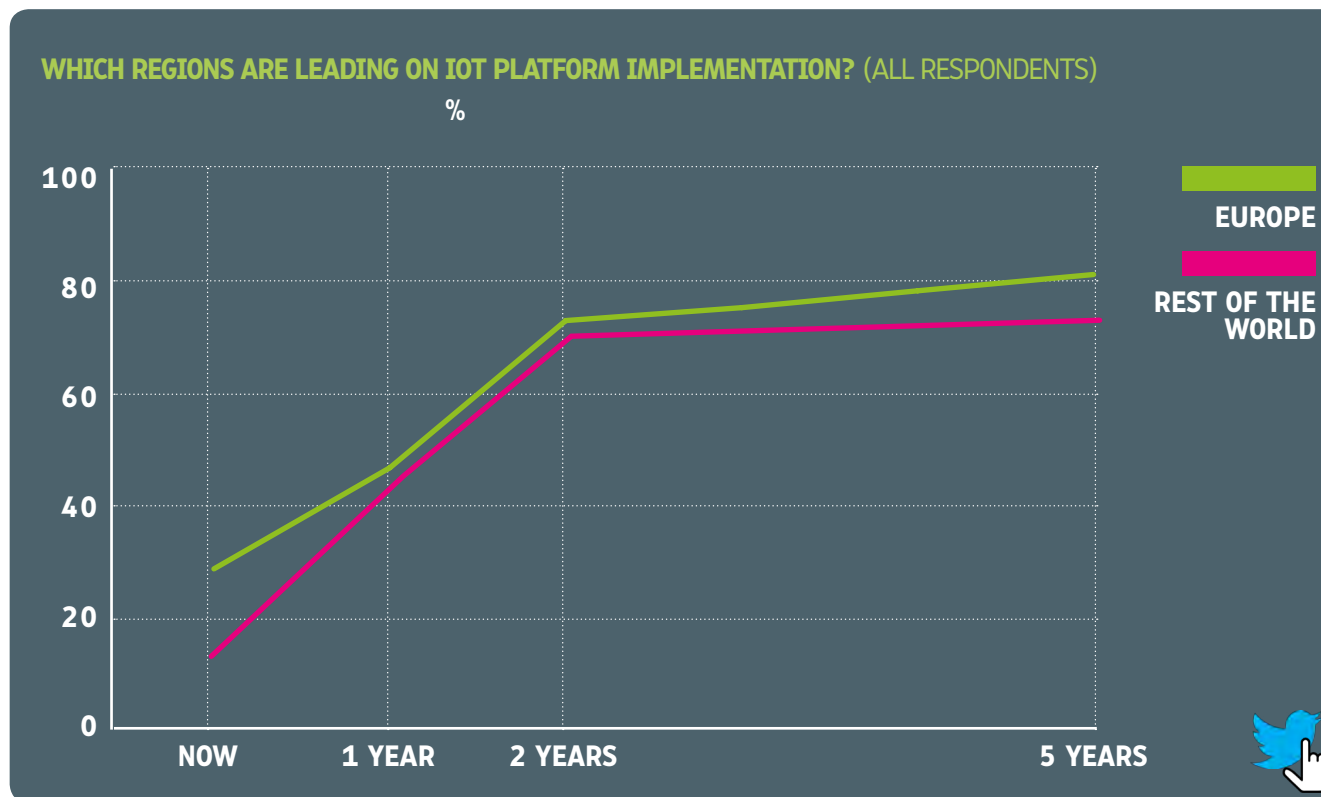
While carriers in Europe have taken an early interest in IoT, the winner of this race will be the region where IoT is implemented most widely. APAC has recently surged ahead with IoT adoption, especially in manufacturing, so we predict a bright future for IoT-savvy insurers in this region – indeed, IoT was an area APAC led on in our Insurer Priorities section.



HELEN RAFF

Head of Content at Insurance Nexus

IoT Adoption by Region



It is one thing to establish in which lines and areas of insurance the potential impact of IoT is greater – but where are we on the adoption curve?

22% of All Respondents have already implemented IoT platforms; within 12 months this is set to rise to 47%; and within 24 months we will be at 72% implementation. What this tells us is that we are currently in the midst

of an IoT 'rush', which will see it go from a minority to a majority phenomenon over the next two years. Regionally, we detected a relative lead in implementation for Europe versus the rest of the world, with 30% of respondents having already implemented. However, the scores for these two groups are largely aligned after 12 months. We explore the notion of Europe as an 'early adopter' in our dedicated Regional Profile.

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The 3rd Annual Insurance IoT USA Summit is dedicated to exploring the significant impact IoT is having on the insurance industry, through the lens of an insurance carrier executive. Over 500 executives will be covering the essential ingredients for IoT success, including business models to balance cost and value, engaging customers, demonstrating ROI, building partnerships, driving actionable insights from IoT data and more.



EMMA SHEARD

Head of Strategy at
Insurance Nexus

Insurance IoT USA Summit

November 30–December 1, 2017 | Radisson Blu Aqua Hotel | Chicago, USA



Join 500+ Insurance and IoT Professionals – In 2016 We Had Attendees From:



For full information about the event, go to events.insurancenexus.com/insuranceiotusa

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“
Fraud concern is no newcomer to the insurance industry, especially in the healthcare and motor lines of business. The fact that the internet is not attributable has made the fraud situation even worse as digitisation proceeds at a pace.



DAVID PIESSE

Chairman of IIS Ambassadors and Ambassador Asia Pacific at International Insurance Society (IIS)



FRAUD

Fraud is the dark matter of the insurance universe. Discovered cases cost insurers (and ultimately policyholders too) millions every year, and its full hidden extent can only be guessed at – it is in some sense the gap between how risk models should work and how they appear to work on the ground, with undiscovered fraud ultimately getting priced into premium costs.

Derek Brink, VP and Research Fellow in Information Security and IT GRC at Aberdeen Group, recently estimated the cost of fraud at between 5% and 10% of insurers' annual revenue, noting also that it takes firms a median time of 20 months to detect on-going fraud.¹ Every penny saved on

fraud is an additional penny back onto insurers' bottom lines, and what defeating fraud would ultimately mean is that they could offer their policyholders more competitive prices.

People most readily associate insurance counter-fraud with the claims department – because this is where fraudsters cash in and has historically been the point in the cycle where most frauds get unmasked. However, there is a limit to how far reactive approaches to fraud can take insurers, and stopping fraud closer to its roots is certainly preferable to focusing exclusively on the 'final mile' (namely claims) for its interception.

¹ ibmbigdatahub.com/blog/thinking-insurance-fraud-cost-doing-business-needs-end

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“If you stop fraudsters coming into the business in the first place then you have to spend less from the beginning, enabling you to improve the journey for other, genuine customers. But it’s difficult to get that balance in a competitive marketplace as the investment isn’t so obvious. It requires a change of mind-set.



JOHN BEADLE

Head of Counter Fraud and Financial Crime, RSA

WHICH DEPARTMENTS ARE ACTIVELY INVOLVED IN COMBATTING FRAUD INSIDE YOUR ORGANISATION? (INSURERS AND REINSURERS)



Section 2: Fraud



Part of the problem is the appetite for fraud detection in the broker channel. We've had to convince brokers to protect us against fraud because by sending us that business, they ultimately end up suffering too. Brokers see sales as a volume and growth business rather than one built on quality and as a company, we are always interested in quality.



STEVE JACKSON

Head of Financial Crime at Covéa Insurance

Who Wields the Sword in the Battle with Fraud?

It's clear that the next generation of counter-fraud will be proactive and cross-functional, tracking potential fraud indicators across the entire insurance lifecycle. We therefore asked Insurers & Reinsurers to indicate which departments were currently involved in combatting fraud within their organisations.

Understandably, we see a large role attributed to dedicated Fraud departments as well as to Claims departments, and this is unlikely to change moving forwards; the less-than-100% figure for Fraud departments may be due to the counter-fraud function sometimes being subsumed elsewhere. Other departments that stand out as having central roles are Senior Leadership, Operations, Analytics, Underwriting and Risk. The roles of Broker Relations, Investment, Treasury and Capital Management were negligible, so we left them out of the table.

The fight against fraud is by no means limited just to carriers. Indeed, with the shift towards more proactive counter-fraud approaches, greater attention is being

brought to bear on indirect channels. Historically, brokers and affiliate partners have been incentivised primarily on a volume basis and have directed plenty of bad business towards insurers. Insurers can therefore make substantial savings by educating their brokers and affiliates on best practice, so as to root out fraud at the application stage before it ever enters their wheelhouse – although they obviously need to tread a fine line between on-boarding bad business and turning away good customers.

- ▶ An overwhelming majority (92%) of our Insurer & Reinsurer respondents indicated that they believe fraud is increasing, and we saw a similar level of concern from the rest of the industry.
- ▶ 29% of Insurers & Reinsurers believe that the majority of insurance fraud goes undetected and 59% believe that some insurance fraud goes undetected (12% don't know). The rest of the industry are in line with this assessment.



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We can look at using smart technologies that look at probability and profiles of individuals' past behaviours. If someone fits a certain profile there is a higher probability they will be a fraudster. It's an interesting area but also dangerous.



STEVE JACKSON

Head of Financial
Crime at Covéa
Insurance

Slaying the Dragon: Approaches for Defeating Fraud

We cannot explore specific counter-fraud solutions in detail here due to obvious space constraints. However, we did ask our respondents and influencers about different high-level approaches. These include before-the-claim strategies, data-sharing coalitions and Blockchain technologies.

By identifying policies intended to facilitate fraud at the time of underwriting, insurers can prevent fraud advancing to the point of a claim being made; as a general rule, the more relevant data that can be pre-populated, the fewer opportunities there are for opportunistic fraudsters at the application stage. This directly reduces the amount of fraud that gets through the lines and helps also to unburden the claims department. Encouragingly:

Two thirds of Insurers & Reinsurers indicated that they had a before-the-claim fraud strategy...

Fraudsters do not just recycle specific items of (fraudulent) data but also deploy the same distinctive methodologies against multiple targets. Effective data-sharing in counterfraud means that, once unmasked, a fraud tactic is truly disarmed. Reassuringly then, we registered universal approval for this sort of initiative from the entire industry.

94% of Insurers & Reinsurers in favour of a data-sharing coalition to prevent fraud...

One multi-faceted technology generating a huge amount of buzz at the minute, and which has clear applications for counter-fraud, is Blockchain: a distributed ledger for recording transactions between different parties without

relying on a trusted (though oftentimes untrustworthy) central authority for verification.

We spoke briefly to our influencer David Piesse, Chairman of IIS Ambassadors and Ambassador Asia Pacific at the International Insurance Society (IIS), to find out more:

'The emergence of the new Internet, commonly called the Blockchain, means we no longer have to trust the internet but in fact can make sure it tells the truth. In Estonia, they wrapped the internet with a Blockchain technology that has removed digital fraud from the healthcare sector in that country, and this is now being applied elsewhere.'

It's possible to map the Blockchain protocol over the Insurance Combined Ratio, with fraud and expense reduction on the top line and an increase in Earned Premium on the bottom line via new product and operational efficiency. This can give the c-suite an opportunity to see the effect of the new technology on their profitability before investment income.'

Blockchain continues its march into insurance apace. Indeed, Munich Re and Swiss Re last October founded the B3i Consortium with the express intention to 'explore the potential of distributed ledger technologies to better serve clients through faster, more convenient and secure services.'²

Clearly, Blockchain will have applications wider than just preventing fraud, with implications for all forms of data and monetary interchange; but what is encouraging and sets it apart from other recent innovations (such as IoT) is that progress is being wrought not at the expense of security but rather by baking it in – and to a near-infallible degree.

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² munichre.com/en/media-relations/publications/company-news/2016/2016-10-19-company-news/index.html

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Claims is a significant part of the insurance value chain and, in our view, offers the largest potential for innovation. Many insurers are struggling with the dynamic of reducing costs whilst providing a positive customer experience. Recently in the US and the UK, many of the large insurers have experienced significant underwriting losses, for core products like motor, due to poor claims experience, deteriorating driving behaviour, and rising repair and medical costs.



SAM EVANS

Managing Director at
Eos Venture Partners



CLAIMS

Nothing affects (re)insurers' bottom lines like claims; too many of them are not just capable of wiping out company margins but can jeopardise company survival full stop. And it's not as if customers like claims either... If insurers could magically prevent the underlying events from happening, customers – fraudsters aside! – would always prefer this.

The thing is, insurers are genuinely starting to develop this magic touch, with the scope for claims mitigation having been radically widened thanks to the Internet of Things. IoT does not just allow for better underwriting (by netting more data and feeding predictive models), it also empowers insurers to intervene when a claim event might be about to

occur and prevent it through direct preventative messaging. Yet another claims benefit from IoT is the insight sensor data can provide into what has actually gone on with a claims event, which can be life-saving in an accident-and-emergency context and also identify potential fraud cases.

Claims, in the sense of claims prevention, is fast coming under the strategic spotlight as a means of sheltering exposed policyholders, rescuing broken policy portfolios and shoring up insurers stricken by low interest rates and bad risk.

While prevention does continue to get better, accidents and unforeseen incidents are always going to occur, so

Section 2: Claims



Will claims call centres evolve from the current model of large numbers of people predominantly performing standard operations and having scripted conversations to a much smaller number of ‘problem solvers’ being available to support customers when something out-of-the-ordinary creates an exception in the automated processes?



IAN THOMPSON

EMEA Chief Claims Officer at Zurich

claims certainly aren't going away anytime soon. It is here as well that claims can be a strategic differentiator for insurance companies. When a claim occurs, insurers have the opportunity to impress their customers at that precise moment when those customers need their insurance the most.

We have noted throughout this report the growing importance of customer-centricity to insurers, and claims – being the key, and in some cases only, consumer touchpoint – has become a key avenue of engagement. If insurers can provide excellent customer service throughout the claims process, then the chances are that they will retain their policyholders' custom and even open up cross-selling opportunities.

In this section, we question Insurers & Reinsurers on their attitudes both towards customer experience in claims and towards risk prevention.

Is customer experience (CX) a core focus for claims departments?

We asked Insurers & Reinsurers whether customer experience (CX) was a key factor within their claims departments, and in total 69% replied ‘yes’ and 26% ‘somewhat’. The trend we indicated above – of the growing importance of customer-centricity within every insurance function – is therefore borne out handsomely by the statistics.

Looking across our lines, we see a consistently high focus on CX in claims except for in Life, which trails somewhat. This is likely due to the historic lack of touchpoints in Life (often just policy renewals and death!) and, as an extension of this, the more limited new business and cross-selling opportunities. We encounter a similar lag in the next section, on Marketing and Customer-Centricity.

CUSTOMER EXPERIENCE (CX) WITHIN CLAIMS DEPARTMENTS



IS 'VERY IMPORTANT' FOR
69%
OF (RE)INSURERS



AND 'SOMEWHAT IMPORTANT' FOR
26%
OF (RE)INSURERS



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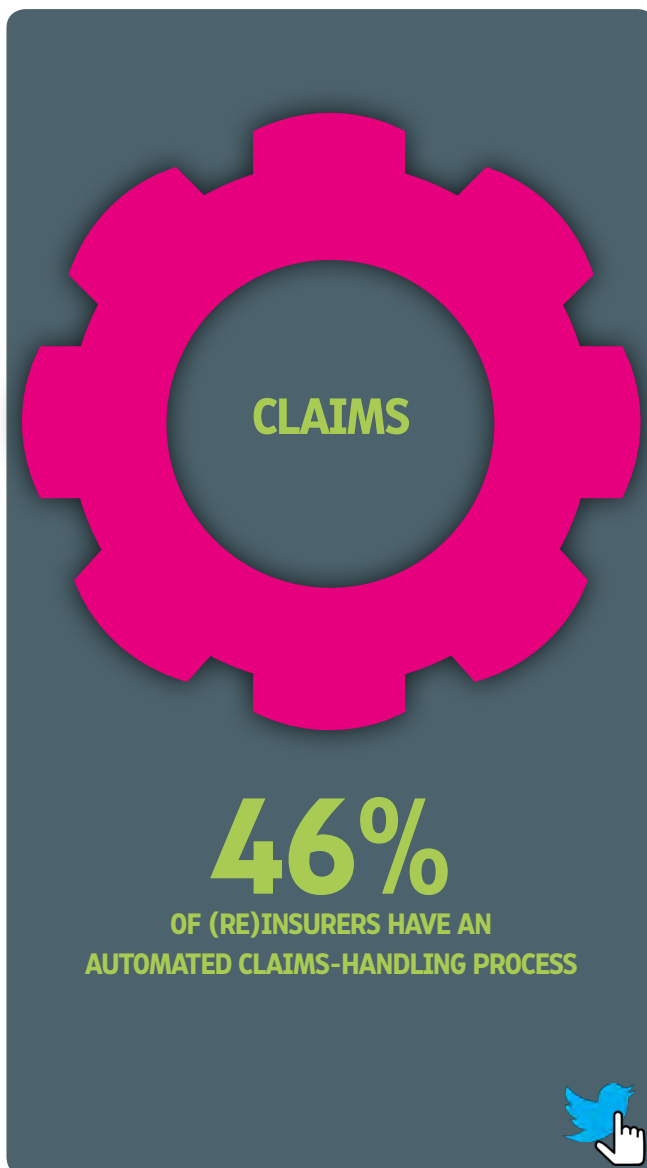
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There is no doubt that insurance in general, and claims in particular, will see significant changes through the automation of knowledge work. Customer choice and the importance to the customer of the claims service will mean that human involvement in the process will always be necessary. However, as claims leaders, we will need to rethink our operating models in the light of emerging technology.



IAN THOMPSON

EMEA Chief Claims
Officer at Zurich



Does automation play a role in the claims-handling process?

Customers want frictionless experiences when making a claim. Certainly most young claimants (digital natives) would prefer to do everything through an app or portal rather than filling out paper forms, and this has seen some insurers embrace non-traditional channels such as WhatsApp for submitting claims materials. In addition to slickness, customers also want speed, or, where speed is not possible, clarity as to the status of their claim.

This level of service can only be provided effectively through recourse to automation in some degree – so that a large portion of uncomplicated claims can be processed straight-through and the customer either notified of the outcome or given a resolution date, all at the click of a button. 46% of Insurers & Reinsurers indicated that they have an automated claims-handling process, a figure we expect to become a majority in the near future.

This is a complex domain and certainly cannot be fully apprehended through a straight yes-no question. There are many different workflows for claims management (depending on the type and complexity of the claim, as well as its value), and claims automation generally only means automating some of these. And while automation generally has connotations of cost-cutting (and this is definitely still a factor), we should point out that less staff time spent on routine claims means more staff time for high-stakes claims, meaning claims management can become customer-driven rather than process-driven.

How much focus do (re)insurers have on claims loss mitigation?

We asked Insurers & Reinsurers about their level of focus on claims loss mitigation, and in total 57% replied that they had 'a lot' and 39% 'some' focus. We noted that North America leads our other regions in terms of having 'a lot' of focus.

Section 2: Claims



Connected claims represents one of the biggest opportunities to transform insurance in the future, to create a seamless customer experience, reduce costs and ultimately shift from claims to risk prevention. At our recent Connected Claims USA Summit, 350 executives came together to discuss strategies to achieve efficient, customer-centric claims, covering technology, innovation and a dedication to the customer.



EMMA SHEARD

Head of Strategy at
Insurance Nexus

Will IoT impact the claims department?

IoT fundamentally allows carriers to move from risk management to risk prevention by providing them with the insights they need to actively bring down policyholder risk. In this sense, the overriding impact of IoT on claims is the reduction - or even outright elimination - of claims.

This end goal is perfectly aligned with customer wishes, and there are many more ways in which IoT can boost customer-centricity in claims. If event data can be captured automatically, then this doesn't just help eliminate fraudulent claims (which ultimately cost law-abiding customers), it also removes a lot of friction from the process of filing claims. An example of this would be a temperature-sensitive cargo insured against temperature rises above a certain point, whereby a temperature sensor – in conjunction with Blockchain and smart contracts – can trigger claims automatically if the limit is exceeded. This way, mitigation can begin as early as possible with minimal head-scratching; in this example, that might involve the immediate re-ordering of the compromised cargo.

In our earlier section on Internet of Things, 60% of our total respondents indicated that Claims was one of the departments that would benefit the most from IoT technologies, and we see this largely borne out in the responses of Insurers & Reinsurers here.

53% of insurers and reinsurers believe that IoT will impact their claims department...

Among our lines, IoT impact on claims appears to trail in Life, which is not surprising given that interventions in lifestyle will generally happen via connected health devices, falling within the ambit of Health insurance.

As the cost of sensors and connected devices continues to fall, we expect to see further growth in the connected-claims universe to the benefit of customers and carriers alike, across all lines.

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The Connected Claims Europe Summit (October 24th & 25th, London) is an unmissable opportunity to leverage technology, such as AI, Machine Learning, Chatbots, IoT and more, to drive business efficiencies and exceed customer expectations. Join claims visionaries and insurance leaders to gain inspiration and tools for immediate implementation.



MARIANA DUMONT

Head of New Projects
at Insurance Nexus

Connected Claims Europe Summit

October 24-25, 2017 | London Marriott Hotel Regents Park | London, UK



Claims Visionaries and Insurance Leaders Take the Stage:



Saad Mered,
Group Chief Claims Officer,
Zurich



Alexander Schmidt,
Global Chief Claims Officer,
AXA Direct



Mario Riccò,
Global Chief Claims Officer,
Generali



Travis Bowles, Global Head
of Claims Property & Casualty,
MS Amlin



Klaus Vogel,
SVP Head of Claims,
if P&C

Automated and Seamless Claims:

- **Connect and Digitise Your Supply Chain for an Effortless Customer Experience:** enable greater data sharing amongst different parts of your business to gain speed, reduce costs and the need for different customer touch-points
- **Use Data Insights to Deliver More with Less:** listen to practical examples of how insurers are using their data capabilities to drive costs down and enhance productivity and accuracy in claims handling
- **Exceed the High Expectations of the Digitally Empowered Customer:** deliver hyper-personalisation and enable multiconnected engagement in a fast and accurate manner with AI and Robotics
- **Drive Efficiency to Positively Impact your Bottom Line:** design strategies and implement technology and systems that streamline the claims process, from removing duplication to achieving greater accuracy at each stage
- **Ensure Your Team Has the Right Profile and Skills for The Claims Handlers of Tomorrow:** get your workforce on board by building human-automation combinations that are more efficient, effective and impactful

This conference was designed with a unique format to allow you to take full advantage of the onsite networking opportunities. From round table discussions to interactive polling and practical workshops, this conference is a must-attend event for those charged with transforming claims, including executives responsible for customer experience, operational efficiency, technology and claims processing

[Go here to download the brochure with full information](#)

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Listening to the 'voice of our customer' is traditionally not a strength of insurance companies. It's almost as if customers are speaking a foreign language. Increasing competition and transparency together with changing expectations, especially of a younger generation, will force us to learn our customer's language quickly.



MONIKA SCHULZE

Global Head of Marketing at Zurich Insurance

MARKETING AND CUSTOMER-CENTRICITY

The current disruption of the insurance industry is fundamentally customer-driven, with the ability of incumbents to survive and thrive dependent on how well they can keep up with the ever-evolving needs of today's consumers.

And what's more: today's consumer expectations are being set outside of insurance, in particular by retail and consumer electronics, so here are a couple of quotes from the big guns to get us started.

'We see our customers as invited guests to a party, and we are the hosts. It's our job every day to make every important aspect of the customer experience a little bit better.' Jeff Bezos, Amazon

'You've got to start with the customer experience and work back toward the technology – not the other way around.' Steve Jobs, Apple

It was no surprise then to see Customer Centricity identified as a major priority by Insurers & Reinsurers worldwide in our Insurer Priorities section. However, despite this high priority level, the general trend among (re)insurers is of dissatisfaction with current customer performance.

Measures of customer priority and measures of customer performance therefore stand in stark contrast to each other, and there is in fact nothing surprising in this: if (re)insurers were already meeting their customer-centricity aims, then they certainly wouldn't be focusing on it as such a problem.

In this section, we compare and contrast measures of customer performance and customer priority (from meeting customer expectations to driving customer loyalty), and

explore the relationship between the two in a bit more detail.

Measuring Customer Performance

Only 45% of insurers and reinsurers believe their organisations are truly customer-centric...

While this stat is an indictment of current levels of performance at carriers, it does indicate a strong will to change. It is better to admit that you have a problem than it is to falsely believe your customer relationship will take care of itself!

Our different insurance lines are similar in terms of how many respondents believe they are customer-centric, except for Life, which lags somewhat. The reason for this may well be the historic lack of touchpoints in Life insurance, something we pointed out in the previous section when assessing customer experience in claims.



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The consumer is used to a really personal experience now, and that is exactly the same as when they're buying a pair of shoes online. They're used to being able to get something if they want it, where they want it and at the cost they want, including complete information like the exact half hour it's going to turn up in their house and what colour it is.



CHARLOTTE HALKETT

General Manager of Communications at Insure The Box

70% OF (RE)INSURERS BELIEVE THEY ARE FAILING TO MEET THE HIGH EXPECTATIONS OF 21ST-CENTURY CUSTOMERS



As we see in the infographic above, only 20% of Insurers & Reinsurers believe they are meeting today's high customer expectations. We note that this proportion is lower than the 45% claiming to be customer-centric; this implies that, while a customer-centric approach is necessary for strong performance, it is by no means sufficient and that there are plenty of customer-centric (re)insurers who are nonetheless falling short of expectations.

70% of insurers and reinsurers are unhappy with their level of customer engagement...

Insurance has, rightly or wrongly, always been an industry with infrequent customer touch-points. However, in today's always-on world, the possibilities for customer engagement are boundless. The widespread dissatisfaction with current levels of engagement, while obviously showing up shortcomings, bodes well for the future of the industry.

A Note on Customer Priority

We are unable to discern any conclusive regional trends across

our measures of customer performance; however, we can say tentatively that Europe and Asia-Pacific have a slight lead over North America on customer priority. This is based on our direct engagement with correspondents in the region (see our Regional Profiles at the back of the report) and the following stats we provided earlier:

- › In the Insurer Priorities section, Europe led our regions in its focus on Customer Centricity (Europe's score was 56/60, compared to North America's 51)
- › The Chief Customer Officer role was very important in Asia-Pacific but relatively insignificant in North America in our section on Services, Investments and Job Roles
- › Asia-Pacific had a greater share of (re)insurers seeking services related to customer-centricity

We suggested at the start of this section that customer performance and customer priority stand in an inverse relationship to each other, hypothesising that the prioritisation of the customer is driven by poor performance. If European and APAC carriers are indeed trying harder – albeit only marginally – to raise their customer game than their North American counterparts, then we might conclude that, for whatever reason, the customer relationship in the former two regions is more 'problematic' than in the latter. We explore some possible reasons for this overleaf.

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The insurance business hasn't changed significantly over the last 100 years – however, in the last 10 years, the digitisation of sales and servicing has led to a significant shift towards customer centricity. There are new and dynamic ways to sell, new market entrants and advanced ways to service customers who provide instant feedback.



ASH SHAH

Regional CIO and Chief of Staff Property and Casualty at AXA Asia

Customer Disruption = Distribution Disruption

Insurers worldwide are chasing consumers via new channels and with new products, and the fundamental reason they are having to do this is that emerging (digital) channels have given incumbents and newcomers alike access to their traditional client base. This customer access is the fundamental enabler of disruption: what was once a relatively captive market is now in flux.

The less stable traditional distribution channels are, the more (unwanted) competition insurers must deal with and the harder they must fight to boost customer performance; at the end of the day, 'poor performance' is really only poor performance relative to one's competition.

Off the back of this, we predict that channel disruption will be marginally greater in Europe and Asia-Pacific - who are prioritising the customer most forcefully - with traditional models remaining relatively more intact in North America. We explore the distribution landscapes in our different regions in our dedicated Regional Profiles section, along with the question of disruption.

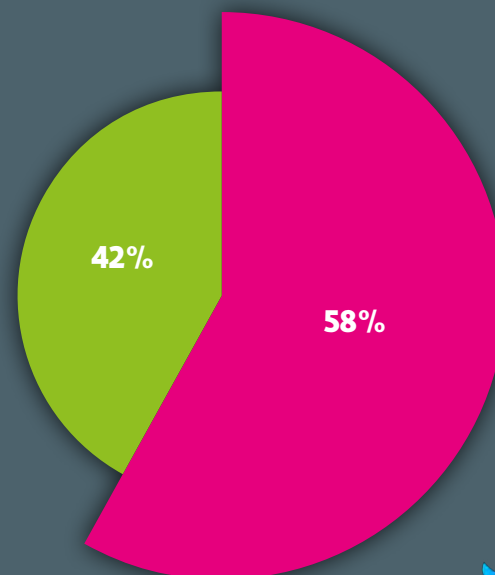
While we have tentatively grouped Europe and Asia-Pacific together with respect to their 'problematic' customer relationship, we should point out one very obvious respect in which this varies greatly between them.

Europe is, like North America, a developed, relatively saturated market, where the retention and optimum conversion of existing customers is vital not just for growth but for survival. In Asia-Pacific on the other hand, (re) insurers are not just concerned about keeping existing customers but also accessing, for the first time, millions of consumers new to insurance.

Considering this, it is still better on balance to group Europe

and North America together, and their shared focus on existing customers is borne out in our stats on loyalty. As we see in the graph below, this is of high importance globally, but we can reveal that North America and Europe lead Asia-Pacific on this measure. In Asia-Pacific, loyalty and retention are certainly not unimportant; but, with lots of market share up for grabs (in particular from tapping the enormously populous emerging-market segments), too much focus on loyalty may result, down the line, in insurers finishing with a smaller slice of the pie.

58% OF INSURERS AND REINSURERS SAY THAT CUSTOMER LOYALTY IS A HIGH PRIORITY FOR THEIR ORGANISATIONS



#insurancemap

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In an age of intense competition and high customer expectations, insurance carriers, brokers and agents have a significant battle ahead for the hearts, minds and wallets of customers. The Insurance Nexus Customer Engagement Summit is the leading Insurance event, giving you the tools to increase customer engagement, drive acquisition and retention, and build world-class customer experience.



MARIANA DUMONT

Head of New Projects
at Insurance Nexus

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Section 2: Distribution



Technology is changing more rapidly today than ever, which is changing the nature of risk. The distribution of insurance products and services is poised for rapid change. Agents and Brokers will have a role to play as the distribution model changes. Those agents and brokers that are willing to adapt will thrive, those that rely on the old methods will continue to be successful until they wake up one day and they are not.



STEVE ANDERSON

President at The Anderson Network

DISTRIBUTION

While current market opportunities for insurers – and for Insurtechs – require a good product to sell, a large part of the story is about accessing customers via their preferred channels.

The pre-digital era was characterised by more of a captive, sellers' market, in which customers had little choice but to seek insurance via their agent of choice, who in turn would funnel work to a small number of large incumbents, generally ignoring new entrants.

Over the past years though, we have seen either the outright emergence or the rapid expansion of a number of non-traditional channels, encompassing direct-to-customer channels offered by insurers themselves, P2P, aggregator sites and affinity partnerships with major brands and retailers.

Our influencer Denise Garth, SVP of Strategic Marketing, Industry Relations and Innovation at Majesco, explains how this sea-change in distribution has changed the game:

'Since the start of the Internet, the insurance industry has invested in and expanded its digital channels from company websites to comparison sites, aggregators, social media and more — all in an effort to capture new business.'

'Yet, insurance remains a complex product that is hard to research, buy and use, as reflected in Majesco's primary research on the rise of the new consumer and SMB insurance customers. It is an enormous problem for the insurance industry because every gap and point of complexity is a giant bull's-eye for alternative channels and Insurtech startup channel solutions or new MGAs.'

The emergence of new channels means that incumbent insurers, nimble newcomers and players outside of insurance alike all have an opportunity to capitalise.

'Those who can make insurance easier for customers to understand and buy stand a good chance of capturing business from companies whose processes remain complex,' explains Garth. 'In today's new digital world, it is not about any single channel but rather about a multichannel approach that is based on consumer choice.'

We look at multi-channel performance and strategy later in this section. Firstly though, a few facts about insurers' use of two key non-traditional distribution channels: direct-to-customer and affiliate partnerships.



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We're looking into partnerships with companies from different sectors: how we can plug in, bringing the insurance dimension and being the insurance carrier, while the partner does all the front-end customer-facing stuff. And as I like to call it, we're just a third-party API.



JOÃO NEIVA

Head of Innovation, IT and Business Change at Zurich Topas Life

Going Direct-To-Customer

72% of insurers sell to customers directly...

We can see that the direct channel has become a totally mainstream concern for insurers. Interestingly, North America appears to trail on this measure compared to our other regions, in conformity with our prediction from the previous section (that channel disruption potentially trails in North America).

The strong showing for direct channels in Asia-Pacific is interesting as, from our broader research with contacts in the region, we know the market there to be heavily intermediated, with a strong reliance on agencies and, in particular, bancassurance. For example, recent research from Swiss Re and LIMRA indicated that the direct channel does not exceed 10% of total share in any APAC national market apart from China.¹

For this reason, we should bear in mind that the stat above indicates the existence of the direct channel rather than its volume. Nevertheless, for a healthy number of APAC insurers to have established a direct channel, despite what remain for now relatively low volumes of business, indicates how strategic this channel is perceived to be. We may remember as well that Asia-Pacific led our other regions on Distribution Diversification (see Insurer Priorities section), which adds weight to this trend.

While many customers in many circumstances may prefer the direct channel to the agency path, insurers should not necessarily place all their strategic eggs in this one basket. Insurance has always been sold, as they say, and never bought, so any portal for buying insurance, however slick, is at a disadvantage by its very nature.

The way to get insurance products into customers' hands may in fact be to integrate them into other products that are

bought, whereby the insurance becomes part of a bundle or an add-on.

This philosophy has boosted the popularity of affiliate channels, which, in addition to taking even more friction out of the process, also bypass any issues that may exist with consumer trust, by tying the insurance to a trusted brand that consumers know, respect and perhaps already interact with daily or weekly.

Expanding Affiliate Channels

89% of insurer respondents are increasing their distribution through affiliate partners...

Current examples of affiliate channels are major retailers, such as Tesco in the United Kingdom and Falabella in South America, but theoretically the affiliate channel could include just about anything, with the insurer effectively becoming an API that other consumer applications can plug into, like for instance ride-sharing and taxi apps for travel insurance.

The scale that incumbent insurers can offer in this channel may put them in good stead against their Insurtech competitors; large affiliates can benefit themselves from the brand equity of household-name insurers (in comparison to the unknown quantities of new players) and the resultant selling partnership will likely prove more successful for all involved.

Another important indirect channel – but one on which we have not gathered stats – is bancassurance. While the concept is making headway in emerging markets, it has been out of fashion in Western markets over the past decade. The interest expressed this January by Italian bank Intesa Sanpaolo in a tie-up with Assicurazioni Generali² shows the concept is not dead – but this deal was nonetheless scrapped the following month.

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¹ [swissre.com/reinsurance/insurers/life_health/Distribution_in_Asia_life_and_health_insurance_channel_and_product_preferences.html](https://www.swissre.com/reinsurance/insurers/life_health/Distribution_in_Asia_life_and_health_insurance_channel_and_product_preferences.html)

² uk.reuters.com/article/us-general-m-a-intesa-sp-idUKKBN1580T2



We believe that this is an opportunity for brokers and intermediaries to innovate and continue to create new sources of value for their B2C and B2B segments. For instance, identifying and carving out new and emerging B2C (micro-insurance, flood, non-standard risks, risk pools/ schemes, older generation/ retirees) and B2B (IP based start-ups, cyber, supply chain, cross-border liability, terrorism) needs, and creating innovative channels to access them.



SAM EVANS

Managing Director at
Eos Venture Partners



The Omnichannel Grail: Consistent Multi-Channel Experiences

As of today, many insurers operate both direct-to-customer and affiliate channels alongside their traditional agency channels. Whatever the blend of channels that customers ultimately come through, it is important for insurers to offer a consistent experience across all of them (a consistent experience need not necessarily entail an identical one).

It's bad enough if one channel offers a comparatively poor or irregular service, this is then compounded by the fact that consumers are increasingly – as in retail and e-commerce – using multiple channels as part of their research and decision-making process, and an inconsistent (or in any way confusing) experience will lead valuable customers to bounce or churn.

In certain segments, a majority of customers may well come through an agency channel for the foreseeable future, but it would be unwise to ignore the role of the direct channel in 'prepping' them and to neglect obvious reengagement points during the agency process that can recall, reinforce and build on the online experience.

While much of insurers' backroom tech can be aligned across channels, the face-to-face element in brokered channels can prove more challenging to coordinate, especially as we are here dealing with a multitude of different selling organisations with a multitude of different working cultures.

This is not to say that the face-to-face element is a tale of lost opportunities and inefficiencies – if it's put to work effectively, there's seldom a better way to create lasting customer engagement and upselling opportunities.

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“The reach of this digital transformation goes way beyond the elimination of 'the middle man' from a distribution point of view. The direct digital channel dominates very few markets and deals only with compulsory insurance. In the vast majority of markets, a multichannel-oriented customer continues—with variations from country to country—to choose at least at some point of the customer journey to interact with an intermediary.”



MATTEO CARBONE

Founder & Director at
Connected Insurance
Observatory



Is Your Customer Experience Consistent Across Channels?

Customer experience (CX) professionals in insurance are chasing the same 'omnichannel' grail as their analogues in other digitally disrupted industries, like retail/e-commerce, that is: to ensure that customers enjoy the same product and service experience regardless of which channel they come through. Let's start by seeing how well Insurers currently perform in this regard:

Only 23% of insurers believe their customer experience is consistent across channels...

There is clearly still a long way to go before omnichannel is the norm in insurance, and the steady addition of new

ONLY 23% OF INSURERS BELIEVE THEIR CUSTOMER EXPERIENCE IS CONSISTENT ACROSS CHANNELS



channels will further complicate matters for insurers chasing channel consistency.

We can reveal that Asia-Pacific trails our other regions on this measure. This is likely a consequence of the pursuit of new channels in the region (as we noted with the prevalence of the direct-to-customer channel): it is more difficult to maintain consistency across a multitude of emerging channels than across a core of traditional ones.

Section 2: Distribution



Most insurers are still focused on e-commerce but the leaders are developing longer-lasting relationships by using their digital capabilities to gain enhanced customer knowledge and harnessing that information to profile customers more effectively, fine-tune underwriting and deliver customised solutions.



MICHAEL QUINDAZZI

Business Development
Leader and
Management
Consultant at PwC

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Do You Have an Omnichannel Strategy?

The creation of an explicit omnichannel strategy is the first step of many towards being able to offer a consistent customer experience (CX) across channels.

62% of insurers have an omnichannel strategy...

It is encouraging to see that the majority of insurers have formal omnichannel strategies, and this should go a long

INSURANCENEXUS

62% OF INSURERS HAVE AN OMNICHANNEL STRATEGY



way towards raising the low percentage of insurers currently able to offer a consistent customer experience across channels.

It will likely be a number of years before today's omnichannel strategies yield concrete results and, as we pointed out, the continuing complication of the distribution landscape through the addition of new channels will mean insurers must run just to stay where they are.

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The process of buying insurance can be simple – go online, compare the relevant information, select an insurer and pay. But three days later you get a 22-page printed policy at home, written by a lawyer. As a layman, you're totally lost. What customers really want are simpler and easy-to-understand products so that they regain trust in this industry. Get that trust and it will drive revenues.

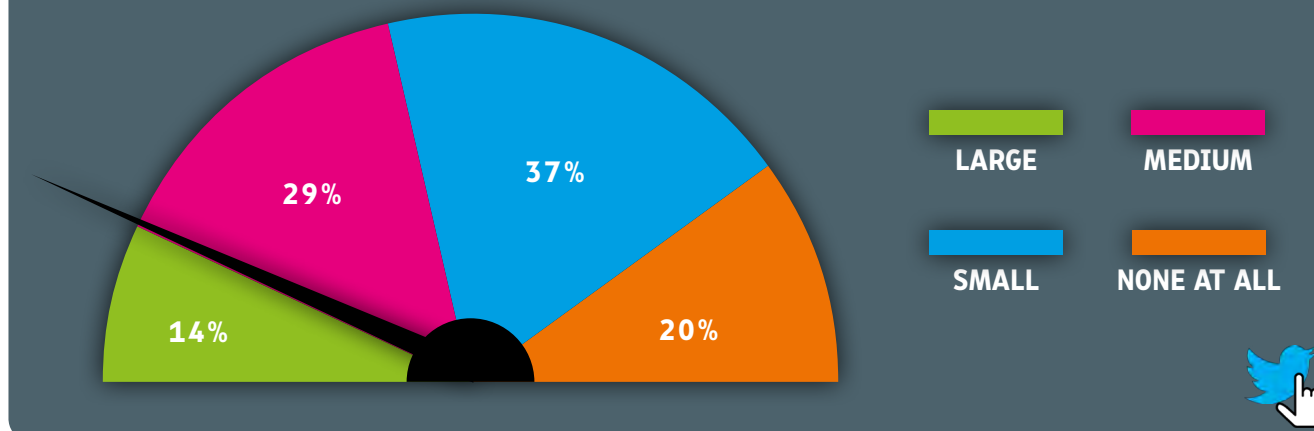


ANDRE HESSELINK

CEO at GoBear

Attack of the Aggregators!

WHAT IMPACT HAVE AGGREGATORS HAD ON YOUR ORGANISATION? (ALL RESPONDENTS)



Our final question on distribution relates to the role of aggregators like UK-based comparethemarket.com, US-based comparenow.com and Singapore-based GoBear. These have burgeoned since the millennium, inserting an extra distributional step between insurers and their prospective clients, and have had a major impact on the market (just like comparison sites in other industries) both in terms of the overall business model and from a branding and customer-relationship perspective. By allowing, and encouraging, customers to pit insurers against each other on a price-by-price basis, these sites have further commoditised insurance lines and driven down premium prices and margins.

Thanks to a variety of factors, including marketing budgets and regulation, the effects of aggregators are neither uniform across lines nor across geographies. For example,

according to a recent survey of consumers by consultancy Finaccord, over 40% of respondents in the UK had taken out car insurance via an aggregator, compared to only 5% in the US and Canada.³

The impact of aggregators can be felt across the whole ecosystem, so we asked all our respondents to specify how big an impact they are having on their organisations. Overall 14% indicated a large impact, 29% a medium one, 37% a small one and 20% none at all. As we can see from the infographic above, a relatively small proportion of the ecosystem is heavily affected, although the impact is being widely felt (more than three quarters of respondents citing some impact).

Considering our regional trends, we can reveal that Asia-Pacific trails on this measure. As we have pointed out, while

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³ insurancebusinessmag.com/uk/news/breaking-news/uk-insurance-aggregators-hit-peak-levels--study-38777.aspx

Section 2: Distribution



The most important driver of success for Insurtech start-ups has been distribution. Distribution in insurance (more specifically in personal lines, but increasingly so in commercial lines) is getting dis-intermediated as data becomes increasingly transparent between the buyer and seller.



SAM EVANS

Managing Director at
Eos Venture Partners

many insurers in this region do have digital channels, the overall volume of business being done this way is still quite low - and this is potentially reflected in a lower regional score. However, as insurers in the region actively build out and promote their direct capabilities, we expect aggregator impact there to quickly catch up.

Distribution: The Fulcrum of Market Disruption?

In our previous section on Marketing and Customer-Centricity, we suggested that traditional channels might be marginally more intact in North America than elsewhere, positing this as an explanation for this region's marginally lesser prioritisation of the customer. Our reasoning was that, if new channels are the fundamental enablers of disruption, the more stable the traditional channels are, the less disruption insurers will face and therefore the less forcefully they will have to prioritise the customer. So, what do our stats on distribution reveal?

We have noted that the direct-to-customer channel is less prevalent in North America than elsewhere, so it would indeed appear that traditional distribution is – marginally – more intact here. We explore this question further, with insights from in-region commentators, in our dedicated Regional Profile on North America.

This strength of traditional channels translates into lower levels of lost business for North American carriers. We recall the 'disruption score' from the Insurtech Perspectives section, whereby only a quarter of Insurers & Reinsurers in North America believed they were losing market share to new entrants (compare 47% in Asia-Pacific).

The model we have applied above is one in which distribution disruption leads to customer disruption and thereby to a complete re-evaluation of the customer



relationship. So, what can this tell us about Europe and Asia-Pacific?

Let us start with Asia-Pacific: on the distribution level, we encounter a high incidence of direct channels, low channel consistency and a high priority allocated to Distribution Diversification. And following this through, we find a corresponding degree of disruption on the customer level, with APAC respondents scoring high on measures of customer priority (as we saw in the previous section on Marketing and Customer-Centricity).

It is clear therefore that APAC insurers know they are in trouble and that they are trying proactively to meet the 21st-century consumer head on. This is very much in line with our 'disruption score' for the region, whereby 47% of Insurers & Reinsurers in Asia-Pacific stated that they were

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“ Chatbots and guided conversations – in the not-too-distant future — will significantly change the role of agents and brokers when providing insurance knowledge and resources to policyholders. Expert advice will still be needed, but chat bots and guided conversations will provide much of the basic information to the digital-savvy consumer anytime and anywhere.



STEVE ANDERSON

President at The
Anderson Network



losing market share to new entrants, a high score in which fear may well play a considerable role.

Europe is an interesting case. Distribution-wise, we note solid adoption of direct-to-customer channels, and the continent has in many ways been a pioneer in its use of affiliate channels and aggregators (we explore these themes in more depth in our dedicated Regional Profile). In our Marketing and Customer-Centricity section, we characterised the customer relationship here (along with Asia-Pacific) as being marginally more ‘problematic’ than in North America, based on the forceful prioritisation of the customer we found here. Does this mean that Europe finds itself in the relatively more ‘disrupted’ camp, along with Asia-Pacific? Not necessarily.

We cannot help but notice Europe’s low disruption score of 23% (much lower than Asia-Pacific’s, in line with North America), meaning that, at least in carriers’ perceptions,

relatively little market share is currently being lost. One way to square this with our foregoing observations on the distribution and customer situation in Europe would be if European insurers were rising better to the challenge of serving customers across a complex distribution landscape than their counterparts in Asia-Pacific.

This would imply that Europe is perhaps slightly ahead of the curve and has had some time to adjust. In line with this hypothesis is the low prominence of the Chief Customer Officer role among recent or forthcoming appointments at European insurers (contrasting with its importance in Asia-Pacific). Our inference from this is not that customer-related roles do not exist in Europe (after all, Europe allocated the highest overall priority to Customer Centricity out of all our regions) but that they are not of such recent creation.

So, we can tentatively conclude that, while Europe and Asia-Pacific are both undergoing distribution- and customer-

Section 2: Distribution



Insurers' infrastructure, which has been built over literally hundreds of years, never anticipated having multiple channels of communication to support, so insurers are scrambling to learn how to do that.



**STEPHEN
APPLEBAUM**

Managing Partner
at Insurance
Solutions Group

driven disruption, Europe has entered deeper into this - there is, as such, no wholesale panic regarding lost market share through new entrants. In this sense, Europe would be not so much the most disrupted as the longest-disrupted of our key regions.

It will be interesting to observe how the sense of disruption in our three key regions waxes and wanes as the market develops. The characterisation we have attempted here is based on fine gradations and, with the global market fluctuating as it is, there is no reason to believe development in any region will be linear. We return to these issues - and to the perennial question of disruption - in the Regional Profiles section with which we close the report.

As insurers around the world become more proactive in their pursuit of the customer, we are left with the question of the brokers and agents who hitherto have been the face of the insurance industry. Intermediaries still hold the cards in many customer segments and business lines - especially for complex high-value products in Life and Commercial - and can play an important role more broadly as part of the omnichannel 'mix'. And, before we write them off too hastily, we should remember one thing: while intermediaries no longer own distribution in the strictest sense, it is debatable whether carriers will want to take all aspects of customer-servicing in house just because they can.



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Section 2: Cybersecurity



Insurers just don't have the capability or the skillset to produce things that customers want to buy, particularly with so-called cyber products that mostly don't cover the specific risks that the clients are concerned about. There's a total disconnect there between the reality of business for all the Fortune 500 companies in the world and what insurers think they're going to provide them by way of services and products.



STEVE TUNSTALL

CEO & Co-Founder
at Inzsure.com

CYBERSECURITY

As web-first rapidly becomes the norm for today's businesses, a new bogeyman is lurking: cybersecurity. With IT systems no longer an adjunct but the central pillar of most organisations, cyberattacks have come to represent an existential threat. No less serious is the risk to the vast repositories of customer data that today's businesses sit on top of, which have grown at a far faster rate than security architectures can keep pace with. According to PwC's 19th annual CEO survey in 2016, 61% of CEOs are concerned about cybersecurity, with everything from phishing to Denial-Of-Service attacks on the rise.

For the insurance industry, cybersecurity represents both an opportunity and a threat: an opportunity in that enterprises are crying out for coverage against the cyber risks they face, a threat because (re)insurers of course hold large amounts of customer data and are hence targets for cyberattacks and hacks themselves.

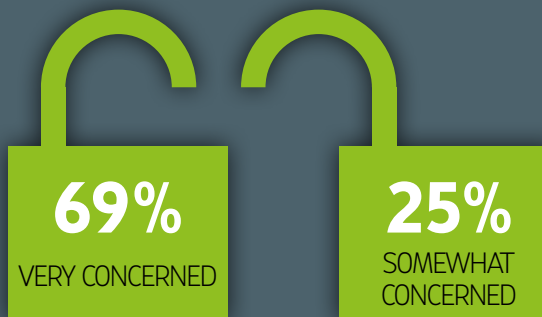
A theme across this report has been the imperative for insurers to better engage with customers' needs – before customers start taking those needs elsewhere. On the commercial side, cyber risk is therefore an enticing opportunity for insurers, as their clients' businesses are only going to get more online, not less, and security risks abound (especially with anything IoT-related).

However, cyber events are particularly challenging to insure against due firstly to their manifold knock-on effects, which range from barely-quantifiable reputational damage to share-price collapse, and secondly to the lack of historical data. For this reason, a substantial focus will be required before insurers can fully realise the cyber-coverage opportunity.

Cybersecurity is a sprawling area, so this section is

primarily aimed at cybersecurity as threat, as opposed to cybersecurity as opportunity: what are (re)insurers doing to protect their customers' data and to mitigate against the threat of data breaches?

69% OF INSURERS AND REINSURERS ARE VERY CONCERNED ABOUT INFORMATION SECURITY BREACHES, 25% ARE SOMEWHAT CONCERNED



Assessing the Scale of the Cyber Threat

While (re)insurers are open to the same sorts of attack as other large enterprises, the event we choose to focus on here is data breach. There is nothing that strikes so much at the core of the business, which has been a data business since the very beginning; at the same time, (re)insurers – as professional data stewards – ought to be relatively well placed to defend themselves.

The harm that could come from a cyber breach at a carrier is multifaceted: stolen data could cause customers direct commercial damage, whereas tampered-with data could render (re)insurers' models worthless, affecting both them and their customers further down the line. It is no surprise then to see the overwhelming majority of (re)insurers registering concern with information security breaches.

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“
Digitisation is leapfrogging in Asia and so are industrial parks with smart devices and machine learning running the processing. Because of global supply-chain issues, this makes the need to mitigate and protect data integrity an urgency even without regulation where best practice risk management must be implemented.



DAVID PIESSE

Chairman of IIS Ambassadors and Ambassador Asia Pacific at International Insurance Society (IIS)



Cyber-attacks affect other players in the insurance ecosystem as well, and there are plenty of weak points in the ‘water cycle’ of customer and company data; so we also encounter a majority concern among our other ecosystem players.

Our broader research indicates that data breaches are particularly high up the agenda in Asia-Pacific. We reached out to our influencer David Piesse, Chairman of IIS Ambassadors and Ambassador Asia Pacific at the International Insurance Society (IIS), based in Hong Kong, to understand more about what is happening in the region:

‘Asia Pacific is only starting to look at regulations for data

breach as opposed to data privacy laws, which have been around for some time. This leads us into the debate of the difference between privacy (encryption) and data integrity, which are two different arms of the cybersecurity triangle that must be embedded in all cyber risk management approaches.

The time from compromise to discovery in Asia is now on average 580 days according to statistics. Therefore, we must assume compromise of data across time, as there have been no notification laws and hence no catalyst to mitigate. This is why there is concern in Asia Pacific. The take up of cyber insurance in Asia is fairly low as compared with USA and UK for this reason.’

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“ Insurers have been very early adapters of computer technology. Given this maturity one might think they should be able to control technology security on all layers, but the opposite is usually the case.



OLIVER LAUER

Head of Architecture /
Head of IT Innovation
at Zurich

Filling the Breach

Our respondents' data-breach concerns are matched by high confidence that data security is adequate, and this probably has a lot to do with mitigation planning across their organisations.

THREE QUARTERS OF INSURERS AND REINSURERS ARE CONFIDENT THAT THEY ARE ADEQUATELY PROTECTING THEIR CUSTOMERS' PRIVACY AND DATA SECURITY

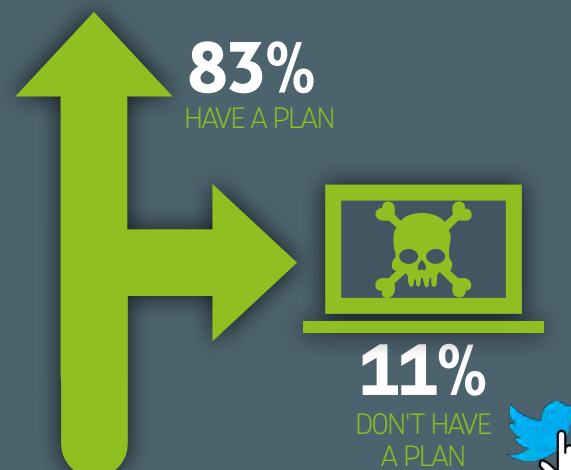


As we see from our graphic, three quarters of carriers are confident in their security, and we find a similar level of confidence among respondents from the broader ecosystem. While these figures are encouraging, a quarter of respondents lacking confidence on this important measure is still cause for concern when we consider the number of customers that any one company can have. Even just a few percentage points of the ecosystem still represents rich pickings for online criminals and massive disruption for thousands, and potentially millions, of customers.

When we turn to look at concrete mitigation plans, we observe that these are relatively commonplace. However,

11% of carriers having no plan is concerning as per our sentiment above, given the absolute amount of business interruption this potentially represents (6% answered 'don't know').

83% OF INSURERS AND REINSURERS HAVE A PLAN FOR IF THERE IS A SECURITY BREACH



Another factor to bear in mind is the potential fallibility of mitigation plans, so the proportion of carriers who are actually safe from security breaches will certainly be less than the 83% quoted here. We should also remember that data breach is just one type of cyber-attack and consequently just one aspect of (re)insurers' overall cybersecurity strategy, which needs to be comprehensive.

We expect carriers - and all businesses for that matter - to continue ramping up their cyber defenses over the coming months and years, especially given recent high-profile incidents like the Wanna Decryptor attack in May 2017, which hit nearly 100 countries around the world.¹

¹ nbcnews.com/news/world/national-health-service-cyberattack-hits-english-hospitals-hackers-demand-bitcoin-n758516

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“ Insurers are very late in the game of opening their systems for the digital age and most of their software systems are 25 years old and older, and are 'secure by nature' due to their legacy walled garden architectures. And now they are modernising their systems at the speed of light and their security architectures and capabilities can hardly follow.



OLIVER LAUER

Head of Architecture /
Head of IT Innovation
at Zurich



When assessing the full spectrum of cybersecurity risks, it can be difficult to know where to start and what to prioritise, so we asked our influencer Michael Quindazzi, Business Development Leader and Management Consultant at PwC, for five key questions that every insurer should be asking themselves, from the board down:

- 1) *Who are our adversaries, what are their targets, and what would be the impact of an attack?*
- 2) *What are the most important assets we need to protect?*
- 3) *How effective are our processes, assignment of responsibilities, and systems safeguards?*
- 4) *Are we integrating threat intelligence and assessments into proactive cyber-defence programmes?*
- 5) *Are we assessing vulnerabilities against emerging threat vectors?*

As with building on unstable foundations, the risks from getting one's approach to security wrong at the outset only get bigger the further down the road you go. We spoke to our influencer Oliver Lauer, Head of Architecture / Head of IT Innovation at Zurich, who frames the security conundrum in the following terms:

'Insurers are implementing digital cores with full connectivity to everything, Omni- and Multi-Channel and Open API Architectures, and usually they have no real idea what these new implementations mean for their security systems – they are still handling security like they did in the past with their 'closed shop' approaches.'

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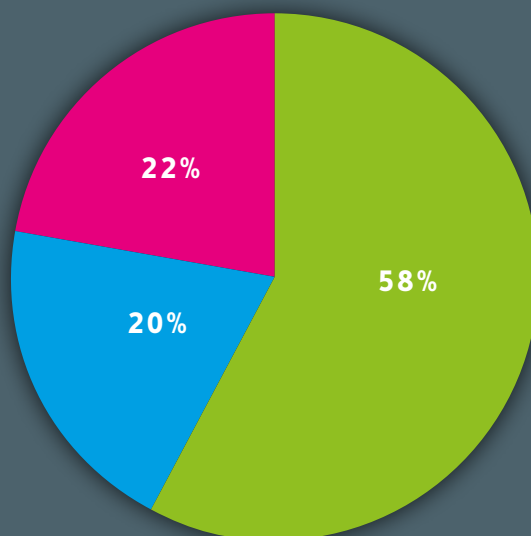
With customer data-protection and privacy rules becoming more scrutinised across Europe and the globe, it is not a surprise that the Chief Information Security Officer is taking such a prevalent position within enterprises. The role will need to ensure appropriate usage of customer data and overcome digital privacy and security issues.



SABINE VANDERLINDEN

Managing Director at
Startupbootcamp

HAVE YOU UPDATED YOUR SECURITY STRATEGY TO REFLECT THE RISE OF NEW DIGITAL PLATFORMS? (INSURERS & REINSURERS)



SECURITY STRATEGY ADJUSTED
DON'T KNOW
NO ADJUSTMENT



This will lead – in my eyes – to very dangerous threats in the future. And even if they have recognised these risks and have the money to invest, it's very difficult to hire the necessary resources. Everybody is looking for security experts at the moment ...'

What is clear is that today's digital platforms introduce a fundamentally new security dynamic that demands a different way of thinking from security professionals within (re)insurers.

58% of carriers have updated their security strategies to reflect the rise of new digital platforms...

As we can see from the chart on the left, the majority of Insurers & Reinsurers have made adjustments to their security strategy to reflect the rise of digital platforms, and we get a similar figure when we consider our other ecosystem players. For now though, this is a small majority, less than the 83% who had mitigation plans for data breaches. As the industry gets more savvy about cybersecurity as a whole, we expect this figure to rise sharply.

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Section 2: Investment Management

“ Solvency II regulation is good, but in the kind of environment where we have low interest rates, it makes it much harder for insurers to find opportunities to make money.



SPIROS MARGARIS

VC (InsureScan.net, moneymeets & kapilendo)

INVESTMENT MANAGEMENT

On the investments side of the business, (re)insurers are faced with the dual challenge of low interest rates and regulation.

Low interest rates have persisted on a global scale since the financial crash of 2007/8 and show no immediate signs of abating. This naturally diminishes the yields (re)insurers can make on their investments, which have historically been a palliative or even an incentive for marginal underwriting.

As though low yields weren't bad enough, (re)insurers' scope to invest can also find itself reduced through regulation, which may subject them to strict capital requirements (as is the case with the EU's Solvency II, effective since the start of 2016) or otherwise limit the range of products they can invest in.

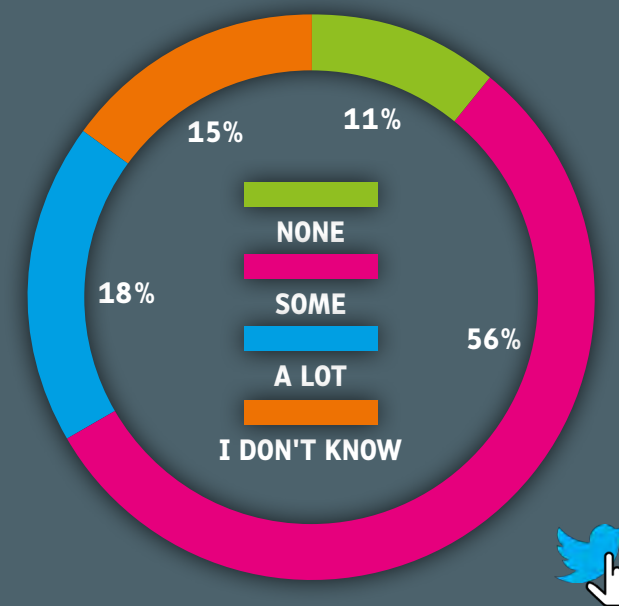
This investments downturn is largely confirmed by our stats: we asked Insurers & Reinsurers whether their organisations' investment returns had risen or fallen over the previous 12 months, and 78% globally indicated that these had indeed fallen.

With the money under their management throwing off less profit, (re)insurers worldwide are being forced to shore up their primary business – underwriting – and to generate their profit there instead.

This is not to say that investment management ever stops being an important part of the insurance lifecycle; it is just that it is subject to periodic shifts. The pivot we are currently witnessing, away from investments and back towards the core business, is reflected in the universal low priority we saw allocated to Investment Management, with Insurers & Reinsurers both globally and in our key regions ranking it lowest out of their current priorities (see Insurer Priorities).

Similarly, as we saw in the Services, Investments and Job Roles section, it was the only service area in which Insurers & Reinsurers were on balance reducing their investment.

HAVE YOU UNDERGONE SIGNIFICANT INVESTMENT-PORTFOLIO DIVERSIFICATION IN THE FACE OF LOW INTEREST RATES? (INSURERS AND REINSURERS)



Today's low interest rates certainly make life harder for investment managers, but the show must go on – and there is no reason why carriers can't make the best of a bad situation by pursuing investment strategies tailored to the present adverse environment. One approach is portfolio diversification, which, as we see in the donut above, is being pursued by around three quarters of Insurers & Reinsurers worldwide.

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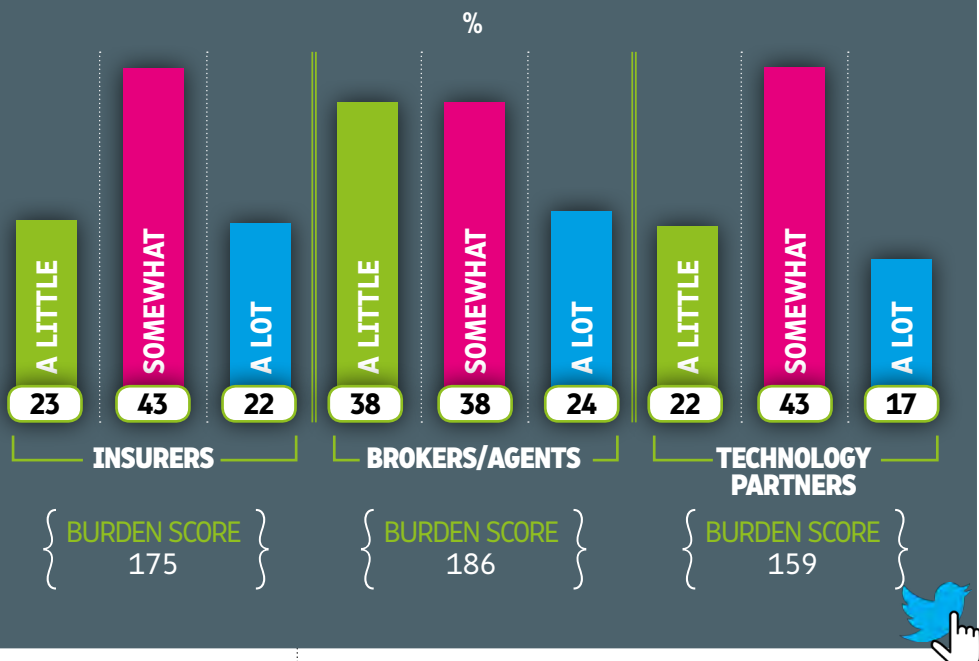
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HAS REGULATION IMPEDED PROGRESS WITHIN YOUR ORGANISATION?



REGULATION

Regulation affects absolutely every part of the insurance business, from how customer data is held and used to how insurers reinsure themselves and invest the premiums they gather.

The time and money cost of complying with regulation is often significant, with recent estimates suggesting that 10-15% of the total workforce in financial organisations is currently dedicated to governance, risk management and regulatory compliance.¹ The opportunity for greater efficiency here is so large that a whole new tech-powered industry – Regtech – has sprung up. And, with demand for regulatory, compliance and governance software expected to reach a massive 120 billion USD by 2020, this is a space to watch.²

Assessing the Impact of Regulation

Regulation is a serious issue not just for (re)insurers but for the insurance ecosystem more generally. Out of all our respondents, 20% indicated that it had impeded progress ‘a lot’. As we see from our our burden chart on the left, the impact is evenly spread across our key players.

Here, 24% of Brokers & Agents state that regulation has impeded progress ‘a lot’ within their organisation, along with 17% of Technology Partners and 22% of Insurers. The trend is the same when we use a weighted score (1 point for ‘a little’, 2 points for ‘somewhat’ and 3 points for ‘a lot’), giving us an overall ‘burden score’ of 186 for Brokers/Agents, 159 for Technology Partners and 175 for Insurers.

While regulation is a concern for insurance companies across the whole globe, it manifests itself differently in different regions. Our stats suggest that regulatory burden is above trend in Europe and below trend in Asia-Pacific (in terms of respondents answering that

¹ bbvaresearch.com/wp-content/uploads/2016/02/DEO_Feb16-EN_Cap1.pdf

² letstalkpayments.com/a-report-on-global-regtech-a-100-billion-opportunity-market-overview-analysis-of-incumbents-and-startups/

Section 2: Regulation



Currently the focus is on protecting personally identifiable information, personal health information and personal credit information. Regulations in the future may evolve, requiring companies to ensure that they are using information in a fair and just fashion. For example, much can be inferred from the data from an individual's smartphone but it may not be fair and just to act on those inferences.



CINDY FORBES

EVP & Chief Analytics Officer, Manulife Financial

regulation is impeding progress 'a lot'). Regulatory compliance certainly remains a daily issue in APAC but may, for structural reasons, be easier to deal with there on a 'big picture' level.

In Asia-Pacific, industry participants have the advantage of dealing, in the main, with large national markets (bigger than any US state) but without the complexities of an overarching regional regulator (like we find in Europe with the EU and Solvency II). That said, carriers wishing to be active across the region still have a multitude of different regimes to comply with.

Additionally, we asked respondents to indicate via an open-text response which regulations were currently the greatest cause for concern. There were too many responses to list everything but some that stood out were Solvency II and the Insurance Distribution Directive (IDD) from respondents in Europe, and the DOL Fiduciary Rule from respondents in North America.

Regulatory Burden: A Growing Challenge

89% of insurers and reinsurers believed regulation was posing a greater challenge to their organisations than during the previous 12 months...

There is a marked trend towards rising regulatory burden, and we found this to be consistent across our different ecosystem players and regions.

'Increased regulation' was one of the external challenges we explored in our Industry Challenges section, coming in 6th place out of 12 overall (all respondents). Drilling down into different (re)insurer departments reveals that its impact is not evenly distributed across the business. 'Increased regulation' featured among the top three external challenges for Insurers & Reinsurers working in Actuarial, Analytics, Capital Management (where it took the top slot), Investment, Risk, Senior Leadership, Strategy and Treasury.

The overall balance of these departments suggests that the greatest burden from increased regulation within Insurers & Reinsurers is falling on the investment and risk-modelling side of the business. Europe has certainly been a case in point over the past couple of years, with Solvency II subjecting (re)insurers to more rigorous capital requirements.

Regulation's growing prominence in the eyes of high-echelon staff (Senior Leadership) indicates just how seriously it is viewed by (re)insurers. This, along with the other measures we have presented in this section, creates a perfect storm for the rise of Regtech over the coming months and years.

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Section 2: Product Development



The biggest problem these days is, although everybody is talking about Digitisation and Disruption and are modernising their core systems with huge investments in order to support these new trends, the underlying products are not yet 'digital ready' – even new ones.



OLIVER LAUER

Head of Architecture /
Head of IT Innovation
at Zurich

PRODUCT DEVELOPMENT

Product development is the bread and butter of the insurance industry – the question is not whether to build products but rather which products will best serve the needs of today's increasingly demanding insurance customers.

What has also become clear across this report is that product development can no longer occur in silos, with one function creating products for another function to sell. Insurers are determined to make every moving part of their business serve the customer, and what this means in concrete terms is that every division of the business has a contribution to make towards the creation of customer-centric products.

The line between product developers and product salespeople, as in so many industries, is therefore becoming blurry. In this sense, Product Development is the central node into which feed all the other topics we have covered in this Key Themes section. And all the indicators suggest that insurers are only just beginning to tap the opportunities for technology-driven product creation.

In this section, we start by exploring where product innovation is currently coming from, before looking at some of the emerging development trends.

Which (re)insurer departments are having the biggest impact on product development?

The results to this question, based on Insurers & Reinsurers, are displayed in our full-page graphic overleaf (Capital Management, Investment, Fraud and Treasury do not feature on account of their negligible involvement).

The three highest-scoring departments were Underwriting (with 70% of respondents naming it), Pricing (55%) and



Marketing (54%). Other areas that warrant mention were Actuarial (51%) and Distribution (36%). We may remember from the Services, Investments and Job Roles section that Actuarial exhibited high demand for services in the Digital Innovation field. And we have also noted that the roots of today's consumer-led disruption are in the rise and ease-of-use of new distribution channels – so insurers that leave Distribution outside of their product discussions do so at their peril!

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#insurancemap

Section 2: Product Development



The biggest risk the insurance industry faces when it comes to innovation is not taking enough risk. True innovation requires experimentation, which most of the time results in failure. Insurance organisations are built to eliminate failure from their culture. Without failure, you can have no innovation. CEOs demand a positive Return on Investment (ROI), they now need to seek out and understand what it means to have a positive Return on Risk (ROR).

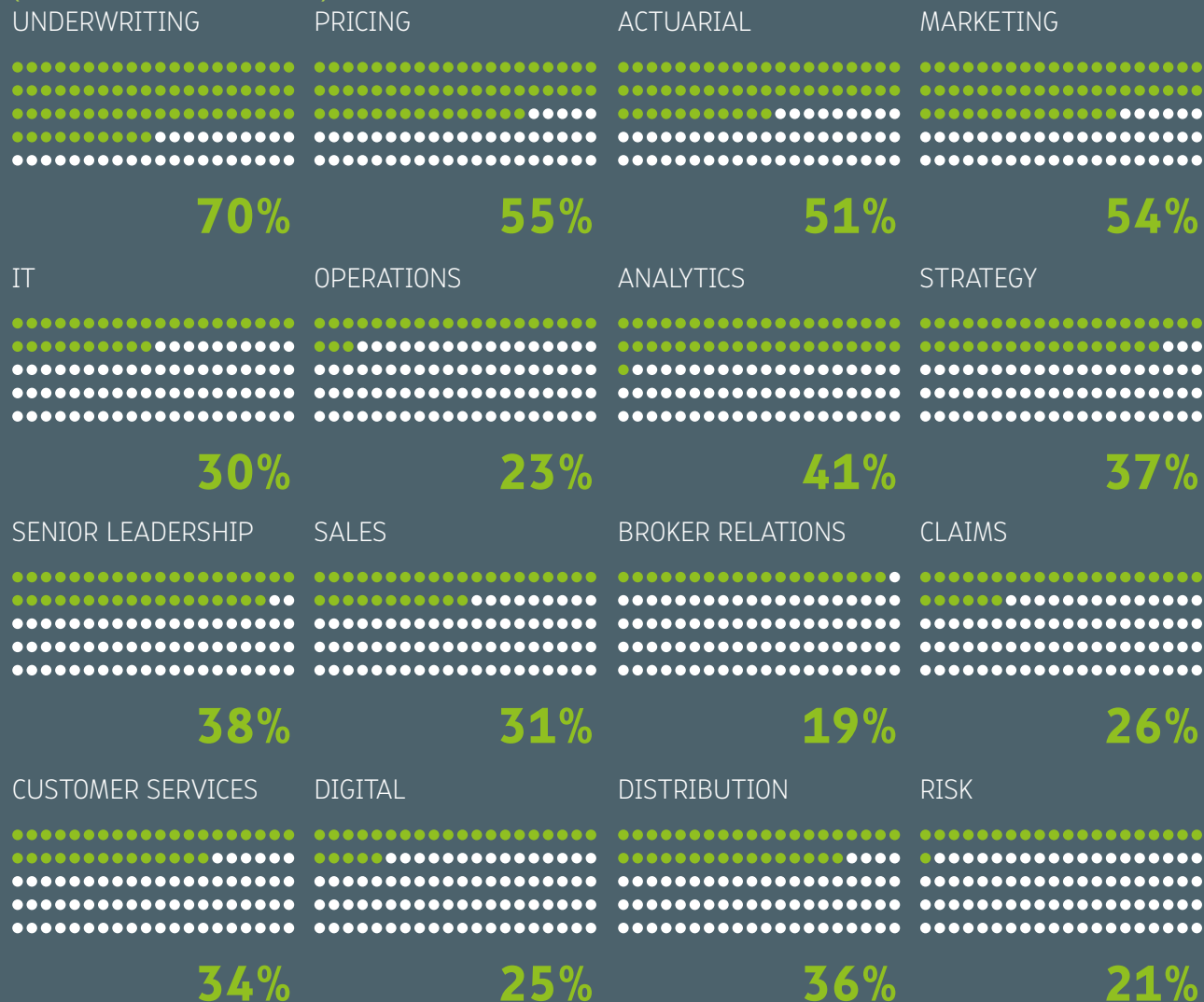


STEVE ANDERSON

President at The Anderson Network

WHICH DEPARTMENTS ARE HAVING THE GREATEST IMPACT ON PRODUCT DEVELOPMENT?

(INSURERS AND REINSURERS)



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#insurancemap

Section 2: Product Development



You don't really have to invent new products in my eyes, you just have to make the existing ones easier and more 'digital native'. Today's products have been and are still created for non-digitals. And this situation not only makes new customer-facing digital processes complicated, it also makes core replacements and automation more complicated and expensive than necessary.



OLIVER LAUER

Head of Architecture /
Head of IT Innovation
at Zurich

Which insurance lines are driving the greatest degree of product innovation?

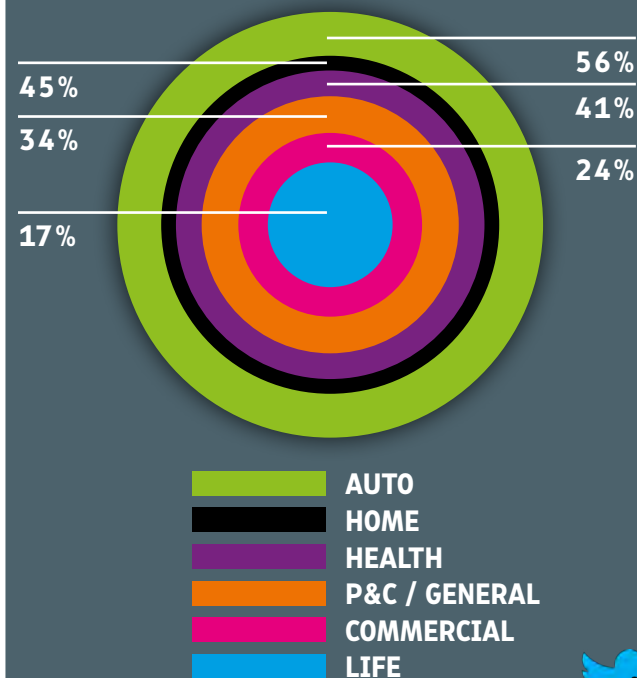
In addition to seeing product as department-driven, we also investigated the extent to which it is line-driven. According to Insurers & Reinsurers (on the right), Auto (voted by 56% of respondents), Home (45%) and Health (41%) are the three lines experiencing the most product innovation. This is corroborated anecdotally by the sheer number of commercialised IoT products we see across these lines, from in-car telematics through to smart-home controllers and connected-health armbands.

Life and Commercial are relative laggards in this regard, although we do believe there is ample opportunity in both these areas. This may follow the same pattern we identified with IoT (itself an abundant source of product innovation), where we saw platform implementation in Commercial currently trailing but quickly drawing level with other lines. Regional trends for this question warrant some high-level comment:

- ▶ Health is a substantial driver of product development among (re)insurers in Asia-Pacific and Europe. In North America, however, it appears relatively insignificant.
- ▶ Life appears tagged to Health in terms of how it trends regionally and is consistently the least innovative of the lines.
- ▶ P&C/General, Commercial and Home insurance are relatively consistent across our different geographies.
- ▶ Auto is ahead among (re)insurers in Europe and Asia-Pacific compared to North America.

The relative prominence of the different lines, as well as the broad regional tendencies outlined above, remain intact

WHICH INSURANCE LINES ARE SEEING THE MOST INNOVATION IN PRODUCT DEVELOPMENT? (INSURERS AND REINSURERS)



when we widen our scope beyond Insurers & Reinsurers to look at the industry as a whole.

Key trends in the development of new products

It's clear from this section so far that product development is a strategic priority for a diverse spread of departments and lines. But how are insurers actually going about product development on the ground? Let us now present our trends on a number of product approaches that we

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Section 2: Product Development



Most of the innovation in product development will happen where smart connected devices drive new business models based on behavioural data. I particularly expect improvements in pricing. UBI is a bigger game changer than covering events that are not insured today. In any case, there will be a huge need to understand, measure and manage rational and irrational behaviour.



ANDREAS STAUB

Managing Partner
at FehrAdvice

identified among our (re)insurer respondents: product diversification, Usage-Based Insurance (UBI) and product bundling/upselling.

The pace of change in the insurance sector is picking up, and many ecosystem players are quickening their iterations both on new and existing products in a bid to stay relevant.

76% of (re)insurers are pursuing product diversification as part of their organisations' growth strategies...

This move towards diversification is not limited to any one kind of insurance market but is driving insurance growth all around the world.

It is naturally very important for insurers looking to break into totally new markets, as is the case in many developing economies, where traditional insurance products may be inappropriate for lower-income demographics (microinsurance being a case in point). In mature markets, growth will come primarily from addressing existing demographics with more tailored products to fill in under-penetrated lines and segments; there is also the perennial threat that existing customers, tired of products that are suboptimal, will churn to competitors and new entrants who can offer better-suited ones. Whatever the market conditions, by trialling multiple products, insurers can both broaden their appeal and arrive at optimal products more quickly.

The emerging generation of insurance products differ from those that have gone before in several key ways. One is the on-demand or usage-based component of new products – so that, rather than having idle and inflexible policies



that subject the policyholder to the Tyranny of Averages, consumers can enjoy insurance-as-a-service.

32% of insurer respondents have a Usage-Based Insurance (UBI) strategy...

This trend towards Usage-Based Insurance (UBI) is a global one, and there was no significant regional variation across our three key regions. More information about UBI models can be found in our earlier Internet of Things section and in our section on Europe in the upcoming Regional Profiles.

A key trend we have witnessed in other B2C industries, like Amazon and Netflix, is the rise of the recommendation engine. This is not just a core component of the customer experience but also an important enabler of new business, insofar as it lets companies push new products to customers

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The cost of customer acquisition is a critical metric for marketing efforts. Lifetime customer value also helps us know how much we should be spending to acquire as well as how we should expand our share of wallet within the products we offer.



MICHAEL SHOSTAK

SVP and Chief
Marketing Officer at
Economical Insurance



that they are actually likely to want and to find useful. We are also seeing this in insurance, in the form of data-driven product bundling and upselling.

47% of insurers have a strategy to bundle and upsell products based on customer lifestyle analytics...

Insurance has always had relatively few customer touchpoints, and even though insurers are now seeking to increase that number, insurance remains a product that is sold rather than bought. Taking full advantage of every selling interaction they have is therefore the surest way for insurers to increase their customers' lifetime value.

Bundling and upselling products is – like diversification – a strategy with strong applications regardless of what sort of insurance market you are operating in. Whether your focus is

to chase new customers or to retain existing business, it is better to reap maximum reward on each customer from the outset than to re-engage them (perhaps unsuccessfully) later on.

There are obviously many aspects of product development beyond diversification, UBI and bundling/upselling which we were not able to investigate directly. For this reason, we asked our Insurers & Reinsurers to indicate additional product-development talking points via an open-text response. Two key points that emerged across their comments were:

- ▶ The need to increase the service element of products in order to keep up with evolving consumer needs and drive customer retention
- ▶ The problem of constrained development resources, especially in expert personnel and IT

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Sections 1 and 3 are not part of this preview but you can access them for free at any time by downloading the full version of the Trend Map below

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- Industry Challenges
- Insurtech Perspectives
- Insurer Priorities
- Services, Investments and Job Roles

SECTION 3: REGIONAL PROFILES

- Europe • North America • Asia-Pacific
- LatAm • Middle East • Africa • Central Asia

150 further pages of insight,
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Section 4: A Note on Method

This document is intended first and foremost to give an account of the global state of insurance and to surface general industry tendencies. It does not provide the basis for any form of investment activity but should rather be a rich source of information and discussion, bringing to the table a wide range of perspectives, qualitative as much as quantitative. We look forward to updating and developing the format over the years to come in order to provide maximum value.

Our outreach to respondents was conducted via a wide range of channels, including email, LinkedIn and Twitter. Not all graphs included here imply a rank order, and many show the similarities (as opposed to the differences) existing between their elements. Where we believe a trend exists, we have drawn attention to this in our accompanying analysis, and we sometimes do this also in relation to figures that are not explicitly stated in the document (so as to avoid clutter). As far as statistical significance is concerned, the comparisons we draw generally operate at 90% confidence and above; most measures we comment on (and any from which we draw inferences) are valid also at 95%.

Alongside comparisons of particular segments, our report also comprises many standalone statistics on a wide range

of topics (which you can of course share using the inbuilt widgets). For our more general stats, we are operating at 95% confidence (+/- 5%); for our more specific measures (for example, looking at Insurers & Reinsurers on topics within our Key Themes section), we operate in the main at 95% (+/- 10%) or better. As the purpose of this report is to indicate the general direction in which the industry is moving, we have sometimes tolerated stats with lower confidence / higher margins of error, if the overall tendency they show is clear.

What regional trends we did observe across our assorted stats (and many measures were inconclusive) formed the basis of our much broader qualitative inquiry into our three key regions (North America, Europe and Asia-Pacific), in which we sought to validate, qualify and expand on our initial impressions through discussions with respected regional commentators. On this basis, we believe we are justified in making the broad-brush market characterisations that form the backbone of our Regional Profiles.

All inquiries concerning the methods used, and/or insights presented, in this report should be directed to alexander.cherry@insurancenexus.com

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JAMES VINCENT
General Manager
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With over 20 years of community building, helping various industry sectors address change, I head up overall strategy, partnerships and overseeing the development and direction of the business.

Since its inception, Insurance Nexus has focussed on serving the needs of Insurers and equipping them to meet the challenges, both internal and external, that are being driven by technology, regulation & profitability. I'm particularly interested in looking further ahead to identify the disruptive trends that Insurance will need to meet in the medium term.

When I'm not at work I spend my free time running around after my children, cycling over mountains, boxing badly and playing records.

If you'd like to discuss these, partner with Insurance Nexus or have any ideas and feedback, please feel free to contact me.

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ALEXANDER CHERRY
Head of Research
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Alex leads the research behind Insurance Nexus' new business ventures, encompassing summits, surveys and industry reports. He is particularly focused on new markets and topics, and strives to render market information into a digestible format that bridges the gap between quantitative and qualitative. Prior to his work in insurance, Alex researched into an eclectic range of industries, including energy, advertising, telecoms and supply chain, across every global region. He stays on top of the latest industry and technology trends through a mixture of phone-based and face-to-face engagement with insurance and Insurtech industry leaders around the world.

Alex graduated with a Modern Languages degree from the University of Cambridge and maintains a keen interest in foreign culture. Outside of work he enjoys travelling around Europe, literary translation, fell-walking and table tennis; previous employers include a software house and a donkey sanctuary. To discuss any aspect of Insurance Nexus content – in particular the Global Trend Map and the Connected Insurance Report 2017 – please get in touch.

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HELEN RAFF
Head of Content
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Helen has a pivotal role in team planning, extending marketing capabilities and stimulating collaboration. She spends her day at the coal-face, finding out what's new in insurance and testing ideas with our community. She knits together our strategy and ensures that we're providing top-notch content to the insurance world. Most recently, Helen has been spearheading the creation of the Insurance Nexus Content Vault, which has quickly become a valuable source of content for the highest echelons of the industry. In addition, Helen led the revamp of our analytics event, transforming it into Europe's first AI conference, specifically for insurance. When she's not at work Helen likes planning holidays and feeding the ducks in the park with her 2-year-old daughter.

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MARSHA IRVING
Head of Innovation /
Commercial Director
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Marsha strives to be a trusted advisor to the insurance community by keeping up-to-date on the many changes affecting the industry. Having worked at Insurance Nexus since its grassroots phase, Marsha has helped to build the business in to a formidable force, serving the industry through in-depth content and events. Marsha is currently focussed on the commercial strategy for the business and is looking at how service providers are evolving their offerings to meet the newly formed insurance community. She continues to develop new delivery initiatives to keep the community informed and engaged. Being Canadian, Marsha loves the great outdoors and going hiking (aka rambling in the UK). She's travelled to over 40 countries and makes a killer watermelon daiquiri.

Get in touch with Marsha if you are interested in learning more about becoming a sponsor or exhibitor at our upcoming events or if you would like to look at involvement in our content outreach!

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EMMA SHEARD
Head of Strategy
@emmasheard

Emma creates and runs our North American flagships, working across IoT, claims and analytics in the US and Canada. A psych major, she is passionate about understanding the minds, challenges and priorities of insurance executives, and relishes creating content and events that inspire, educate and enable industry change. Emma is particularly interested in the customer-centric revolution within insurance, and how customer experience is influencing the transformation occurring across organisations. Having researched the insurance industry in her native Australia, APAC, Europe and now North America, Emma is often struck not just by the differences but the similarities in different regions. Recognised within the team for the cheesiest copywriting, Emma is fascinated by ancient civilisations and, as an avid scuba diver, once went diving with bull sharks (no cage!).

Get in touch with Emma about our upcoming Insurance IoT USA Summit 2017, Connected Claims USA 2018, Insurance Nexus operations within North America - or just to have a chat!

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MARIANA DUMONT
Head of New Projects
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Mariana is passionate about innovation and digital transformation. Having worked in e-commerce and retail bank, two industries heavily affected by technology, she is constantly looking for the next sign of disruption. Responsible for delivering tangible use cases for emerging technologies, with a strong focus on customer centric solutions.

Mariana is currently leading Connected Claims Europe (October 24th & 25th, London), a high-level summit bringing together over 250 claims executives to discuss automated and customer-centric claims: <http://events.insurancenexus.com/connectedclaimseurope/>.

Later this year, Mariana will also be leading Insurance2Customer (November 30th – December 1st, Chicago), the only summit bringing different parts of the business to discuss the customer journey in the insurance and the use of innovative technologies to increase market share and customer retention: <http://events.insurancenexus.com/customerengagement/>.

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GUY KYNASTON
Commercial Director
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Guy studied history at university and then moved on to spend the first part of his career within the financial services sector. He has now been part of our Insurance Nexus commercial team for the last two years and has been at the heart of developing our commercial outreach. In the office Guy is dedicated to building out our Insurance Nexus division from a business-development perspective. He is currently focused on the impact of IoT, Analytics and the Connected Claims space on the insurance community. Guy is driven by understanding this vast vendor ecosystem and trying to get its unique offerings in front of the top-tier insurers.

For opportunities at Insurance AI & Analytics EU (9th – 10th October 2017) and Connected Claims EU (24th – 25th October 2017), please don't hesitate to get in touch.

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RACHAEL GORE
Head of Engagement

With a background in ethnographic research, Rachael is keen to understand the everyday impacts of emerging technologies in the insurance market. Passionate about music and politics, Rachael has produced radio for community stations in both London and Manchester. At the weekend, you can find her dancing in her kitchen and cooking up a storm for family and friends.

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ZSOFIA KULCSAR
Head of Marketing
@ZsofiHKulcsar

Zsófi studied psychology at university and is currently studying at the Chartered Institute of Marketing. She has headed up the marketing department at Insurance Nexus for the last two years and has been at the heart of understanding our customers' needs and developing and testing new marketing ideas. Zsófi works across all events, content and reports, and is dedicated to building a customer-centric, marketing-driven organisation which serves and helps Insurance Nexus customers. Zsófi is driven by understanding the insurance and technology ecosystem and ensuring that our conferences, content and reports deliver top-quality learnings.

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SAM JONES
Marketing Manager

As a Geography undergraduate, Sam moved into marketing by completing a Master's in Business Management and Marketing. He has now been part of Insurance Nexus for the past two years, running our outbound marketing, with a focus on finding the best routes and building partnerships.

If you wish to discuss a marketing partnership, or are part of the press, please reach out to Sam!

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