

Capgemini 

 Efma

WORLD INSURANCE REPORT 2019



Table of Contents

Preface	3
Executive summary	4
The evolving risk landscape creates demand for new personal and commercial lines of insurance	6
Customers feel unprotected from emerging risks and perceive a coverage gap with existing insurance products	11
Insurers' product pipelines lack alignment with customers' growing concern over emerging risks	13
Customers are increasingly willing to share data and pay extra for better risk prevention services	16
Value-added risk-prevention services and new business models offer insurers an opportunity for innovation and profit when supported by critical capabilities	18
Future insurers will act as a partner through involvement in customers' daily lives, and as a preventer that provides risk-control advice – all while continuing to be a payer that covers potential loss	29
Appendix – References	33
Methodology	33
About Us	34

Preface

The *World Insurance Report (WIR)* has been tracking technology's impact on the insurance sector for more than a decade. We have explored its transformative effect on insurer-customer relationships, insurance market dynamics, and insurance business models. In this, our twelfth year, the report takes a different lens to look at the most compelling overarching macro trends that are driving change in the insurance risk landscape.

Today's risks range from the environment and climate change to disruption from advanced technologies – with different priorities for each insurance segment. Personal insurance policyholders say they are most concerned about exposure to new medical and health threats. Commercial customers feel most vulnerable to risks generated by today's changing business environment. Cyber risks pose a common threat to all groups.

As these big-picture risks mount, however, industry response has been lackluster. The fact that only a small percentage of insureds believe their current policies cover emerging risks comprehensively is cause for concern. Insurers need to prioritize customer perspectives and use those insights to create and adapt product offerings that meet today's dynamic needs and close the coverage gap.

Our report suggests that shifting customer preferences may unlock opportunities for insurers to tackle emerging risks more efficiently. Today, more and more customers are willing to share their data and pay additional fees to gain personalized risk-control and prevention services. They are also amenable to new insurance models – such as on-demand and parametric insurance – that enable insurers to cover emerging risks more sustainably and profitably.

When we studied these insurer opportunities, we found that the pace of product development and the pipeline of new offerings hasn't caught up with current-day realities. As we saw in *WIR 2018*, agility will be critical if insurers want to seize these opportunities. The need of the hour is disruptive innovation in the form of new or refactored products to address the new risk landscape.

WIR 2019 found that while insurers are prepared to monitor risk and the customer landscape, many have yet to develop advanced risk-quantification and risk-control capabilities. A major roadblock is the lack of technology infrastructure capable of supporting real-time competencies. Tools and techniques that help insurers to become more customer-centric, intelligent, and open will be critical enablers for building such skills.

Relevancy and future success will require a more holistic risk management style with insurers continuing to act as payers that cover customers' financial losses, but now also working as partners and preventers that help policyholders manage risk in their daily lives. A 3P – partner, preventer, payer – approach will boost customer engagement to levels on par with pacesetter industries and will expand insurer value propositions to drive long-term profitability. In an era when good customer experience has become table stakes, product innovation and experience design will become the true battleground.

Anirban Bose

Financial Services Strategic Business
Unit CEO & Group Executive Board
Member, Capgemini

Vincent Bastid

Secretary General, Efma

Executive summary

The evolving risk landscape creates demand for new personal and commercial lines of insurance

- Disruptive environmental patterns, technological advancements, evolving social and demographic trends, new medical and health concerns, and a shifting business environment are driving several prominent emerging risks that demand high-priority industry attention.
- Emerging risks may seriously affect customers' lives, health, property, and business, which could drive up business interruption, liability, property damage, and life and health claims.
- Insurers must recognize the impact of emerging risks on customers and adapt offerings to better meet policyholder needs.

Customers feel exposed to emerging risks due to a perceived coverage gap with existing insurance products

- Health and medical risks are a prime concern among individuals, while business customers report apprehension about risks prompted by dynamic business conditions.
- Both individual and business customers believe that cyber exposure is a leading threat.
- Customer confidence is weak, with less than a quarter of business customers and less than 15% of individual policyholders believing they are covered comprehensively against emerging risks.
- As customer needs evolve within today's fast-changing risk landscape, agility and speed to market will become even more critical, and insurer success may be contingent upon the ability to understand and align with policyholders' requirements quickly.

Insurers' product pipelines are not aligned with customers' growing concerns with emerging risks

- While customers demand more comprehensive emerging-risk coverage, insurers' product pipelines are yet to reflect these new realities.
- Of insurers surveyed across business lines, 50% or fewer acknowledged the impact of emerging risks in driving customer demand for new offerings, and fewer than 40% of life and health insurers had built a pipeline of new products to cover emerging risks comprehensively.
- Moreover, insurers have yet to fully tap into opportunities presented by changing customer preferences. While more than 55% of customers are ready to explore new insurance models, only 26% of insurers are exploring such models.

Customers are increasingly willing to share data and pay extra for better risk prevention services

- Customers say they are open to sharing additional data with insurers and would pay fees for personalized risk-control and prevention services: 37% of all customers are willing to share supplemental data and more than 55% of these customers are prepared to pay extra for risk-prevention services.
- Underscoring the importance of customer education is the positive correlation between customers' awareness about risk and policy coverage, and their willingness to share data and pay more.
- Moreover, customer stickiness is heavily influenced by the availability of value-added, personalized, and flexible services, particularly for tech-savvy individuals and large businesses.

Value-added risk-prevention services and new business models offer insurers an opportunity for innovation and profit when supported by critical capabilities

- With policyholders ready to adopt new insurance models (globally, 41% of customers would consider usage-based insurance and 37% would explore on-demand coverage), these new models can help insurers cover risks profitably and sustainably.
- Firms must ramp up capabilities in continuous risk assessment, risk control and prevention, and accurate risk quantification to achieve this enhanced product and experience design to effectively manage the evolving risk scenario.
- Insurers will be empowered to grow these capabilities and develop success pillars for a dynamic risk environment by building a deep customer focus, intelligent risk-assessment systems, and seamless integration with other ecosystem players.
- Insurers will need to reimagine their business and operating models to align with customer perspectives in order to harness the power of technology to build agility and speed.
- A synergistic approach to developing capabilities and tools will help insurers navigate emerging risks and meet customer expectations.

Future insurers will act as a partner by becoming more involved in customers' daily lives, and as a preventer by providing risk-control advice, all while continuing to be a payer that covers potential loss

- The rapidly-evolving risk landscape is driving insurers to assume a partner role to help customers understand their risks better while also taking on a preventer role to foresee and mitigate risks. The long-held payer role will remain relevant.
- The definition of insurer-customer relationships will change as insurers assume a more significant presence in their customers' daily lives.
- By expanding their role to partner and preventer, insurers can achieve the golden mean between growth, customer-centricity, and profitability.

The evolving risk landscape creates demand for new personal and commercial lines of insurance

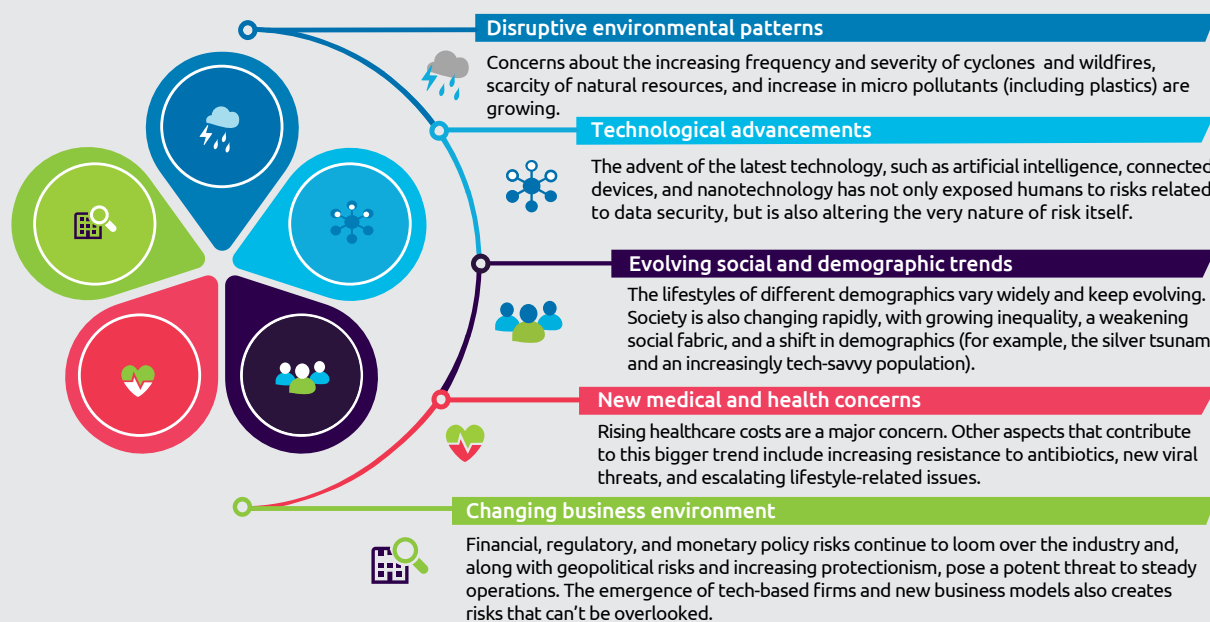
Rapidly evolving environmental, technological, social, and business factors are transforming the risk landscape for the insurance industry and its customers. These issues are either sparking new risks or driving changes in the very nature of existing risks faced by the industry.

Risk landscape evolution drivers may be classified broadly into five macro trends – disruptive

environmental patterns, technological advancements, evolving social and demographic trends, new medical and health concerns, and the changing business environment (Figure 1).

As a result of these trends, high-impact new risks are emerging that may significantly affect policyholders while pressuring insurers and prompting industry action (Figure 2).

Figure 1. Macro trends driving the risk landscape evolution








Source: Capgemini Financial Services Analysis, 2019.






Figure 2. Emerging risks grab the attention of the insurance industry







Disruptive environmental patterns

	Impact on Customers	Impact on Insurers
 Rising frequency of natural catastrophes	<ul style="list-style-type: none"> ▪ For individuals: Adverse risks to health, life, and property ▪ For businesses: Productivity losses and business interruption due to damage to property and resources 	<ul style="list-style-type: none"> ▪ Increase in property (especially home owners'), NatCat, life, health, liability, and business interruption claims leading to underwriting losses, further exacerbated by global interdependence
 Depletion of natural resources	<ul style="list-style-type: none"> ▪ For individuals: Impact on life, health, and property due to inflation and civil unrest ▪ For businesses: Increased production costs, loss of profits, and even threat to continuance, with the loss impact depending on the nature of the business 	<ul style="list-style-type: none"> ▪ Increased business interruption, liability, life, health, and property claims
 Renewable energy risks	<ul style="list-style-type: none"> ▪ For individuals and businesses: Increased energy expenses due to the high costs of setting up infrastructure 	<ul style="list-style-type: none"> ▪ Rise of new risks, with increasing complexity of renewable energy infrastructure, that might be difficult to gauge due to lack of relevant data
 Micro pollutants and toxic chemicals	<ul style="list-style-type: none"> ▪ For individuals: Adverse risks to health and life ▪ For businesses: Increased liability charges as well as loss of productivity 	<ul style="list-style-type: none"> ▪ An increase in health, life, liability, and product pollution liability claims, pushing up costs
 Environmental liability	<ul style="list-style-type: none"> ▪ For businesses: Increase in compliance and clean-up costs as well as reputational and environmental liability risk exposures 	<ul style="list-style-type: none"> ▪ An increase in costly liability claims ▪ Need to constantly monitor environmental regulations and redefine policies accordingly







Technological advancements

	Impact on Customers	Impact on Insurers
 Cyber risks	<ul style="list-style-type: none"> ▪ For businesses: Rise in cybersecurity spending due to increased data exposures as well as increase in frequency and severity of cyberattacks 	<ul style="list-style-type: none"> ▪ Increase in cyber claims for commercial insurers ▪ Need for development of sophisticated cyber risk assessment tools that can accurately quantify cyber risk exposure
 Automation altering risk landscape	<ul style="list-style-type: none"> ▪ For individuals and businesses: Higher value of properties, with use of sophisticated machinery, requiring better financial loss protection; exposure from new risks arising from device malfunctioning and hacking 	<ul style="list-style-type: none"> ▪ Intensification of severity of accidents or malfunctioning due to sophisticated nature of equipment involved, resulting in costly claims
 Ambiguities related to use of artificial intelligence	<ul style="list-style-type: none"> ▪ For individuals: Risks to lives, health, and property such as risks from malfunction of smart devices ▪ For businesses: Increased liability exposures due to opaqueness and increased susceptibility to the biases of complex AI algorithms 	<ul style="list-style-type: none"> ▪ Increased liability claims and more severe claims pertaining to AI systems damage
 Nano-technology's potential toxicity	<ul style="list-style-type: none"> ▪ For individuals: Potential adverse health risks, with the extent of toxicity uncertain ▪ For businesses: Exposure to liability, reputational, and business interruption risks 	<ul style="list-style-type: none"> ▪ Significant unforeseen losses due to nanomaterials acting as a latent hazard
 Increasing adoption of drones	<ul style="list-style-type: none"> ▪ For individuals: Escalation of privacy breach risk exposure as well as collision and property damage risk ▪ For businesses: Increased costs of compliance, escalated by rapidly changing regulatory environment 	<ul style="list-style-type: none"> ▪ Vulnerability to costly claims due to privacy violations, property damage, liability claims, cyber-attacks, war perils, etc.






Evolving social and demographic trends

	Impact on Customers	Impact on Insurers
 Silver tsunami	<ul style="list-style-type: none"> ▪ For individuals: Risk of outliving savings and requirement of long-term healthcare, putting pressure on expenses 	<ul style="list-style-type: none"> ▪ Longevity leading to higher claims in long term care and health insurance while being beneficial for life insurers ▪ May face the need to review annuity products as well as meet the demands for customized offerings for elderly care
 Evolving consumer behaviours	<ul style="list-style-type: none"> ▪ For individuals: Risks to digital identity as well as new health concerns with increased digital adoption ▪ For businesses: Increased IT spending on digital transformation to cater to evolving customer expectations 	<ul style="list-style-type: none"> ▪ Increased claims due to cyberattacks, cloud accumulation risk, etc. ▪ May face demands for a shift in the nature of insurance products offered
 Changing employment patterns	<ul style="list-style-type: none"> ▪ For individuals: Increased job uncertainty and insecurity due to rise in short-term contractual labor; difficulties in obtaining flexible and customized coverage for gig workers 	<ul style="list-style-type: none"> ▪ Decrease in workers compensation claims due to enhanced technology support ▪ Need for new products tailored to gig economy workers
 Urbanization and mass migration	<ul style="list-style-type: none"> ▪ For individuals: Growing pressure on natural resources and infrastructure leading to unplanned urbanization with unsanitary dwellings and increased risks of disease outbreaks 	<ul style="list-style-type: none"> ▪ May face need to account for the amplification of risk exposures from weather-related catastrophes due to urbanization in coastal areas

New medical and health concerns

	Impact on Customers	Impact on Insurers
 <p>Rapid rise in healthcare costs</p>	<ul style="list-style-type: none"> ▪ For individuals: Higher deductible health plans posing pressure on expenses ▪ For businesses: Increased operating costs for businesses that provide employee healthcare coverage 	<ul style="list-style-type: none"> ▪ Higher claims costs due to costlier treatments
 <p>Increased drug resistance</p>	<ul style="list-style-type: none"> ▪ For individuals: Adverse health risks and increased mortality rates; Increased fatality of infectious disease outbreak due to urbanization and high population density, increasing healthcare spends ▪ For businesses: Increased operating costs and loss of productivity 	<ul style="list-style-type: none"> ▪ May face rise in health and life claims due to increasing mortality and morbidity rates
 <p>Chronic diseases</p>		
 <p>Outbreak of new infectious diseases</p>		
 <p>Lifestyle-induced risks</p>	<ul style="list-style-type: none"> ▪ For individuals and businesses: Serious risks to customers' health and life and productivity losses for businesses 	<ul style="list-style-type: none"> ▪ Increased health and life claims for insurers ▪ Increase in the frequency and severity of auto claims due to increased accidents because of rise in stress, sleep deprivation, and substance abuse levels in the population
 <p>Behavioral health concerns</p>		

Changing business environment

	Impact on Customers	Impact on Insurers
 <p>New business models</p>	<ul style="list-style-type: none"> ▪ For individuals and businesses: Gaps in financial protection due to creation of new risks that may not be covered by traditional insurance products 	<ul style="list-style-type: none"> ▪ Creation of opportunity areas for insurers in the form of providing new products and services
 <p>Regulatory risks</p>	<ul style="list-style-type: none"> ▪ For businesses: Spiked up costs of compliance due to stringent privacy regulations 	<ul style="list-style-type: none"> ▪ May face the need to constantly monitor regulatory landscape and update policy coverage and terms accordingly
 <p>Debt bubble</p>	<ul style="list-style-type: none"> ▪ For individuals and businesses: Risk of borrowers and corporations facing loan defaults, which could disrupt the economy ▪ For businesses: Risk of financial crisis in the event of debt bubble bursting, impacting businesses 	<ul style="list-style-type: none"> ▪ Better investment income due to rise in interest rates, but it might also lead to decreased customer spending and hence decreased premium income ▪ Risk of financial crisis in the event of debt bubble burst, impacting insurers
 <p>Digital currencies</p>	<ul style="list-style-type: none"> ▪ For individuals and businesses: Increased risk exposure to fraud, theft, cyberattacks, etc. leading to financial loss 	<ul style="list-style-type: none"> ▪ Provide new product opportunities to cover digital currencies theft, fraud, etc. ▪ Difficulties in quantifying risk and in pricing policies due to lack of relevant past data and varying nature of regulations
 <p>Geopolitical risks and protectionism</p>	<ul style="list-style-type: none"> ▪ For businesses: Creation of uncertain business environment, escalation of political instability and unrest leading to negative impact on global trade and economic losses; difficulties in accessing global markets 	<ul style="list-style-type: none"> ▪ Difficulties in accessing global markets ▪ May face escalation of property damage and business interruption claims from areas of political and social unrest

Source: Refer to Appendix.



Insurance models are rapidly changing in response to the emerging risks. It is important for insurers to transform themselves and proactively manage the emerging risk scenario, rather than just adapt to it."

— Youngran Kim

Regional CIO, Allianz Asia Pacific

Time to proactively assess and address the changing risk landscape

Emerging risks have obvious and deep-seated implications for the insurance industry that require proactive engagement. New risks on the immediate horizon are likely to increase claims, especially in the areas of business interruption, liability, life, health, and property. Emerging threats are also driving a shift in the needs and expectations of policyholders.

In an increasingly competitive and dynamic environment, firms that anticipate and meet customers' shifting risk coverage needs can gain a solid foothold in the market of tomorrow. Success will be contingent upon insurers' keen understanding of evolving customer preferences within the new risk landscape.



Customers feel unprotected from emerging risks and perceive a coverage gap with existing insurance products

Across geographies, insurance customers consider overarching trends such as technological advancements, new medical and health concerns, evolving social and demographic developments, a changing business environment, and disruptive environmental patterns as potential harbingers of emerging risks.

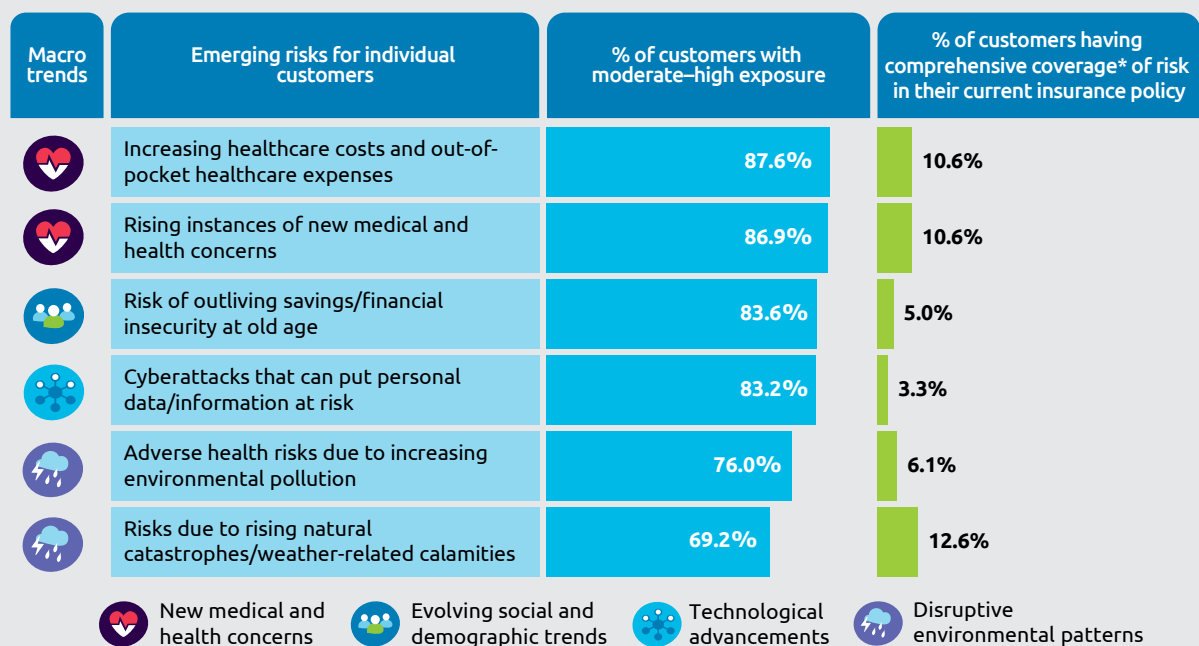
Macro trends – from technology advances to demographic shifts – concern policyholders:

- Commercial customers are particularly affected. On average, 40% of business customers say these trends will impact them significantly, versus 28% of individual customers¹

- Overall, the biggest perceived threat comes from technology advances
- Significant variance is apparent between emerging and developed markets.² In emerging markets, 51% of commercial customers see a significant impact from macro trends, but the percentage drops to 35% in developed markets – likely because emerging markets are less prepared to meet emerging risk challenges.

Individual customers polled for the *World Insurance Report 2019* overwhelmingly indicated moderate to high exposure to emerging risks related to health and cybersecurity (Figure 3).

Figure 3. Individual customers' perspectives on emerging risks (%), 2019



* The question on policy comprehensiveness was asked only to those individuals who said they were aware of coverage for emerging risks in existing policies. The numbers, however, denote individuals with comprehensive coverage out of a total number of individual respondents.

Source: Capgemini Financial Services Analysis, 2019; Capgemini Voice of the Customer Survey, 2019.

¹ In the context of this report:

- Individual customers are categorized as individuals owning one or more of only the following policies: personal health insurance, personal life insurance, and coverage for personal property.
- Business customers are individuals having at least one commercial insurance policy for their business(es).

² Emerging markets in this report refer to surveyed countries in Latin America and Asia-Pacific (excluding Japan).

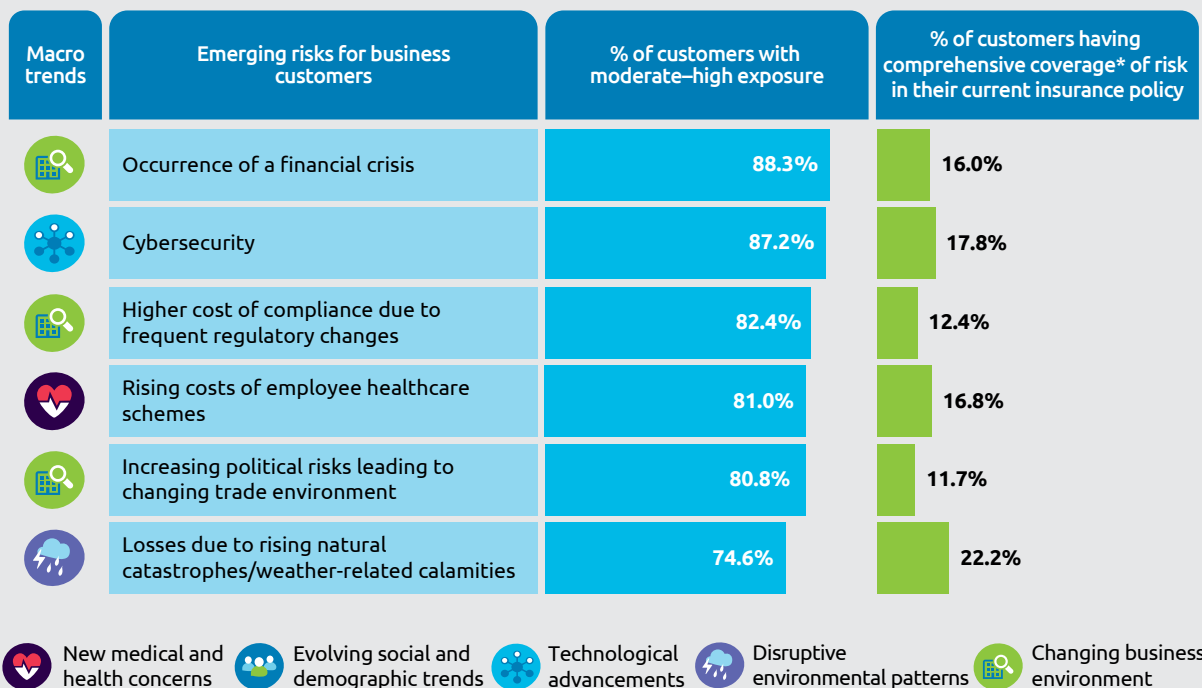
Although more than 85% of personal customers say they have medical and health risk exposure, only one in 10 has an existing policy that comprehensively covers this risk. High regional variations also exist. For example, customers in European countries such as the Netherlands, Sweden, and Germany are less concerned about emerging health exposures – likely due to relatively mature healthcare and health insurance environments.

As cyberattacks and data breaches receive increasing attention, 83% of people say they are concerned about exposure to cyberattacks. However, only 3% currently have comprehensive coverage as part of their insurance. This gap reveals a significant opportunity

to develop propositions that meet policyholder needs and concerns.

Commercial customers consider the changing business environment and cybersecurity as significant threats, and most feel inadequately covered (Figure 4). Although threats related to disruptive environmental patterns cluster at the lower end of risk exposure, commercial customers in specific geographies remain highly vulnerable. For example, a full 92% of business customers in Japan say they risk moderate to high exposure to natural catastrophes. Moreover, less than a quarter of surveyed business customers across all geographies said they had comprehensive coverage for any of the risks analyzed as part of the *WIR 2019*.

Figure 4. Business customers' perspectives on emerging risks (%), 2019



* The question on policy comprehensiveness was asked only to those business customers who said they were aware of coverage for emerging risks in existing policies. The numbers, however, denote business customers with comprehensive coverage out of a total number of business respondents.

Source: Cargemini Financial Services Analysis, 2019; Cargemini Voice of the Customer Survey, 2019.

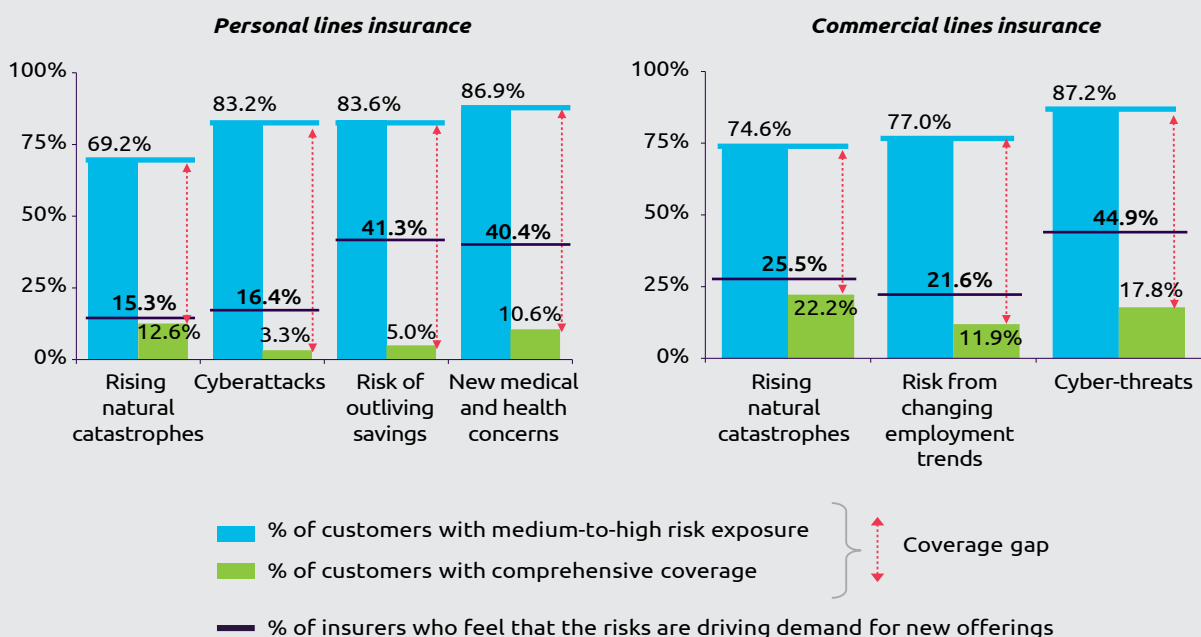
Insurers' product pipelines lack alignment with customers' growing concern over emerging risks

Today's evolving risk landscape is filled with unknowns that make the continuous examination of product portfolios critical to ensure relevance with what customers want and what the market demands. Customers across the globe are saying they want better coverage. However, as reported within our Voice of the Customer (VoC) Survey, less than a quarter of business customers believe their coverage is comprehensive; and for personal lines, less than 15% say their protection is adequate.

Clearly, a coverage gap exists, but is it top of mind for insurers?

Not exactly. Less than 45% of insurance executives surveyed for the *WIR 2019* acknowledged that life and health-related risks are driving demand for new products, and less than 20% recognized the demand impact around personal property risks. Although alignment in the commercial space was somewhat better, a significant coverage gap remains (Figure 5).

Figure 5. Emerging risks and demand for new offerings, customers' view vs insurers' view (%), 2019



Source: Capgemini Financial Services Analysis, 2019; *WIR 2019* Executive Interviews, 2019; Capgemini Voice of the Customer Survey, 2019.

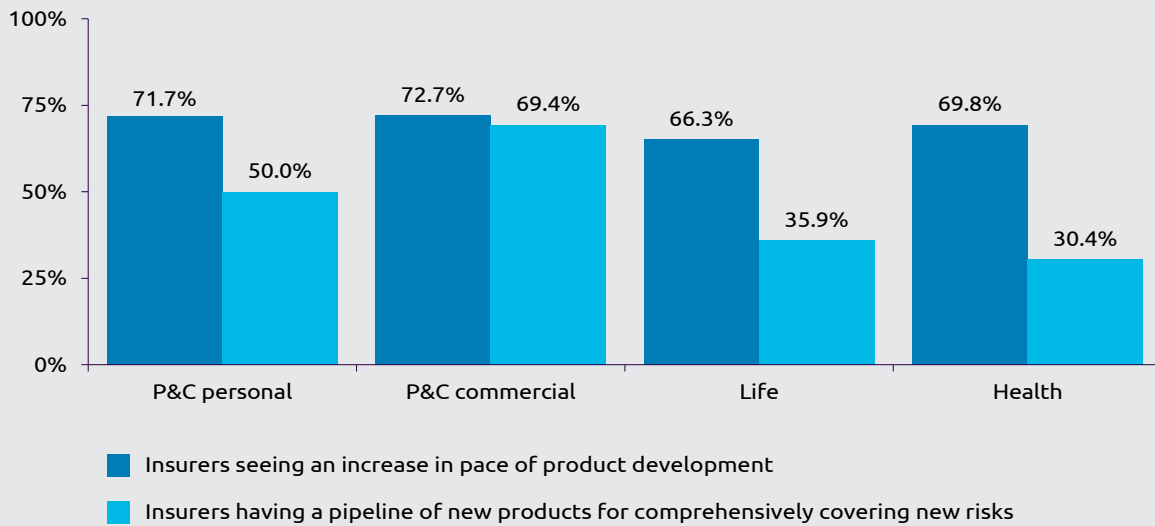
Comprehensive emerging-risk coverage depends on a robust product pipeline

Although the pace of product development is picking up across business lines, not all firms support a proactive pipeline filled with products that cover emerging risks comprehensively. Less than 40% of life and health insurers have built a robust pipeline that caters to new demands (Figure 6). P&C insurers appear to be doing better in developing products that can provide

relatively comprehensive coverage from evolving and emerging risks.

Until now, insurers have struggled to adapt their product pipelines to meet new customer needs. Constraints posed by legacy technology must be overcome to build increased agility into firms' operations. Aging legacy systems impede integration with both internal and third-party systems while making duplication and redundancy rife.

Figure 6. Pace of product development and pipeline of new products for comprehensive coverage (%), 2019



Questions: 1) In light of the evolving risk landscape, has the pace of product development changed in your organization (yes/no)?

2) Rate the progress of your organization when it comes to implementing the following initiatives to acquire key capabilities to manage the evolving risk scenario. Rate each initiative from 1–4, where 1 = Your firm has already started the initiative, 2 = Your firm is planning to start the initiative in the short-to-medium term (3–5 years), 3 = Your firm is planning to start the initiative in the long term (beyond 5 years), 4 = Your firm is not planning to implement this initiative; Only answer 1 is shown in the chart.

Source: Capgemini Financial Services Analysis, 2019; WIR 2019 Executive Interviews, 2019; Capgemini Voice of the Customer Survey, 2019.



For an insurer to be truly customer centric, it is important to develop core systems that are actually based on customer view and not focused only on policies.”

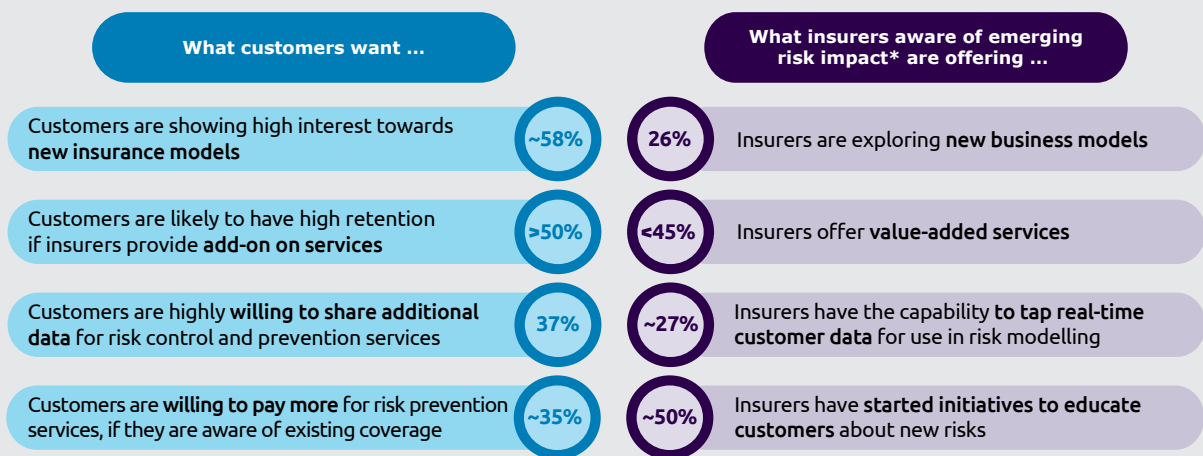
— Pierluigi Verderosa

General Manager, BNP Paribas Cardif Italia

In the absence of a strong pipeline for new products, the considerable gap between what customers expect and what they receive demands industry attention. Moreover, the low percentage of firms that recognize

the impact of emerging risks on customer demand and the need for new offerings signals untapped opportunity (Figure 7).

Figure 7. Customers' demands vs insurers' offerings and level of readiness



* Insurers in this chart represent the insurers who have implemented the offering/initiative and recognize that at least one emerging risk is creating demand for new offerings.

Source: Capgemini Financial Services Analysis, 2019; WIR 2019 Executive Interviews, 2019; Capgemini Voice of the Customer Survey, 2019.



The changing environment has created the need for new and innovative products and the insurer rolling out the right product at the right time has the first-mover advantage over competitors."

— Arif Syed

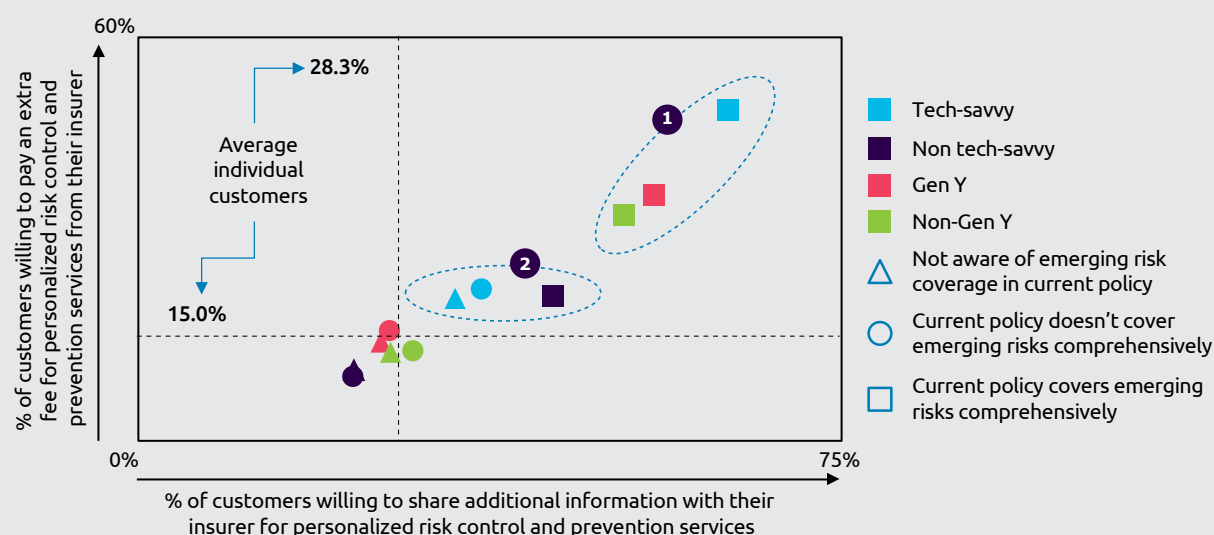
CTO (Senior Vice President – Technology),
Bharti AXA General Insurance Company Limited

Customers are increasingly willing to share data and pay extra for better risk prevention services

While 28% of overall individual customers say they are highly amenable to sharing additional data, only 15% are willing to pay an additional fee. However, some slightly varied preferences exist among customer segments for individual policyholders (Figure 8).

It is interesting to note that individual customers with comprehensive coverage are quite willing to share additional data and pay for personalized services. Tech-savvy customers are also prepared to share data and pay for risk control and prevention services.³

Figure 8. Willingness to share additional data for risk control and prevention services vs willingness to pay for these services, individual customers (%), 2019



Source: Capgemini Financial Services Analysis, 2019; Capgemini Voice of the Customer Survey, 2019.

These customer segments are ready to collaborate more with their insurers to gain personalized and flexible offerings and value-added services. Furthermore, there seems to be a positive correlation between customers' risk and policy coverage awareness with their willingness to share data and pay more, which underscores the importance of educating policyholders about their risk exposures and policy coverages.

Business customers are decidedly willing to collaborate closely with insurers (45%) to receive more personalized

services and to better control risk exposures (Figure 9). They are also more amenable to paying extra fees (36%) for these services as compared with individual customers.

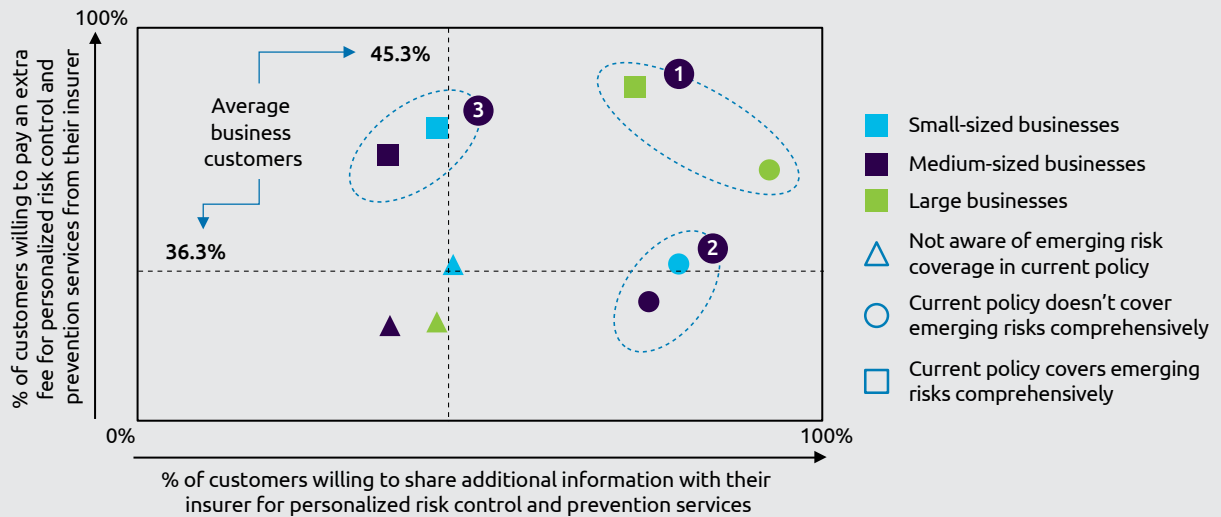
An analysis reveals that business customers' awareness of their existing policy coverage for emerging risks translates to their willingness to share data or pay additional fees for personalized risk-control services.

Customers in the first group (i.e., large businesses that are aware of emerging risk coverage in their existing

³ In the context of this report:

- Gen Y customers are categorized as individuals aged 18 to 37, while Non-Gen Y represents customers aged 38 and older; these groups are Mutually Exclusive and Collectively Exhaustive (MECE).
- Customers who 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.

Figure 9. Willingness to share additional data for risk control and prevention services vs willingness to pay for these services, business customers (%), 2019



Source: Capgemini Financial Services Analysis, 2019; Capgemini Voice of the Customer Survey, 2019.

policies) are more willing to share data and pay additional fees for risk-control and prevention services. Customers in the second group (small and medium-sized businesses with plans that don't cover emerging risks comprehensively) are highly willing to share additional data with their insurers to gain more personalized services. Meanwhile, customers in the third group (small and medium-sized businesses with comprehensive coverage for emerging risks) are more willing to pay for personalized, value-added services to control exposures.

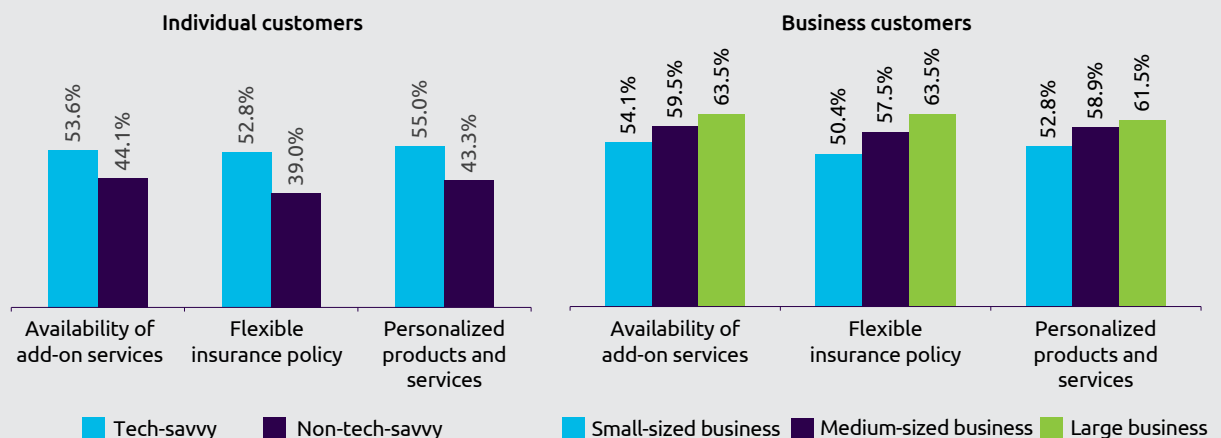
Simply stated, a clear opportunity exists for insurers to improve collaboration with customers – both

individual and commercial – by increasing their awareness of emerging risks and policy coverage.

Moreover, add-on services, personalization, and policy flexibility are beginning to power customer loyalty and stickiness. What's more, these factors profoundly influence nearly half of policyholder decisions to continue with their insurers. More so for tech-savvy individuals and large businesses (Figure 10).

What does it all mean? Insurers that provide value-added risk-control and prevention services may improve their ability to manage emerging risks while meeting customer expectations more effectively – and that can mitigate churn.

Figure 10. Influence of add-on services, personalization, and flexibility on customers' decision to stay with their insurer, individual and business customers (%), 2019



Source: Capgemini Financial Services Analysis, 2019; Capgemini Voice of the Customer Survey, 2019.

Value-added risk-prevention services and new business models offer insurers an opportunity for innovation and profit when supported by critical capabilities

Policyholders, particularly business customers, are increasingly enthusiastic about new insurance models (Figure 11). Innovative models can help insurers cover new risk scenarios sustainably and profitably to manage the changing risk landscape.

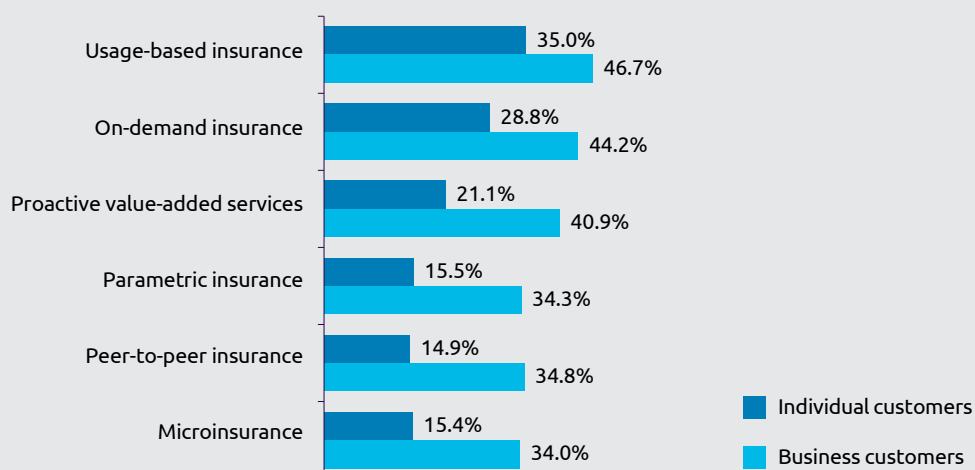
On-demand insurance enables offerings for previously uncovered risk scenarios, such as those arising from the sharing economy. For example, UK-based insurer Legal & General partnered with Slice Labs, a New York-based InsurTech, to use the latter's Insurance Cloud Services (ICS) platform to provide on-demand, pay-per-use homeshare coverage.⁴

Similarly, parametric insurance models can deliver sustainable coverage in the face of changing climate conditions. These index-based solutions cover the probability of a predefined event happening instead of indemnifying actual loss incurred.

Earlier this year, Swiss Re Corporate Solutions launched parametric insurance product FLOW to help European businesses protect themselves against business interruption losses or increased costs caused by high or low river levels. An index-based product, FLOW pays out a fixed amount based on each day the river level index remains below or above the level agreed to within the coverage. The Swiss Re index formula references water levels at various river gauges across Europe and the United Kingdom and tracks water level business exposure related to revenues and costs.⁵

Similarly, AXA has launched a dedicated entity AXA Global Parametrics to explore index-based solutions for providing better coverage for natural catastrophes and weather-related incidents. (Refer to the case study on the next page.)

Figure 11. Customers' interest in new insurance models, individual and business customers (%), 2019



Source: Capgemini Financial Services Analysis, 2019; Capgemini Voice of the Customer Survey, 2019.

⁴ *Insurance Business Magazine*, "Legal & General pioneers use of Slice ICS in the UK," Terry Gangcuangco, December 14, 2018, <https://www.insurancebusinessmag.com/uk/news/technology/legal-and-general-pioneers-use-of-slice-ics-in-the-uk-118910.aspx>

⁵ *Business Insurance*, "Swiss Re offers parametric coverage for water-level risks," Claire Wilkinson, January 9, 2019, <https://www.businessinsurance.com/article/20190109/NEWS06/912326059/Swiss-Re-offers-parametric-coverage-for-water-level-risks>

Parametric insurance offers immediate protection against climate risks

French multinational insurer AXA launched AXA Global Parametrics in 2014 to provide innovative coverage against climate risks – natural catastrophes. AXA Global Parametrics offers automated insurance for which the payout is automatically triggered once the criteria are met, with no need for claim adjusters to intervene. Both the payout amount and criteria are pre-agreed between the insurer and the insured. The key benefits for the client are speed, transparency, and personalization. Today, AXA Global Parametrics is active in more than 40 countries over five continents, according to firm reports.

Challenge: From agriculture to construction, gas and electricity to tourism and leisure – climate change and weather-related incidents affect 80% of economic sectors. Natural disasters caused about \$340 billion in damage across the world in 2017, according to one estimate, and insurers paid out a record \$138 billion.⁶ In the United States in 2017, insurance spending made up about 11% of the GDP.⁷ When it comes to covering natural catastrophes, traditional insurance products are at a disadvantage because of long waiting times for claims payments, disputes about payment amounts, and high costs for both customers and insurers.⁸

Example of “Wildfire by AXA”: The product “Wildfire by AXA” is a good illustration of how parametric insurance can solve inefficiencies and pain points of traditional insurance. Wildfire by AXA is a highly-customized product that lets customers define the parameters of their coverage, including the property area covered, the value of each affected zone, and total payout. Based on these specifications and historical satellite image data, AXA Global Parametrics calculates the customer’s premium. The solution leverages NASA or Copernicus real-time satellite images to detect areas affected by fire, and once the pre-defined threshold is reached, a payout is triggered. Throughout the wildfire

risk period, the insured can access the monitoring interface and view open-source satellite images used.

How are parametric solutions designed? AXA Global Parametrics uses more than 40 weather parameters that measure climate exposures to create insurance coverage. The technical challenge lies in correctly correlating an index with historical losses, to limit the basis risk and thus the deductible for the client. To perform such correlation, AXA Global Parametrics combines significant claims experience and history (thanks to AXA Group membership) and the latest technologies including deep learning, IoT, space data analytics, satellite imagery, and weather station data. Parametric coverage is tailored to meet each client’s particular circumstances and needs, so the AXA Global Parametrics’ process is interactive. Specialists in statistics and applied mathematics, climatology and meteorology, engineering, and finance make up the multi-functional solutions team.⁹

Results: AXA Global Parametrics reported fivefold benefits from its parametric insurance product. The process is objective because index values are based on third-party data and payouts are automatically triggered when pre-agreed threshold levels are exceeded. Compared to traditional indemnity insurance, payouts happen more quickly, which enhances customers’ claims process experience. Products can be customized specifically to a client’s strategic objectives, risk appetite, and budget. With its reliance on global satellites, the product is available globally. Parametric solutions are cost-efficient because they don’t require a lengthy claims resolution process. FERMA and Commercial Risk Europe honored AXA Global Parametrics as the 2018 “Claims Innovation of the Year” at the European Risk Management Awards.

Source: Capgemini Financial Services Analysis, 2019, *WIR 2019* Executive Interviews.

⁶ CNBC, “The \$5 trillion global insurance industry’s natural disaster problem,” Charlotte Morabito, March 15, 2019, <https://www.cnbc.com/2019/03/15/climate-change-natural-disasters-pg-e-insurance.html>

⁷ Ibid.

⁸ AXA Global Parametrics presentation, “Wildfire by AXA,” February 2019.

⁹ AXA website, “Let’s Talk: AXA Global Parametrics,” Karina Whalley, January 14, 2019, <https://axaxl.com/fast-fast-forward/articles/lets-talk-axa-global-parametrics>



AXA launched a parametrics offer only four years ago that focuses on climate risks. Yet, potential business with this operating model is massive. Cybersecurity, health, and mobility are also growth areas for AXA Group.”

— **Antoine Denoix**, CEO, AXA Global Parametrics

Emerging risks may profoundly impact insurance customers – and most current policies don't adequately cover these risks, leading to a coverage gap in the market. As noted in *WIR 2017*, customers continue to demand convenience, agility, and personalization, and more and more customers now expect a proactive risk-control and prevention approach from insurers. While insurers may choose traditional methods to manage challenges posed by emerging threats, it goes without saying that new models and advanced technological tools and techniques can fuel agility and efficiency.

Conventional methods and processes – as well as a risk-averse culture reluctant to explore disruptive models – can stymie insurer attempts to structure new customer-centric offerings. Apart from these challenges, insurers often do not have clear visibility on ROI or the advanced data handling capabilities required to make investments in disruptive innovations. Insurers need a change-management strategy, strong leadership support, a clear vision for change, and seamless communication across the organization to effectively and dynamically respond to today's evolving risk landscape. The firm must ingrain the concept of change within the culture and should be able to reimagine its business and operating models to align with customer perspectives to truly achieve agility and speed.

Within the evolving-risk universe, what capabilities do insurers need?

The insurance industry has reached a critical point and must now decide *which capabilities* to develop and *how*. The challenges posed by emerging risks highlight a clear need for the insurance industry to move beyond sustaining innovation to a disruptive innovation

approach in the form of new or refactored products to address the new risk landscape. The *World Insurance Report 2019* explores key capabilities and insurers' status in implementing evolving-risk initiatives (Figure 12). The findings point to building agility as a top priority for insurers in the new environment, to have a robust foundation for developing advanced risk management capabilities. Digital agility is also essential to meet today's market forces effectively while building resilient, flexible operating models that ensure readiness for the future.

Continuous assessment of the evolving risk landscape

It is critical for insurers to monitor and evaluate issues that are transforming the risk landscape for both the industry and customers.

Ad-hoc assessment is the approach preferred by surveyed insurers for assessing the risk landscape, followed by setting up a cross-functional team and hiring specialized risk professionals and external consultants. This approach may be cost-effective and offer quick, short-term benefits. However, to gain in-depth knowledge of the risk landscape and to strategically plan their product pipeline, insurers must shift to more continuous and real-time risk assessment.

Scanning market dynamics

Insurers are leveraging cross-functional R&D teams and new data sources to stay abreast of customer demands and technology trends. In addition to government and other third-party databases, firms are also accessing customers' digital footprints such as social media activities and shopping-behavior data, which can provide critical insights into their expectations as well as potentially risky behavior.

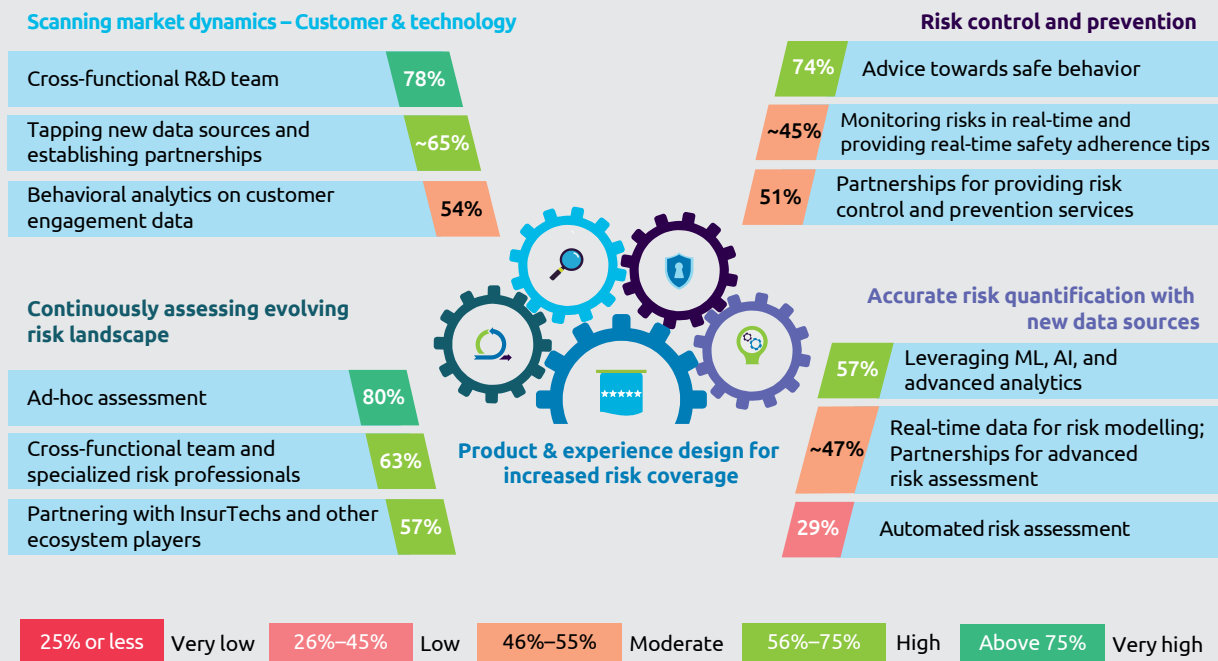


We can't approach technology as the solution to every problem. The right controls and processes need to be in place to realize the efficiencies for the insurer and the improved experience for the customer."

— Chris Smith

EVP and Head of Global Operations, MetLife

Figure 12. Implementation of key capabilities by insurance firms (%), 2019



Question: Rate the progress of your organization when it comes to implementing the following initiatives to acquire key capabilities to manage the evolving risk scenario. Rate each initiative from 1–4, where 1 = Your firm has already started the initiative, 2 = Your firm is planning to start the initiative in the short-to-medium term (3–5 years), 3 = Your firm is planning to start the initiative in the long term (beyond 5 years), 4 = Your firm is not planning to implement this initiative; Only answer 1 is shown in the chart.

Source: Capgemini Financial Services Analysis, 2019; WIR 2019 Executive Interviews, 2019.

Although the use of behavioral analytics has yet to catch on broadly, some insurers are examining consumer engagement data to identify customer behavior and preferences. For example, New York-based insurance broker Marsh announced plans last year to implement a platform from London-based InsurTech Concirrus to drive the use of behavioral data in the global marine market.¹⁰

Risk control and prevention

The preferred risk control and prevention approach by surveyed insurers is to provide customers with safe-behavior advice. Customer education that explains risk, risk coverage offered, and safety behavior can minimize loss incidents. As our VoC survey indicates,

customers who understand their policy coverage details are more willing to share personal data or pay additional fees for personalized risk-control services.

Real-time safety adherence apps/advice can be a significant value-add to customers. For example, Electric Insurance Company, a firm in metro Boston, tracks customer behavior behind the wheel using a mobile app and provides customized tips to improve driving safety and efficiency.¹¹

Customers who receive add-on services are more likely to stay with their insurer. Around half of the customers polled said they would likely remain with a firm if they receive add-on services. However, only 45% of insurers have initiated real-time safety adherence apps/advice.

¹⁰ Concirrus press release, "Concirrus announces agreement with Marsh to introduce behavioural analytics into the global marine market," October 23, 2018, <https://www.concirrus.com/blog/2018/concirrus-announces-agreement-with-marsh-to-introduce-behavioural-analytics-into-the-global-marine-market>

¹¹ Electric Insurance website, Dec 27, 2018, <https://eic.electricinsurance.com/resources/great-driver>

Accurate risk quantification

Machine learning, artificial intelligence, and advanced analytics offer access to structured and unstructured data from various sources and can quantify evolving and emerging risks. More than 55% of insurance firms have implemented these innovative technologies to quantify risks.

However, insurers trail on some critical risk-quantification capabilities. Even though third-party databases and real-time data can help insurers to more accurately quantify more risks – less than half of firms show interest.

Automated risk assessment capability can enhance product speed-to-market and give insurers a competitive edge in underwriting and structuring new offerings. However, less than 30% of insurers interviewed say they are focusing on automated risk assessment.

Accurate and automated risk quantification can speed the rollout of new business model offerings such as usage-based and on-demand insurance. Since

more than 55% of customers indicate high interest in new insurance business models, automated risk quantification can be a critical future-proofing business tool.

Generally speaking, today's insurers are actively building capabilities to monitor risk and to understand customer expectations and the technology landscape. However, fewer insurers show the same enthusiasm when it comes to risk quantification or prevention initiatives, which is stalling the launch of new offerings that effectively could close the coverage gap perceived by customers.

Insurers must build relevant tools and techniques for growing capabilities around risk quantification, risk control, and prevention. At the same time, they should strengthen skills in risk assessment and in capturing customer expectations. Critical to this process are tools and techniques that: enable frequent, meaningful engagement with customers, capture data from a variety of sources, and allow intelligent systems processing and seamless integration with other ecosystem stakeholders.



Process automation remains critical for insurance companies. Intelligent process automation brings efficiency to our internal operations and maximizes our peoples' potential to focus on our customers."

— Kenji Naruse

Chief Claims Officer, Zurich Insurance Company Ltd

Partnerships with InsurTechs and other ecosystem players

One important avenue that some insurers are exploring to build the capabilities outlined above is InsurTech or other ecosystem partnerships.

Several InsurTech firms offer risk-assessment capabilities that can reveal deep insights into the evolving risk scenario, such as startup Adapt Ready, which has developed climate intelligence software that signals how extreme weather and climate could impact business, using purely external data.¹²

InsurTechs also are launching products that feature comprehensive coverage of evolving and emerging risks. Last year, REIN – a startup that covers risks posed by robotics, mobility, and online ecosystems – launched a digital portal that offers on-demand insurance for commercial drone operators.¹³

Some insurers are collaborating with InsurTechs and other ecosystem players to assess the risk scenario and provide new offerings. InShared, an online

insurance initiative from Achmea, automated its risk assessment process through a partnership with FRISS, a Netherlands-based specialist in analytics software for fraud, risk, and compliance.¹⁴

Munich Re America launched a tool last year to analyze historical loss data and help fleet owners boost safety and reduce collisions. Munich Re America partners with telematics and crash avoidance experts to offer fleet owners potential solutions.¹⁵

More than half of the insurers interviewed for the *WIR 2019* said they are partnering with InsurTech firms or other ecosystem players to provide risk control and prevention services; and for risk quantification, it was close to 50% of those polled.

To learn more about the expertise of InsurTech firms, insurers can engage via platforms, such as accelerators/incubators and hackathons.



The pace of product development is changing, especially in the areas of risk and health, which is pushing us to work more actively with external partners for developing new products."

— Pia Marions
CFO, Skandia



Strong partnerships with customers, regulators, technology companies, and startups are essential to rapidly test and learn about possible new offerings. This flexibility is what will enable us to build products to meet our customers' needs and adapt to changes over time."

— Chris Smith
EVP and Head of Global Operations, MetLife

¹² Adapt Ready website, "Product," <https://adaptready.com/product>, accessed March 2019.

¹³ Insurance Business Magazine, "REIN launches online portal for commercial drone insurance," Lyle Adriano, June 29, 2018, <https://www.insurancebusinessmag.com/us/news/technology/rein-launches-online-portal-for-commercial-drone-insurance-104757.aspx>

¹⁴ FRISS website, "Customer Story: InShared – How do you build a profitable portfolio as a 100% online insurer?" <https://www.friss.com/customer-story/inshared>, accessed March 2019.

¹⁵ Steve Anderson website, "The MunichRE LossDetect™ Tool Helps Reduce Collisions for Auto Fleets," November 1, 2018, <https://steveanderson.com/2018/11/01/the-munichre-lossdetect-tool-helps-reduce-collisions-for-auto-fleets>

Life insurer and health tech firm collaborate to offer a product to detect and inhibit dementia

Tokyo-based Dai-ichi Life (Japan's second-largest insurance company) partnered in late 2018 with Neurotrack Technologies, an early-stage Silicon Valley health tech firm, to respond to the growing instances of Alzheimer's disease and dementia in Japan.

Challenge: With a fifth of Japan's population aged 70 years or older, geriatric and end-of-life health concerns are top of mind for both caregivers and life insurers. Dai-ichi saw the value in Neurotrack's five-minute cognitive function test that tracks eye movement and is aimed at early detection and inhibition; and believed it could be a fit within its dementia insurance product.

Innovative solution: Via Dai-ichi's dementia prevention app, the Neurotrack test leverages artificial intelligence to check the state of a policyholder's brain and cognitive function for early detection and prevention of dementia. The product offers additional valuable services – even after symptoms are detected

and advancing towards dementia. In the event of an emergency, a family member can send security company personnel to visit the insurance customer's home. Agency services also are available to enable families to obtain medical certificates from medical institutions as well as policy riders to claim insurance on the customer's behalf.

Results: The Dai-ichi/Neurotrack partnership has been in place for only a few months. However, company executives believe the app and newly-enhanced dementia insurance product will help to hold cognitive decline at bay as the app-based assessment test provides useful scores to evaluate memory health – making it possible for anyone in the Dai-ichi family to begin tracking and monitoring brain health over time.¹⁶

Source: Capgemini Financial Services Analysis, 2019, *WIR 2019* Executive Interviews.

Japan insurer offers auto policyholders an all-in-one system for driver safety support and rescue

Tokio Marine & Nichido Fire Insurance Company (TMNF) is a property/casualty subsidiary of the largest non-mutual private insurance group in Japan.

Challenge: A crash can be the most critical moment in the relationship between an auto insurer and policyholder. In its effort to always be there for its customers, TMNF sought a way to reduce accidents by using cutting-edge technologies such as IoT and artificial intelligence.

Innovative solution: TMNF developed an all-in-one, connected IoT device with two cameras, GPS, G-sensor and 4G wireless connection. The device allows TMNF to offer a range of risk-prevention services such as warnings when drivers are approaching spots known for frequent accidents, driving-too-close alerts, inclement weather updates, and post-trip driver safety

feedback. If an accident does occur, the device urges the customer to access TMNF with a push of a button. Customer information, location, and recorded video are automatically transmitted. If an injury prevents the policyholder from responding, a TMNF call center representative checks in and summons an ambulance as required. The device integrates functions ranging from accident prevention to safe driving alerts, drive-scene and accident reporting, to drive history reports.

Results: Within a year of its 2017 launch, TMNF distributed 100,000 devices to policyholders, handled more than 200 accident reports (23 critical), and is garnering enthusiastic interest among current and potential automotive insurance customers.

Source: Capgemini Financial Services Analysis, 2019, Efma Database, accessed December 2018.

¹⁶ Neurotrack website, "A Match Made in Cognitive Health Heaven: Neurotrack & Dai-ichi Life Join Forces," Deborah Copaken, December 13, 2018, <http://blog.neurotrack.com/a-match-made-in-cognitive-health-heaven-neurotrack-dai-ichi-life-join-forces>

Success pillars for today's dynamic risk environment

Customer centricity, intelligent back-end systems, and the ability to seamlessly integrate with other ecosystem players can strengthen insurers' success potential within today's dynamic risk environment. Let's explore essential tools and techniques as well as their implementation across the industry (Figure 13).

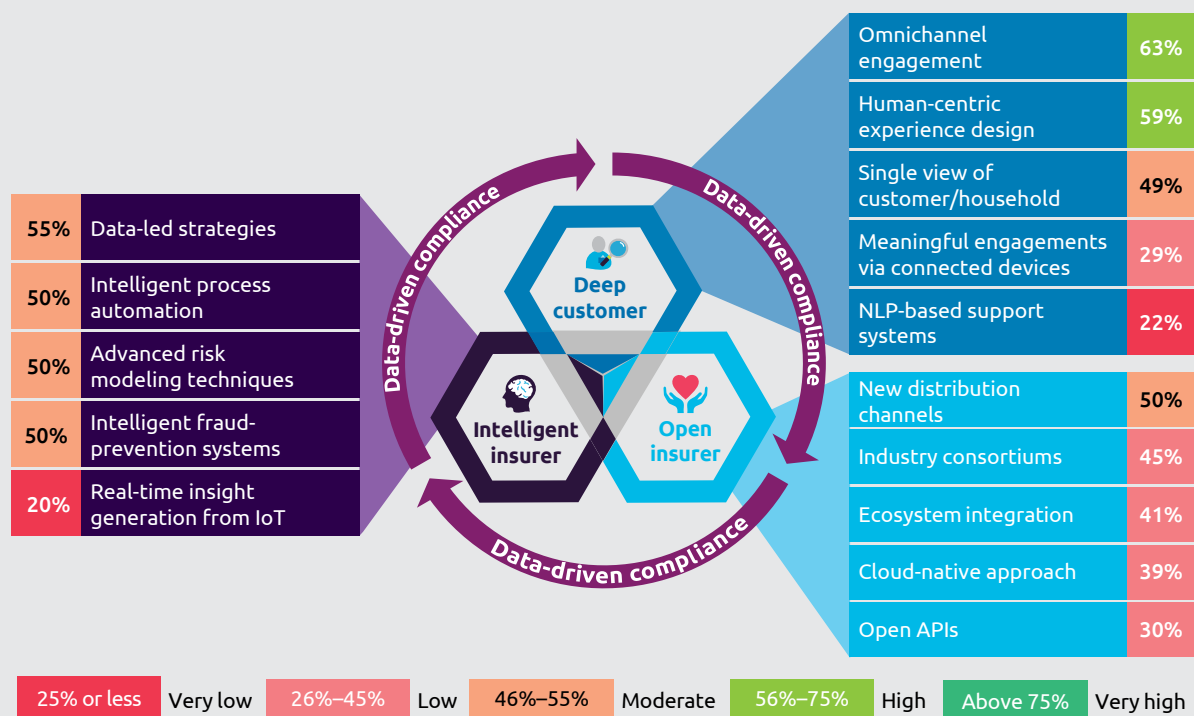
Insurers revamp front-end interfaces, however, back-end support stalls

Insurance firms focus on technologies such as human-centric experience design and omnichannel

engagement to modernize their interface with customers. However, back-end system enhancements are also critical when it comes to building capabilities necessary to structure new offerings.

Surprisingly, single view of customer/household data (a 360-degree view) has yet to be broadly adopted. Data-led strategies can help insurers incorporate insights from data streams such as social media to make strategic and tactical decisions including structuring new offerings or retrofitting existing products. When customers are increasingly willing to share additional data, insurers must build their capabilities in data analysis for matching their expectations.

Figure 13. Implementation of technology tools and techniques by insurance firms (%), 2019



Question: Please indicate at which stage your organization is when it comes to using the following tools and techniques to develop deep customer, intelligent insurer, and open insurer competencies. Use a scale of 1-4 in which 1 = Ideation, 2 = Use-case testing, 3 = Running pilot project, 4 = Implementation; Only answer 4 is shown in the chart.

Source: Capgemini Financial Services Analysis, 2019; WIR 2019 Executive Interviews, 2019.



Advanced analytics tools and data-led strategies are very important to get a sense of what is happening with the customer base. Online insurers, especially, cannot do without this."

— Nelson Cheng

CTO, Blue – Aviva Life Insurance Company Limited

Munich Re enhanced its data engineering and data analytics capabilities to better respond to calamitous events. The firm leverages AI-based image classification algorithms to assess damage severity, automate loss estimation, and prioritize and accelerate claim payouts.¹⁷

Advanced analytics and AI-based tools and techniques can allow insurers to price risk in real time with little historical data. Firms can automate their core processes – quote generation, underwriting, and claims processing – using artificial intelligence and machine learning techniques to meet the demand for personalized services.

Except to explore new distribution channels, few insurers seem prepared to connect with other ecosystem players by adopting tools and techniques such as open APIs, ecosystem integration, or industry consortia.

When integrating new offerings from InsurTech firms or other third-party services, open APIs can speed time to market.

Seamless connection with customers and other ecosystem partners is necessary for efficient systemwide information flow. Unfortunately, a lack of standardized solutions across industry players can present challenges. Within a consortium, however, insurers and stakeholders work together to develop a harmonized solution, aimed at garnering wider acceptance.

Startup B3i Services (initially formed as B3i consortium) focuses on distributed ledger technology use across the insurance value chain. B3i provides blockchain platform insurance solutions that offer opportunities for efficiency, growth, and quality for all participants, as well as end customers. B3i founding members include Achmea, Aegon, Ageas, Allianz, Generali, Hanover Re, Liberty Mutual, Munich Re, SCOR, Swiss Re, Tokio Marine, XL Catlin, and Zurich Insurance Group.¹⁸

A cloud-native approach enables insurers to deliver new products quickly while also ensuring service availability and scalability.

Liberty Mutual leveraged an open-source, cloud-native platform to modernize and transform its core legacy applications. The insurer says the move allows simultaneous engagement in multiple projects and offers flexibility to focus on top-performing products. The cloud-native platform has reduced Liberty Mutual's organizational silos and improved speed to market.¹⁹

Real-time capabilities can help to close product development gaps

Real-time data capture, insight generation, and customer interaction enable insurers to provide new products and value-added services while offering immediate loss control and prevention. GuideOne Insurance, one of the largest church insurers in the United States, proactively partnered with Roost to leverage the home telematics provider's smart water leak and freeze detectors. Roost sensors alert customers (via mobile app) about leaks as well as humidity and freezing temperatures.²⁰

¹⁷ *Forbes*, "Munich Re: How Data and AI Reduce Risk from Global Calamities," Randy Bean, November 4, 2018, <https://www.forbes.com/sites/ciocentral/2018/11/04/munich-re-how-data-and-ai-reduce-risk-from-global-calamities/#4b7878db46f8>

¹⁸ B3i website, <https://b3i.tech/home.html>, accessed March 2019.

¹⁹ Pivotal case study: Liberty Mutual, "Developing the Technology to Keep Up with Evolving Risk Models," <https://pivotal.io/customers/liberty-mutual>, accessed March 2019.



Throughout the life cycle of a motor insurance claim, we interact with customers and a variety of stakeholders such as road services, repair shops, and other parties. These stakeholders also interact with multiple insurance firms. In such a world, ecosystem integration is becoming essential. An industry-wide initiative or a group of visionary firms have to take the lead in building an ecosystem to make our customers' life easier."

— Kenji Naruse

Chief Claims Officer, Zurich Insurance Company Ltd

Industry alarm bells should be sounding, however, because many insurers are not actively adopting tools and techniques required to perform real-time data capture (engagements via connected devices), real-time insight generation (through IoT), and real-time customer interaction and seamless support (via text mining or natural language processing-based support systems).

The three key pillars – customer centricity, intelligent insurer, and open insurer are interrelated, and cannot operate at full potential without the support of other tools and techniques. Real-time data management abilities are especially critical for effectively managing the evolving risk scenario. For insurers to reap results, they need a synergistic approach to the implementation of these tools and techniques.



Tools and technologies that help insurers understand customer needs are critical to meaningful engagement and success – whether a firm sells directly to individuals or through intermediaries.”

– Thomas Barth-Schaetzlein

Head of Multichannel Management,
Württembergische Versicherung AG

²⁰ GuideOne Insurance press release, “GuideOne launches commercial property insurance deployment with roost telematics sensors,” February 13, 2018, <https://www.guideone.com/about-guideone/newsroom/guideone-launches-commercial-property-insurance-deployment-roost-telematics>



It is important to build seamless and straight-through integration between digital assets and core systems, to avoid smoke and mirrors.”

– Ritesh Sarda

Chief Information Officer, Sun Life Hong Kong



Digital platform enables insurer to manage evolving risk, and demands from tech-savvy customers

Blue is a joint venture between British insurer Aviva plc. (“Aviva”), Asia-based investment management firm Hillhouse Capital (“Hillhouse”), and Chinese internet giant Tencent Holdings Limited (“Tencent”). Launched in 2018 as Hong Kong’s first digital life insurer, Blue currently offers term life, critical illness, and personal accident products, and aims to revolutionize the insurance industry by providing simple, flexible insurance solutions.²¹

Challenge: With technology advancements, consumers increasingly expect convenience and value from their insurers. Also, in Hong Kong, the insurance market is one of Asia’s “largest and fastest growing,” with annual gross insurance premium growth of 20% in 2016.²² Blue looks at these trends as an opportunity to transform and stay relevant to customers.

Innovative solution: With a mission to design insurance solutions with customers and for customers, Blue has brought revolutionary changes to the business and the insurance market in Hong Kong by going purely digital. Combining Aviva’s insurance and digital expertise, Hillhouse’s investment management capabilities as well as Tencent’s technology and reach to customers, Blue delivers a fully digitalized model that directly interfaces and engages with customers. With fewer burdens in infrastructure, Blue’s new platform could leverage data to collect customer insights directly across all touch points.

Implementation: Blue has adopted an agile methodology to create a straight-through insurance journey, employing technologies such as facial recognition, electronic Know Your Customer (e-KYC), real-time anti-money laundering (AML) screening, and data analytics to redefine the customer experience. With a new integrated platform, the company could also harness the power of technology and data to draw customer insights directly and respond in almost real time. Timely data and insights would allow the firm to incorporate continuous updates in the online journey and integrate with agility with external partners in the insurance ecosystem.

Results: Blue’s robust digital backbone would allow it to manage the evolving risk landscape, flexibly innovate, and quickly adapt to meet customer expectations. The firm rolled out three protection products within four months of launch. Its future-proof technology platform enables the insurer to respond to regulatory changes and digital advances swiftly. So far, Blue is well received with more than 100 million online impressions as it captures share within Hong Kong’s nascent digital insurance market.

Source: Capgemini Financial Services Analysis, 2019, *WIR 2019* Executive Interviews.

²¹ *The Digital Insurer*, “Hong Kong’s first pure digital insurance venture, Tencent-backed Blue,” <https://www.the-digital-insurer.com/dia/hong-kongs-first-pure-digital-insurance-venture-tencent-backed-blue>, accessed March 2019.

²² Bankingtech.com. “Aviva turns digital insurance air Blue in Hong Kong,” Henry Vilar, September 14, 2018, <https://www.bankingtech.com/2018/09/aviva-turns-digital-insurance-air-blue-in-hong-kong>

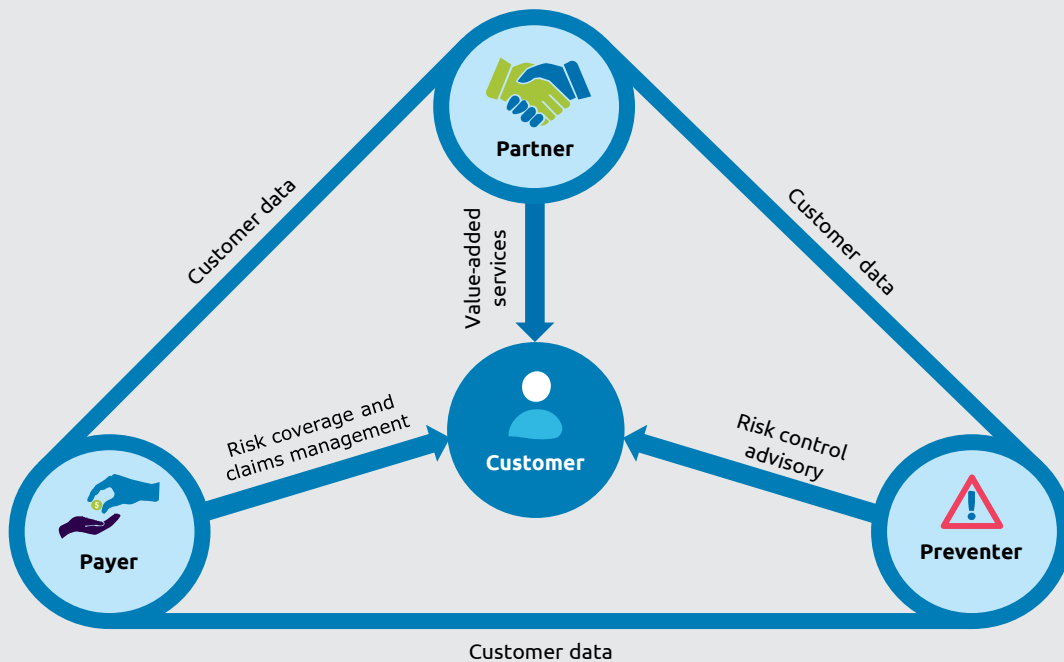
Future insurers will act as a partner through involvement in customers' daily lives, and as a preventer that provides risk-control advice – all while continuing to be a payer that covers potential loss

Technology has far-reaching implications in both altering the insurance risk landscape and in empowering insurers to manage this change. As insurers battle emerging risks about which the full impact is often difficult to accurately quantify, traditional product design methods and customer interactions will no longer suffice. Technology can enable insurers to effectively control emerging risks by taking a more proactive role in customers' risk management.

While continuing to be a **payer**, the insurer of the future will take a holistic approach to customer risk management by also evolving to become both a **partner** and a **preventer** (Figure 14).

This **3P customer engagement model** revolves around participation in policyholders' lives and the subsequent development and delivery of compelling value-added services that are fueled by a real-world understanding of the risks customers typically face.

Figure 14. Insurers' 3P customer engagement model



Source: Capgemini Financial Services Analysis, 2019.



As our relationships evolve and get stronger, we ultimately become a 'partner' with our customers. And that means we accompany both individual and corporate customers through their various growth stages and offer them specialized advice for each situation. We create awareness among customers about risk and work to mitigate it as much as possible."

— José Manuel Inchausti
CEO, MAPFRE IBERIA

AXA Germany introduced its *WayGuard* app to empower users to feel confident and safe when traveling alone. The app connects customers to a 24/7 central security team and enables friends and family to track the user's real-time location through GPS. The app quickly became popular, and AXA claimed a 1,600-per-week registration rate shortly after *WayGuard*'s launch.²³

In partnership with Happify Health and Prevail Health, Cigna will launch new digital platforms to tackle stress, anxiety, and depression. As part of Cigna's Total Behavioral Health program, policyholders will be able to access personalized online support through self-help tools as well as on-demand care from wellness coaches.²⁴

Insurers can assume a preventer role by offering risk-control consulting and advice about how to avert or better manage risks before they occur or to at least reduce the severity of risks through timely action.

Travelers Insurance developed *ZoneCheck*— an online claim-saving tool for construction companies that instantly helps identify potential vibration trouble spots by using geographic and soil mapping. *ZoneCheck* delivers a customized report with recommendations for completing preconstruction surveys and steps for on-the-job monitoring. The tool can help contractors understand the potential risk of property damage from vibration-generating construction activities.²⁵

State Farm's *Drive Safe & Save* app monitors customer driving data with the help of a Bluetooth beacon and offers safe-driving feedback. Safe drivers can earn discounts as part of the program.²⁶

The addition of partner and preventer roles will boost insurer effectiveness as well as payer profitability.

The insurer's role will evolve to include a more significant presence in customers' daily lives and redefinition of the insurer-customer relationship (Figure 15).

²³ Capgemini, *World Insurance Report 2017*, <https://www.capgemini.com/service/world-insurance-report-2017>, accessed January 2019.

²⁴ Cigna website, <https://www.cigna.com/newsroom/news-releases/2018/cigna-further-commitment-to-promote-mental-well-being-by-collaborating-with-happify-health-and-prevail-health-to-offer-new-digital-tools>, accessed January 2019.

²⁵ Travelers website, <https://www.travelers.com/business-insurance/construction/vibration-tool>, accessed January 2019.

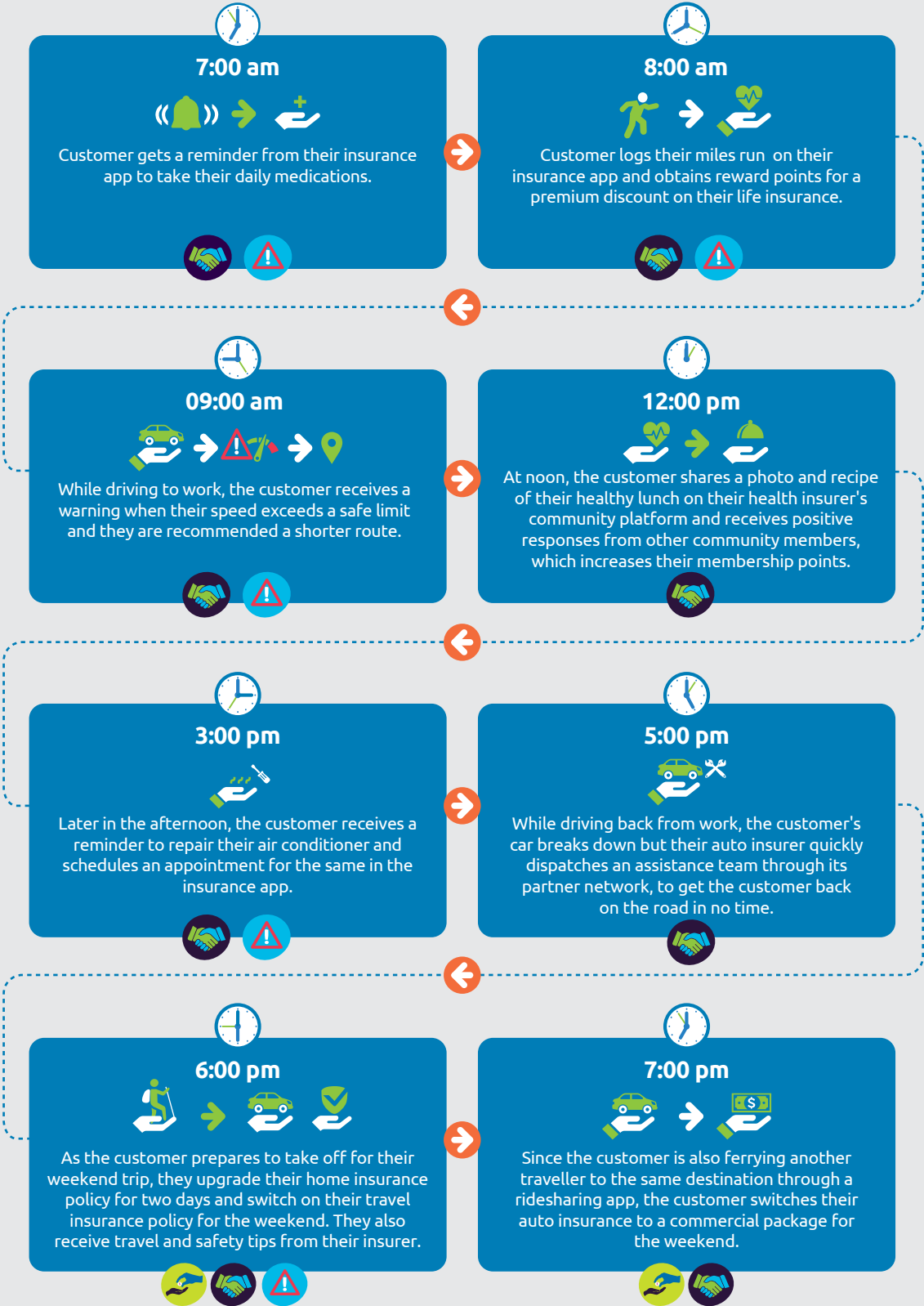
²⁶ State Farm website, <https://www.statefarm.com/customer-care/download-mobile-apps/drive-safe-and-save-mobile>, accessed January 2019.



In the future, insurers will need to become a preventer to strengthen their hold on existing and future customers. Utilizing customer data to its full potential is a key component for insurers to be able to take this role."

— Jesper Andersson
CFO, Folksam

Figure 15. Insurers' evolution to partner, preventer, and payer



Source: Capgemini Financial Services Analysis, 2019.

As insurers increase their presence and participation within the customer risk journey, they can enhance customer service while also financially boosting their business. Real-time data from connected devices and mobile apps give insurers immediate insight into the risks customers face. Therefore, insurers can take a proactive role in risk management by helping policyholders reduce or prevent risks through timely interventions.

More and more standard insurance products are being redefined to reduce risks in customers' lives – versus simply offering coverage – to enable a new level of customer centricity. As the 3P model heightens customer experience and insurers' access to new

markets, it will boost business growth and add revenue streams. Risk control and prevention will drive down claim incidents and lower claim costs to fortify insurer profitability.

The 3P model enables a win-win scenario for customers and insurers as policyholders benefit from greater safety and insurers gain from better customer experience and lower claims costs. By expanding their role to partner and preventer, insurers can achieve the golden mean between growth, customer centricity, and profitability. At the same time, the 3P customer engagement model will help keep high-performing insurance brands top of mind with consumers.



The evolution from payer to partner and preventer is essential for insurance firms in order to avoid destructive price-led competition which results in a poor experience for customers. The challenge for insurers is to do this before the agile InsurTech firms provide those services."

— Andrew Rear

Chief Executive, Digital Partners (Munich Re Group)



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Methodology

Scope and research sources

The *World Insurance Report (WIR) 2019* covers all three broad insurance segments – life, non-life, and health insurance. This year’s report draws on research insights from two primary sources – 2019 Global Insurance Voice of the Customer Survey and 2019 Global Insurance Executive Interviews. Together, these sources cover insights from 28 markets: Australia, Belgium, Brazil, Canada, China, Finland, France, Germany, Greece, Hong Kong, India, Italy, Japan, Mexico, the Netherlands, Norway, Philippines, Poland, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, and the United States.

2019 Global Insurance Voice of the Customer Survey

A global survey of customer behavior toward insurance forms the basis of the twelfth-annual *World Insurance Report*. We polled more than 8,000 insurance customers (personal and commercial lines) in 20 countries as part of our comprehensive Voice of the Customer Survey, administered in January and February 2019, in collaboration with Phronesis. The survey sought to gain deep insight into customer needs and preferences, expectations, and behaviors concerning emerging risks and their insurance transactions. The survey questioned customers on their exposure to emerging risks and how satisfied they were with the coverage for these risks in their existing policies. Participants were also asked questions around factors that influence their decision to choose or stay with their current insurer, their willingness to share data or pay extra fees for proactive services from their insurer, and their interest in adopting new insurance models.

2019 Global Insurance Executive Interviews

The *WIR 2019* also includes insights from focused interviews of over 140 senior insurance executives of leading insurance companies across 23 markets. These markets together represent all the three regions – the Americas (North America and Latin America), EMEA (Europe, Middle East, and Africa), and Asia-Pacific (including Japan).

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