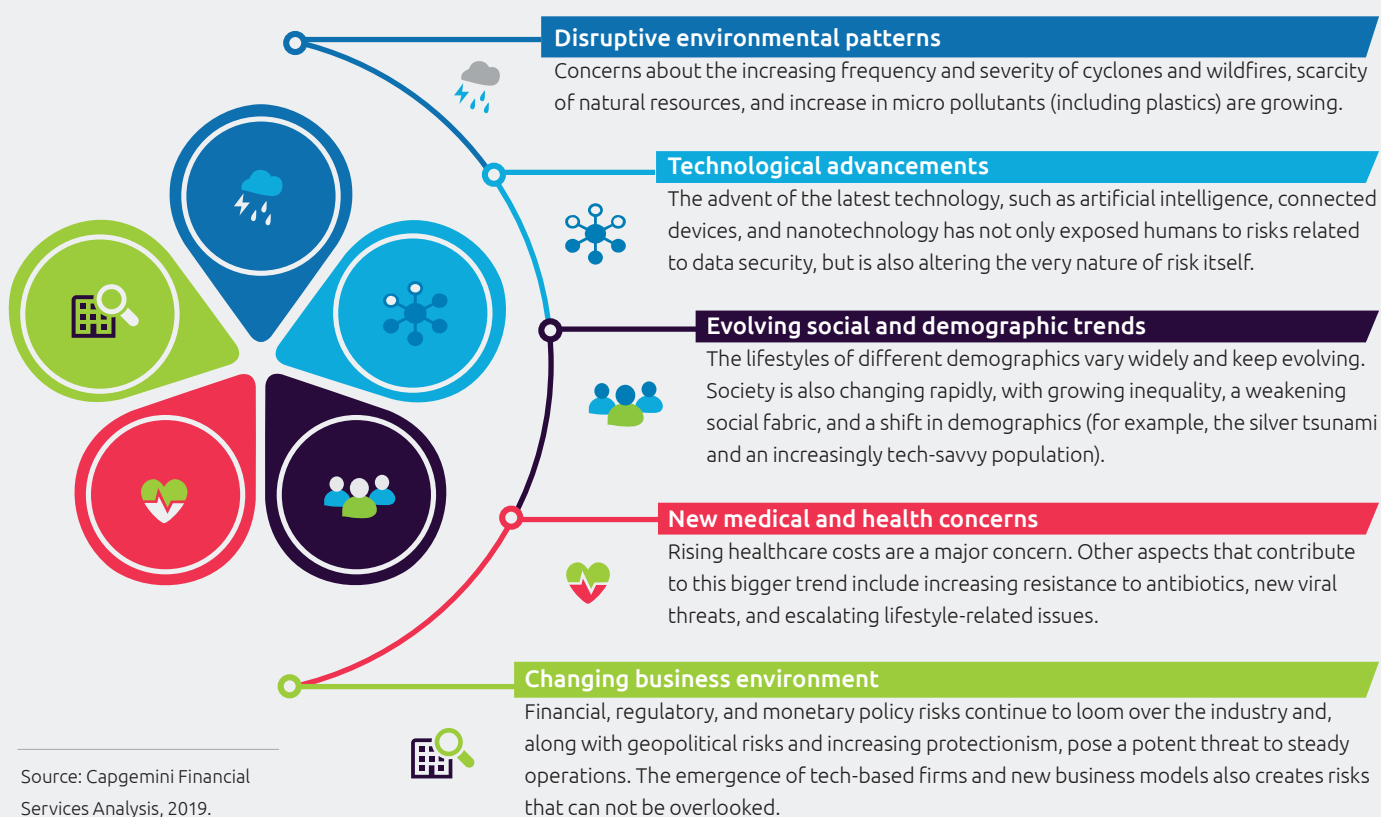


The use of emerging InsurTech to transform the actuarial process

People have been focused on managing risk for millennia, stretching back to China and Babylonia in the 2nd and 3rd centuries BCE.

Today is no different, although the risks have evolved somewhat as described in the Capgemini World Insurance Report, 2019.

Figure 1. Macro trends driving the risk landscape evolution



Customers are changing too, pushing for further customer-centric insurance products and services, such as, on-demand insurance products which bring multiple contexts together, for example location, history, and demographics, to provide a quote for an imminent need (short-term share of a house).

Traditional insurers, many bound by legacy technologies and processes, are seeking new approaches to deal with these changes and this has given rise to the insurance technology (InsurTech) sector.

The InsurTech sector is booming and facilitating a new era of collaboration between challengers and insurance industry incumbents, as evidenced by the World InsurTech Reports of 2018 and 2019, jointly published by Capgemini and Efma.

Examples of insurers significantly reducing claims costs or identifying new customer segments are becoming more prevalent as traditional insurers and InsurTechs combine by leveraging a range of emerging technologies.

The InsurTech report identifies key emerging technologies leveraged by these collaborations.

Blockchain offers features such as efficient information exchange, trust, and smart contracts.

Artificial intelligence can mimic the human capacity to process language and self-learn.

Drones can be used for aerial imagery and allow remote assessment.

Connected ecosystems can help insurers better understand risk profiles and spot issues quickly.



Advanced analytics helps insurers in analyzing data and making better decisions.

Robotics advisors rely on rules and machine learning to handle customer interactions.

Robo advisors rely on rules and machine learning to handle customer interactions.

Wearables can provide near real-time data to the insurers, helping them better manage risks.

Source: Capgemini Financial Services Analysis, 2018

Artificial intelligence and advanced analytics are two areas where significant value has already been delivered. Capgemini is a Platinum Partner of SAS, the industry-leading supplier of artificial intelligence and advanced analytics solutions, with SAS, is investing \$1 billion in artificial intelligence over the next three years.

The Capgemini World Insurance Report 2019 highlights the willingness of customers to share more data in return for

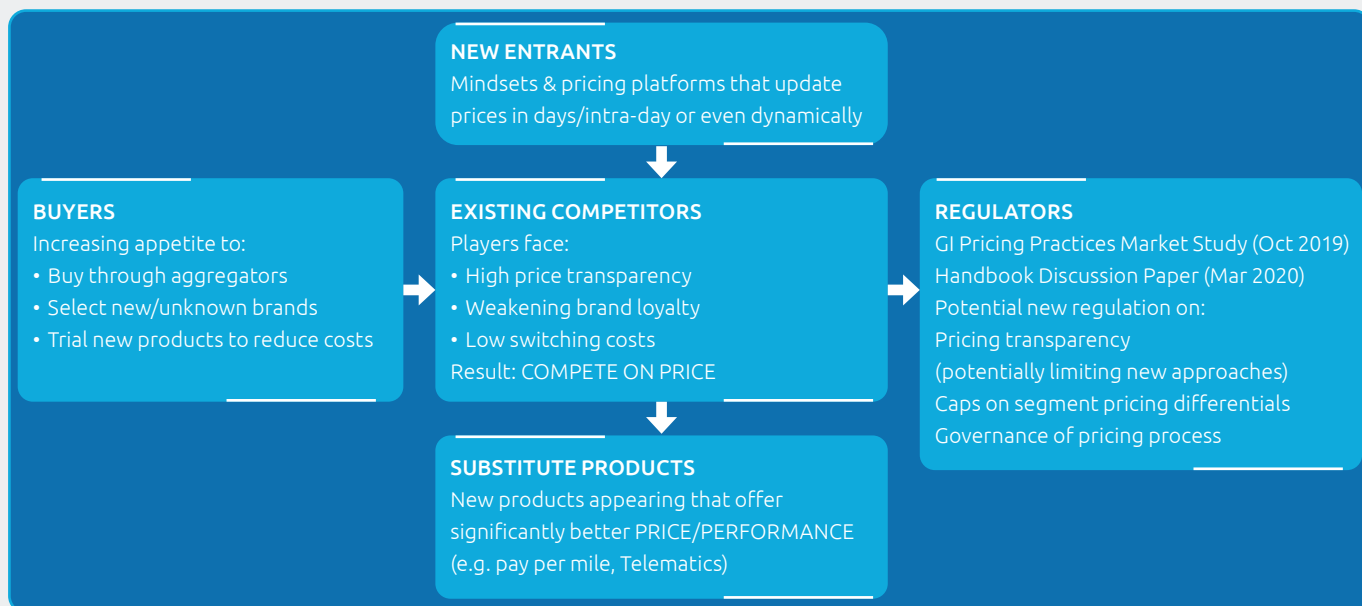
better risk prevention services. But how, as an insurer, can you adapt and transform your existing processes to be agile enough to take advantage of the opportunities this and other shifts in consumer behavior present?

Building real-time data handling capabilities, ability to seamlessly connect with ecosystem players, and eventually transitioning to the marketplace will be critical for success.

Pricing and actuarial transformation

These marketplace dynamics make pricing a strategic issue.

Are any of these issues familiar to you?



Capgemini and SAS are working together to assist insurers in the adoption of emerging technologies to complement existing pricing, underwriting, and actuarial processes using new machine learning and data management techniques to validate and enhance the range of products and services that can be offered.

In addition, existing processes can be streamlined so enabling pricing and tariff changes at a greater frequency to support the introduction of those new products and services.

For many insurers, getting the “on-street” onto the market is a long, costly, and inefficient process. Getting commercial prices onto the market should not take weeks or even months. Using the SAS platform, linking pricing and analytical modeling outputs to operational IT systems, is what we do. Reducing the process from weeks to hours or minutes is our gauntlet to the market.

What our customers achieve

- Lower operational costs and scalability of the actuarial process by more efficient processes for model development, model governance, monitoring, and visualization. A German insurer estimated a 50% gain in efficiency in the technical pricing process. The freed-up actuarial resource can be used on value-adding work, for instance model improvement, benchmarking, or optimization.
- More competitive tariffs with less cost. Use of more advanced techniques for variable selection and tariff innovation keeps the company up to date with the competitors.
- Faster, more advanced tariff changes. Automation, standardization, and better reusability of assets enables the tariff to be changed as often as needed to stay ahead of the competition, e.g. in the automotive sector on a daily basis.
- Improve profit from the portfolio. Using optimization techniques for renewal tariffs, the portfolio profit improved by 10–20% yearly (AEGON Seguros Spain). In the context of churn reduction an insurer reduced churn in top segments by three percentage points (CASER Seguros) while maintaining the same profitability level.
- Improve combined ratio, by creating a better balance between premiums, claims and having a more efficient internal processes. One UK Insurer achieved a 1% improvement in CoR.

Example Benefits Achieved



Better Methods. Increased Margins.

Exploiting potential of state-of-the-art algorithms and increasing maturity levels through the use of standard software

Improve CoR by +1%*



PRICING
Competitive Tariffs



More Throughput. Better Use of Resources.

Robust, efficient and repeatable processes through the use of a standardized and unifying platform

50% Reduction in the cost of ratemaking*



INSURANCE
Optimized Portfolios



More Agility. Faster Time to Market.

Flexible Real-Time Engine for fast tariff deployment and more influence by actuaries

Deploy within days or intra-day



TRANSFORMATION
Pricing in Real-Time

* Metrics validated with customers



About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of over 200,000 team members in more than 40 countries. The Group reported 2018 global revenues of EUR 13.2 billion.

Learn more about us at
www.capgemini.com

About SAS

SAS is the leader in analytics. Through innovative software and services, SAS empowers and inspires customers around the world to transform data into intelligence. SAS gives you THE POWER TO KNOW®.

For further information, visit us at
www.sas.com

For more information about how Capgemini and SAS can help your organization benefit from the use of new and emerging technologies, please contact:



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