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World Insurance Report 2018: Digital agility is key for insurers as BigTechs ponder entering the market

Almost 30 percent of customers globally are willing to buy insurance products from BigTech companies such as Amazon and Google, spurring a greater need for traditional providers to develop future-ready operating models to satisfy evolving customer preferences

Paris, May 22, 2018 – While insurance companies struggle to deliver a superior customer experience, BigTech[1] firms are poised to enter the insurance industry. By enhancing their digital agility and developing future-ready operating models, insurers have an opportunity to attract and retain customers to compete with this disruption, finds the World Insurance Report (WIR) 2018 from Capgemini in collaboration with Efma. The report also examines how traditional incumbent insurers have fallen behind their banking peers in meeting customer demands, making them vulnerable to such non-traditional entrants.

"The use of data and being able to offer a truly digital customer experience are both critical for the insurer of the future, something Big Tech firms like Amazon and Google excel at. The threat from such entrants is more real than the insurance industry might want to admit," said Anirban Bose, Global Head of Financial Services and Member of the Group Executive Board at Capgemini. *"Insurers, risk assessors by nature, must urgently turn their gaze inwards and consider the competitive risks within their own industry in order to evolve and survive."*

Insurance is playing catch-up in delivering technology-enhanced customer experiences

Insurance firms ranked third after retail and banking on cross-industry customer experience scores, with the greatest difference among Gen Y[2] customers aged 18 to 34. While more than 32 percent of Gen Y customers said they had a positive experience with their bank, less than 26 percent reported a positive experience with their insurer. The report also found that customers across all segments now accept digital communications at the same level as conventional channels, with more than half of customers placing a high value on company websites for conducting insurance transactions, and more than 40 percent considering a mobile app as an important channel.

[1] BigTechs refer to large, multinational technology firms such as Google, Amazon, Facebook, Apple, and Alibaba.
[2] In the context of the report, *Gen Y* customers are categorized as individuals aged 18 to 34, while *Non-Gen Y* represent customers aged 35 and older; these groups are Mutually Exclusive and Collectively Exhaustive (MECE)

Additionally, as new digital technologies enable innovative, value-added services, almost 46 percent of tech-savvy[3] customers and 38 percent of Gen Y customers are willing to receive proactive, personalized insurance offerings through a variety of channels, which could lead to new revenue opportunities.

BigTech firms are poised to take advantage of the insurance industry's missteps
The large, multinational technology organizations that represent BigTech are taking slow, deliberate steps towards establishing a presence in the insurance industry by leveraging their strong reputation for superior customer experience. Globally, 29.5 percent of customers said they would consider buying at least one insurance product from a BigTech firm, which is a 12-percentage point increase from 2015 when only 17.5 percent[4] of customers indicated willingness to purchase insurance from BigTech firms.

Gen Y and tech-savvy segments appear most inclined to switch loyalties from traditional insurers. These customers not only cite lower positive experiences with traditional firms, but they are also more likely to change their insurance provider within 12 months and are more open to purchasing insurance products from BigTech firms.

Evolving customer preferences drive insurer investments in digital agility
Disruptions from environmental, technological, and organizational factors along with the ambitions of BigTech companies are making digitally agile operating models a necessity. InsurTechs, new insurance firms that use technology innovations to focus efficiencies and attract specific customer segments, are leading the way with digital agility. Collaboration between traditional insurers and InsurTechs is essential for the efficient and cost-effective development of digital capabilities across the industry.

More than 80 percent of insurers cite evolving customer preferences as the most critical factor driving digital agility, and their investments provide insights into the industry's future. Almost two-thirds of insurance firms are testing smart watches and wearables, more than one-third have deployed telematics, and more than 55 percent are investing in speech recognition and blockchain, with robotic process automation currently the most highly deployed core digital technology among them.

"To gain value from their investments, insurers must think about the big picture and develop a holistic approach that is strengthened by InsurTech capabilities, rather than piecemeal adoption," said Vincent Bastid, CEO of Efma.

Digitally enabled, future-ready operating models ensure long-term sustainability
To succeed in the digital era, the report highlights that insurance firms must foster digital agility and develop operating models to deliver a superior customer experience, bringing together the best of digital and traditional channels. For example, more than 65 percent of surveyed respondents said end-to-end personalization of the customer journey was their highest need. However, to enhance the customer experience with personalization, insurers need a digitally integrated ecosystem that seamlessly interconnects insurers with customers and partners, in order to enable an efficient flow of information and services.

A digitally integrated ecosystem supports the real-time, personalized services that customers are growing to expect and demand. With enhanced digital agility, insurance firms can gain greater insight into customer

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[3] In the context of the report, customers that use online and mobile channels frequently to conduct transactions such as purchasing electronics, clothes, food and groceries, paying bills, etc. are categorized as *Tech-Savvy*; *Tech-Savvy* and *Non-Tech-Savvy* customer segments are MECE. *Gen Y* and *Non-Gen Y*, and *Tech-Savvy* and *Non-Tech-Savvy* customer segments are not MECE
[4] Capgemini WIR Voice of the Customer Survey, 2015

needs and improve time to market for innovations, while driving greater operational efficiency and cost savings the report concludes.

Research Methodology

The *World Insurance Report (WIR) 2018* covers all the three broad insurance segments—life, non-life, and health insurance. This year's report draws on research insights from 20 markets: Australia, Belgium, Brazil, Canada, China, France, Germany, Hong Kong, India, Italy, Japan, Mexico, Netherlands, Norway, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The survey provides insight into customer preferences, expectations, and behaviors with respect to specific types of insurance transactions.

For more information, explore the report website at www.worldinsurancereport.com.

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