

WORLD
INSURANCE
REPORT

Past, Present, and Future



Introduction

Capgemini and Efma's *World Insurance Report (WIR)* 2017, marked the 10th edition of our annual study. A flagship thought leadership publication within the industry, *WIR* has consistently offered in-depth global analysis, trends and implications for insurers, and insights to help players understand and lay a successful path forward.

WIR over the years

Since the report's inception, our coverage of regions and the scale of our primary surveys have expanded significantly. We developed innovative proprietary models such as the Multi-distribution Maturity Assessment Model, Business Agility Maturity Model (BAMM), and Customer Experience Index (CEI) to analyze insurers' agility and customers' evolving preferences to derive insights.^{1 2 3}

Strategic *WIR* focus areas have reflected how advancing technologies and dynamic customer engagement metrics have redefined insurance business models.

Recap of Previous Reports

This three-section *World Insurance Report: Past, Present, Future* study begins with a retrospective of our annual insurance reports, the insurance industry, and the changing world of insurers. As you read, consider the time of the release of each *WIR*: pre-financial crisis, during the crisis, and post-crisis.

Initial *World Insurance Reports* focused on the importance of distribution networks and how they could be applied in various markets to better engage with the new and existing customers.

During the financial crisis, the reports aligned to the industry's need for better processes cost efficiency and effectiveness. During this period, *WIRs* analyzed cost drivers as well as firms' business agility and maturity to reveal improvement potential in various services and functions along the insurance value chain.

Continued uncertainty about the global economic outlook and persistent volatility in capital and investments markets marked the post-financial-meltdown era. Insurance companies gradually realized that financial markets' uncertainty and a gloomy gross domestic product outlook were the new normal and businesses cannot protect their eroding margins exclusively by denominator management.

Slowly but steadily, the industry shifted focus back to growth without compromising its cost-efficiency agenda, and investments in disruptive technologies became critical to maintaining a competitive edge, gaining market share, and boosting profitability.

Recent *World Insurance Reports* emphasized business transformation growth strategies based on technological and digital disruption. *WIR* 2017 built on earlier reports and featured emerging technologies, their effect on the insurance business model, and ways in which technology might help insurers drive sustainable and profitable long-term growth. The report described an industry undergoing undeniable disruption and ways insurers were stepping up to new challenges and opportunities.

1 Multi-distribution Maturity Assessment Model was introduced in Capgemini's *WIR* 2009 (https://www.capgemini.com/resource-file-access/resource/pdf/World_Insurance_Report_2009.pdf), p. 58, and further explained in the Capgemini *WIR* 2013 (https://www.capgemini.com/resource-file-access/resource/pdf/wir_2013_0.pdf), p. 45.

2 BAMM was introduced in Capgemini's *WIR* 2011 (https://www.capgemini.com/sites/default/files/resource/pdf/World_Insurance_Report_2011.pdf), Figure 2.1, p. 17.

3 CEI was developed for Capgemini's World Retail Banking Report, 2011 and was adapted for insurance in Capgemini's *WIR* 2013 (https://www.capgemini.com/resource-file-access/resource/pdf/wir_2013_0.pdf), Figure 2.4, p. 23.

Today, Tomorrow and the Digital Future

The insurance industry continues to evolve, and more and more insurers are using digital technologies such as advanced data analytics and connected devices. Blockchain, robotic process automation (RPA), and artificial intelligence (AI) have enormous potential, and the *World Insurance Report* will continue to analyze their roles in reshaping insurance business models and redefining customer engagement metrics.

As digital disruptions from InsurTech startups across the value chain continue, the insurance ecosystem will responsively evolve, and new operating models will emerge. *WIR* will continue to map the industry's evolution and technological disruptions while tracking and reporting vital insights, trends, and insurance thought-leader attitudes.

I. World Insurance Report Retrospective

Throughout the decade a few prominent themes have dominated the *World Insurance Reports* and describe the steady evolution of the insurance industry.

Distribution

Distribution has been one of the most dynamic and transformative aspects of the insurance industry, and it has undergone several changes covering market dynamics, channels, and the entry of new players.

Network Relationships

Initially, the distribution landscape consisted of various types of partnerships such as those between agents and brokers; and insurers' focus was on maximizing these network relationships.

Survey data from the first *World Insurance Report*, published in 2007, suggested that insurers should empower their distributors, considering that two-thirds of distributors said they could tangibly increase the insurance spend of their customers if insurers would provide them with better data and tools. However, only 27% of distributors believed they were positioned to tap into the full potential of their existing customer base. Report results indicated that those insurers who fully partnered with their distributors (by providing easy access to accurate data, up-to-date tools, and improved services) were most able to generate added value for their customers.

For insurers to efficiently compete in the insurance market of tomorrow, *WIR 2007* said it was essential for them to optimize their distributor and customer relationships by improving information flow among all stakeholders to make the most of performance and benefits. Subsequently, *WIR 2008* noted that the industry was experiencing increased volatility and specialization in the use of distribution networks and that the internet was becoming a channel for insurance research.

The Multi-Distribution Model

Based on these emerging dynamics, *WIR 2008* recommended that insurers adopt a structured multi-distribution model strategy to better address volatile customer clusters, retain full market access, and increase wallet share.

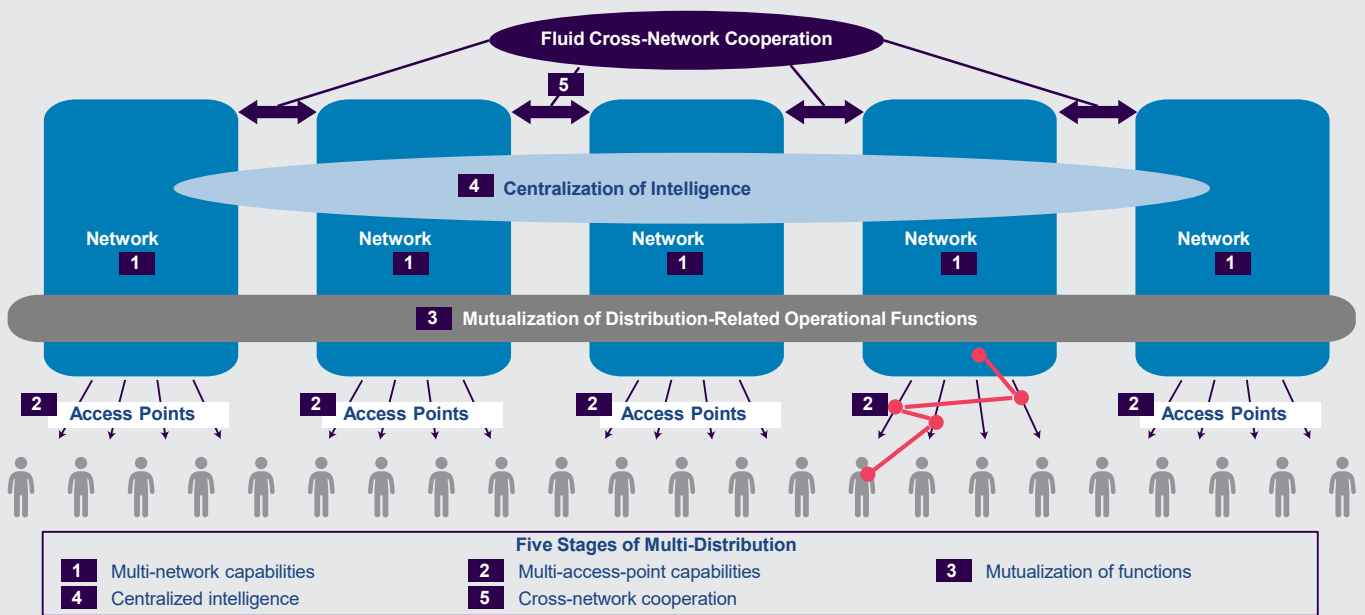
Multi-distribution was found to be a robust growth model, especially in mature markets, as it offered the most efficient way to attract new customers and increase wallet share from existing customers — and even if the volume of sales leads (or customer contacts) was constant, multi-distribution could generate additional revenue.

The value of a multi-distribution approach was confirmed by the industry over the next year. Therefore, the *World Insurance Report 2009* delved deeper into multi-distribution and surveyed and evaluated insurers on a Multi-Distribution Maturity Assessment Framework to understand industry trends. The different stages of multi-distribution maturity (from lowest to highest maturity) were multi-network capabilities, multi-access-point capabilities, mutualization of functions, centralized intelligence, and cross-network cooperation. While most insurers had developed a mix of distributors to almost full potential, only a few had built fluid cooperation among distributors.

Leaders in multi-distribution maturity focused on effective commission and incentive strategies, establishing clear support structures and operating principles (e.g., who “owns” the customer relationship), adapting internal functions, developing workforce skills and behaviors, and cultivating strong leadership. The move to a multi-distribution model undeniably requires organizational transformation; and the 2009 *WIR* identified seven critical enablers:

1. Start with the customer
2. Follow with the network
3. Rethink organizational design and leadership
4. Embrace technology
5. Test and learn with cooperation pilots
6. Monitor the value of the overall business
7. Manage the power of information

Figure 1.1: Capgemini Multi-Distribution Maturity Assessment Framework



Source: *World Insurance Report 2009*

Moving to an Omnichannel Model

Multi-distribution initiatives played a critical role in helping insurers engage with customers and retain them. Channel capabilities were found to be an exceptionally crucial part of integrated multi-distribution initiatives, as insurers needed to provide customers with different ways to interact with their distribution networks.

In this context, *WIR 2013* found that insurers pursuing integrated multi-distribution strategies increasingly prioritized mobile capabilities because mobile was becoming the channel of choice for some customer interactions, especially for research and servicing.

The mobile channel offered an opportunity for insurers to increase their top line: grow new sales and cross-selling opportunities, shorten sales cycle times, boost policy renewals and referrals, enhance customer experience and satisfaction, and reduce attrition.

Bottom-line benefits centered on cost reduction by speeding processing and cutting overall distribution costs, improving operational efficiency, enhancing self-service options (and thus lowering the number of customer-service calls), and using anytime/anywhere/any device capabilities to make service more effective and efficient.

The 2013 *WIR* also highlighted social media as an emerging channel that offered insurers new ways to reach customers. Social media was growing worldwide, though it was not yet being used to conduct insurance transactions.

While the role of digital channels such as internet-PC and mobile grew over the years, the 2016 *World Insurance Report* found that these channels were not likely to replace agents and brokers. In fact, customers were frequently inclined to use all channels, thus requiring the establishment of a seamless omnichannel experience.

Crisis Spurs Efficiency Focus

While insurers sought innovative ways to enhance their front office, the industry soldiered through the 2008 financial crisis. However, because insurance is a lagging economic indicator, the Recession did not impose its full impact until around 2010–2011, which spurred a cost and efficiency focus.

With cost management on everyone's mind, *WIR* 2011 introduced a model that measured performance on efficiency and profitability levers such as underwriting ratio, claims ratio, acquisition ratio, operational ratio, investment ratio, and profit margin. The model found that the financial crisis affected underwriting ratios, which caused premiums to slide and underwriting ratios to increase between 2006 and 2009.

The financial crisis and subsequent market changes — such as slowing growth avenues and more stringent regulations — highlighted the importance of business agility to ensure long-term success. *WIR* 2011 used a proprietary Business Agility Maturity Model to analyze a variety of global insurers (life/non-life, stock, mutual, large and small).

Claims servicing stood to significantly affect how insurers fared in this harsh environment. Non-life insurers were particularly vulnerable because they faced rising claims frequency and severity and their success was often dependent on customers' claims experience. In fact, *WIR* 2011 found that a less-than-satisfactory claims experience prompted one in five customers to switch insurance providers.

With an eye on claims' efficiency and effectiveness, the report recommended that insurers move toward a more reliable, integrated claims system to deliver high-tech, high-touch service in the customer's hour of need, and to support everyday activities. Focus points included: implementing (or stabilizing) a reliable claims-processing platform, optimizing fraud management efforts to reduce costs, and leveraging the full value of claims data management.

Later reports affirmed the need for claims transformation and described how the claims experience was significantly impacting the overall customer experience. *WIR* 2015, for instance, found that auto and property insurance customers who had made a claim in the previous year had significantly lower positive experience levels than customers who had not made any claim.

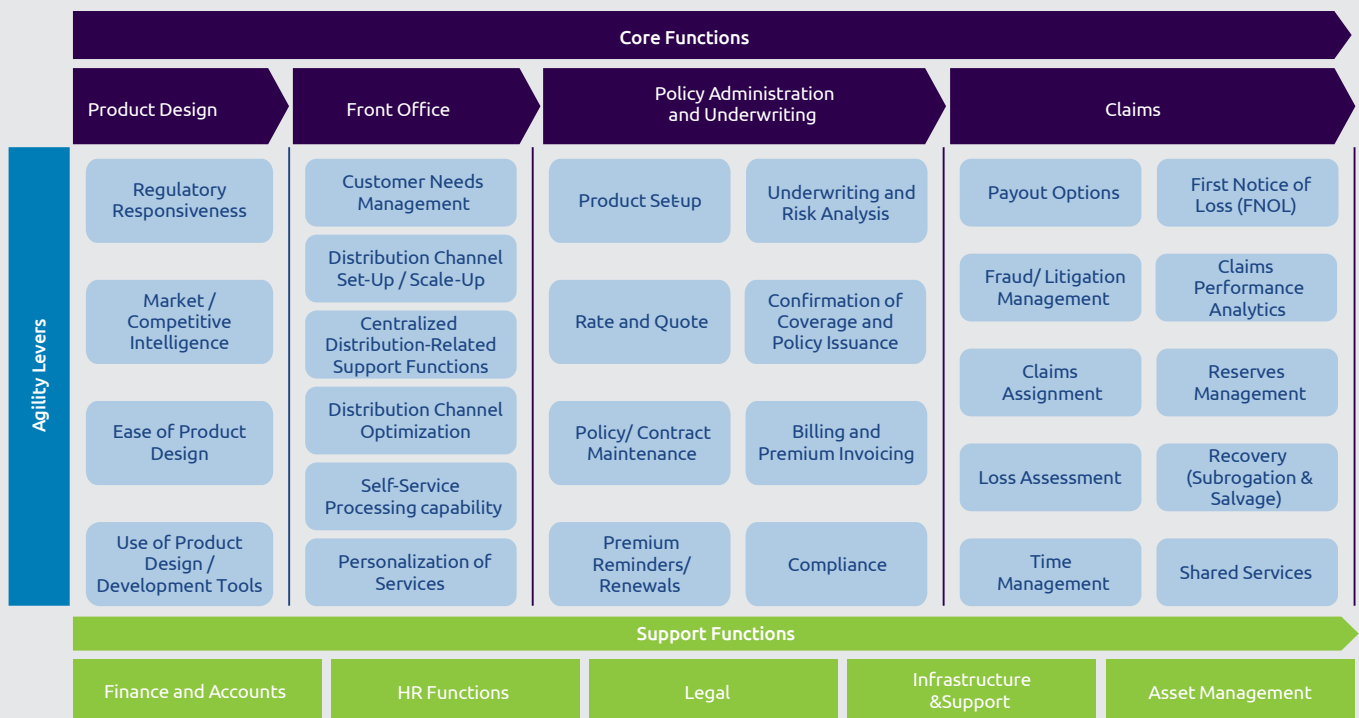
During this timeframe, we also identified the policy administration (PA) function in need of transformation. The 2012 *World Insurance Report* found that after claims transformation, policy administration transformation was a high priority among insurers for driving results. A full 67% of insurers in North America and Europe who had not already initiated PA transformation, said PA would be a very high priority within the next two years.

In 2012, *WIR* again employed the Business Agility Maturity Model for the policy administration function and found the industry had progressed most in certain PA back-office levers: Confirmation of Coverage and Policy Issuance; Policy and Contract Maintenance; Billing and Premium Invoicing; and Premium Reminders and Renewals. The report noted that insurer agility was likely to improve noticeably in the near-to-medium term, especially Rate-and-Quote capabilities, and Underwriting and Risk Analysis. The improvement was largely the result of increased focus on offering online rate modification capabilities to all channels, and greater use of advanced analytics tools to support the underwriting process.

Moreover, as the use of advanced analytics to support underwriting processes became more and more popular, the report suggested that insurers were also likely to move up the maturity scale on the Underwriting and Risk Analysis lever. Subsequent *WIR* reports confirmed these predictions by showcasing firms that had successfully used analytics to modernize traditional underwriting.

The key focal points for Policy Administration Transformation were found to be business process re-engineering, consolidation, modernization, sourcing IT services, and transferring the PA function to a service provider (third-party administrator/ business process outsourcing).

Figure 1.2: Capgemini Insurance Business Agility Maturity Model's Framework



Source: *World Insurance Report 2012*

Focus on Growth Returns

As insurers started to recover gradually from the effects of the financial crisis, they again shifted their focus on growth without de-prioritizing the cost efficiency focus.

Understanding Customer Experience

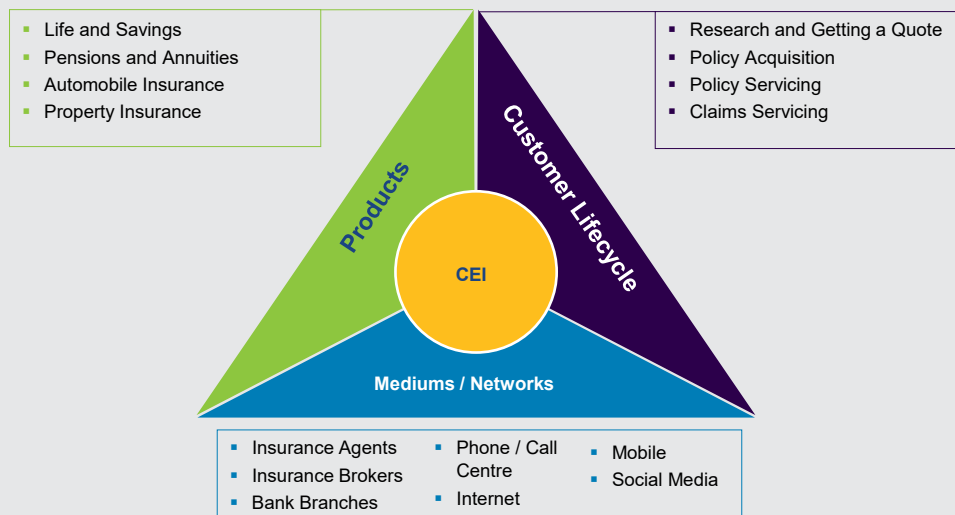
Better insight into customer expectations became critical as the focus on growth was restored. The 2013 *World Insurance Report* aimed to fill the customer-understanding gap by introducing the proprietary Customer Experience Index (CEI) model based on an extensive Voice of the Customer (VoC) survey.

The CEI model was developed on the premise that satisfaction alone may be a deceptive gauge and that products/services availability is not the only satisfaction driver. Even in markets where satisfaction was high, customers were not necessarily pleased with the entirety of their insurer relationships.

The VoC survey queried more than 16,500 customers about insurer satisfaction, the importance of specific channels for executing transactions and types of products, and how these interactions affected their overall satisfaction. Developed as an in-depth investigation of customer attitudes; the survey produced 96 data points.

The survey confirmed that customers' overall satisfaction with products and services did not necessarily translate into high positive customer experience ratings. On average, only 30% of customers across the 30 countries studied had positive customer experience, while 62% registered positive satisfaction levels. Therefore, satisfaction that is measured specifically on important customer touchpoints offers a more accurate picture of insurance customer sentiment.

Figure 1.3: Capgemini Insurance Customer Experience Index (CEI) Model



Note: The diagram represents the latest version of the CEI model as per the *World Insurance Report 2016* and therefore, also includes Social Media as a Medium
 Source: *World Insurance Report 2016*

The Need to Tackle Market Disruptors

The other aspect of growth concerned market disruptors and how to navigate them to make the most of opportunities. *WIR 2015* considered key disruptors and capabilities that insurers of the future would need.

Key insurance industry disruptors included:

- Demographic changes
- Financial and economic conditions
- Regulatory intervention and security
- Extreme environmental conditions and catastrophes
- Entry of non-core insurance players
- Tech advances such as Big Data analytics and Internet of Things (IoT)

Big Data analytics was expected to have the biggest impact by far on the insurance industry, with 78% of executives citing it as a key disruptive force. Regulatory change was ranked second at 46%, and economic uncertainty ranked third at 42%.

Disruptors were found to have the potential to make insurers vulnerable by undermining their business if no counterbalancing measures were taken. Disruptive trends included rising consumer expectations, changing channel preferences, the entry of non-core insurance players, the emergence of niche insurance products, risk-mitigation technologies, regulatory standardization, extensive use of big data analytics, and channel evolution.

Some of these disruptors, such as the emergence of new entrants, were found to have indeed made a mark on the industry in subsequent *World Insurance Reports*. While *WIR 2016* found that nearly a quarter of Gen Y customers were ready to purchase insurance from technology firms such as Google if they entered the industry, *WIR 2017* reported that nearly one-third of customers use InsurTech firms exclusively or in combination with incumbent firms for their insurance transactions.⁴

For the insurer of the future, *WIR 2015* presented the Capgemini Insurance All Channel Experience (ACE) Business Capability Maturity Model, which identified seven core capabilities needed to enhance customer experience and take advantage of opportunities created by disruptors:

1. Transform effectively (and rebuild the business around the customers' needs)
2. Price competitively (across all channels to drive profitable sales)
3. Connect elegantly (personal dialogue with individual customers across channels to understand them better)
4. Engage regularly (using inspirational and high-quality content and sophisticated engagement strategies)
5. Deliver perfectly (deliver products and services effectively and efficiently to improve customer experience)
6. Measure relentlessly (to optimize business performance, and thereby profitability, across all channels)
7. See completely (by using a single view of data for all strategic, tactical and operational decision making to improve accuracy, avoid duplication and increase insight)

Insurers, globally, were found to be falling short of their desired maturity levels in every one of the seven core capabilities. Moreover, they were performing at the lowest maturity levels when it came to customer interactions such as connecting elegantly with customers, regularly engaging and having a complete view of customer data and relationships.

To move from their current states of basic and median competency to leading-edge and advanced practices, *WIR 2015* recommended that insurers adopt a more customer-centric approach. The use of analytics to assimilate customer data, view relationships, and deliver personalized products through appropriate channels were highlighted as being essential to future success.

⁴ Gen Y individuals, or millennials, are those who were born between 1977 and 1995

Evolving Customer Preferences

WIR's in-depth study of insurance customers through the years has highlighted evolving customer preferences as a powerful theme characterizing the industry's shifting focus.

Interesting Customer Behavior Findings

A study of insurance customers often reveals surprising links between various aspects of their insurance transactions. A fascinating finding in the first *World Insurance Report* revealed that satisfied customers are not necessarily loyal customers. While very few customers expressed outright dissatisfaction over either the type or quantity of interactions they had with their insurers or agents, nearly 40% of non-life customers had switched providers within the past five years.

In 2014, the *WIR* customer survey found a clear link between improved levels of positive experience and customer behaviors that lead to higher profitability. Positive customer experiences were found to be more likely to result in increased referrals and additional business for insurers.

Also, as previously highlighted, the 2015 *WIR* found that claims servicing was still an area of concern for most insurers when it came to enhancing customer experience. This process had the lowest percentage of customers with positive experiences. In most regions, customers who had made a claim in the previous year reported significantly lower experience levels than customers who had not made a claim.

Generational Differences

Another interesting trend observed in the more recent reports was the widening shift in attitudes and preferences among different generations of insurance customers. The 2015 *WIR* found that globally, positive customer experiences decreased significantly in 2014, indicating that steps taken by insurers were not matching rising customer expectations. The drop in positive experience levels was much steeper for the Gen Y segment compared to other age groups across all regions, especially in developed markets.

The *World Insurance Report 2016* Voice of the Customer survey revealed a striking chasm between the expectations of Gen Y customers for their insurers and their insurance services compared with thoughts held by traditional insurers. Although overall customer experience levels were improving around the globe, a generational disparity was evident, with Gen Y customers having much lower Customer Experience Index (CEI) scores than older customers.

Low Gen Y scores highlighted the need for insurers to better understand the behaviors and expectations of this increasingly important customer segment. The Gen Y segment also demands attention as it may be more vulnerable to attrition. In fact, more Gen Y customers, especially those in the emerging markets of Latin America and developing Asia-Pacific, were likely to purchase insurance from a technology firm, compared with older customers.

Importance for Digital Touchpoints

In recent years, a particularly critical customer preference trend is the rising importance of digital touchpoints and digital transactions. The *WIR 2014* Voice of the Customer survey found that insurance customers, especially younger ones, were placing greater emphasis on digital distribution methods, even though agents remained the primary channel for conducting transactions.

Insurers, however, were not delivering positive experiences in line with the level of importance being placed on these channels, making it essential for them to increase their focus on digital channels for customer engagement. *WIR 2015* noted that agents delivered positive experience levels that were almost double those of digital channels, suggesting that digital channels were dragging down global customer experience levels. However, customer expectations of digital channels such as mobile and social media were seen to be rising rapidly along with their use and importance.

WIR 2014 also found that across all regions, positive experiences that occurred mainly through the mobile channel appeared to heighten profitable customer behaviors, making it imperative for insurers to develop an effective mobile strategy.

The importance of digital interactions for insurance customers was more strongly evident in *WIR* 2017, wherein customers' top Moments of Truth (MoTs) were characterized by digital or digitally-enabled features. Insurance customers of today demand Convenience, Agility and Personalization and they are comfortable adopting services by more tech-savvy InsurTech firms if they can meet the customer's preferences.

In the *WIR* 2017, insurers acknowledged the importance of evolving customer preferences tracked over many *World Insurance Reports*. A full 75% of respondents said that better meeting evolving customer demands was the most critical benefit of leveraging InsurTech capabilities.

The Rise of Digital

With evolving customer preferences, the advance of new technologies, and entry of new technology-based players, going digital is becoming vital for insurers and is no longer simply a good-to-have business capability.

Digital Enhances Business

Insurers initially explored the development of digital and mobile capabilities to enhance value chain functions in the 2014 *World Insurance Report*, which studied the industry's current and ongoing progress in digital transformation. The report featured a framework that analyzed the maturity of insurers' client-facing digital capabilities across touchpoints in Researching and Getting a Quote, Acquiring a Policy, Servicing a Policy, and Servicing a Claim.

The assessment found that insurers globally were most adept at providing a rich digital experience when customers were researching policies and getting quotes. This expertise dovetailed nicely with the high level of importance customers placed on this functionality. Capabilities were found to lag, however, in online claims servicing, pointing to an area where insurers needed to devote more attention to meet evolving customer expectations. The report recommended that insurers leverage digital capabilities to address top-line growth by building digital links that created convenience and drove customer satisfaction, while simultaneously encouraging bottom-line growth by investing in channel integration, touchpoints, and predictive analytics.

Digital Capabilities Drive Innovation-Based Business Model Transformation

While technology was initially leveraged only as an enhancement lever, the industry soon realized its potential to transform the insurance business on a more fundamental level. *WIR* 2016 studied the impact on insurance of the Internet of Things as well as connected ecosystems, wearable devices, and driverless cars. The report found that while these technologies were redefining insurer-customer interactions, they were also transforming the industry on a more fundamental level by altering the nature of risk itself.

Due to connected technologies, risk is becoming more transparent, controllable, and distributed in nature. Connected technologies may also drive the underlying insurance model to shift from pure risk transfer to a combination of risk mitigation along with risk transfer.

As risk fundamentals change, risk modeling and risk pricing may become closer to real-time, more granular, and may incorporate data not just from the customer but also from their current environment. Insurers may even see a transformation in other areas of their business, such as a shift to mass personalization, changing customer and product portfolios, and new opportunities in areas such as cyber insurance and commercial liability insurance.

The 2016 report also highlighted how fundamental changes in insurance could open the industry to new types of players, such as BigTech and FinTech firms, that might introduce new business models based on innovative underwriting and pricing techniques and may be better prepared to cater to increasingly mobile and dynamic customer lifestyles.

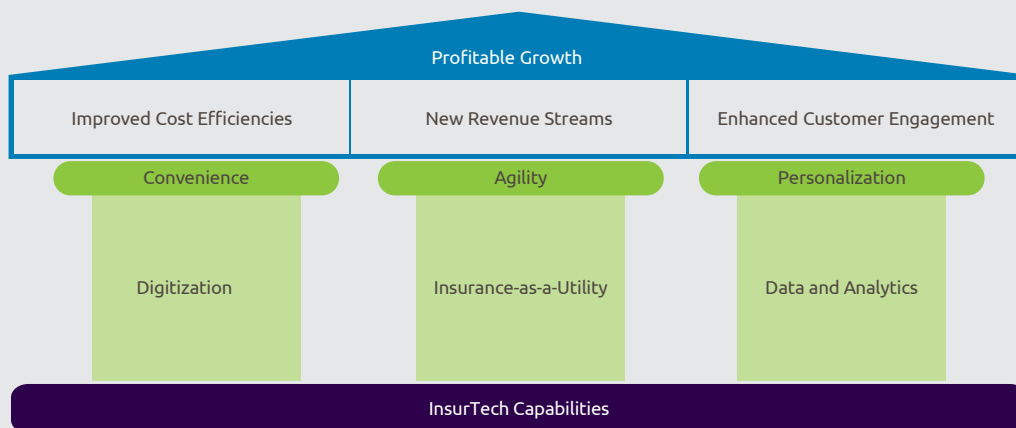
This theory proved true over the last year, as a range of InsurTech innovations redefined how insurance services are designed and delivered — while creating a maze of opportunities for insurers. The *WIR 2017* took a deep dive into the plethora of InsurTech innovations and aimed to chart a path to navigate these innovations.

Emerging technologies such as RPA and blockchain are InsurTech revolution catalysts making new, more streamlined and dynamic business models possible. Insurers investment priorities are now focused on technologies that are both easily integrated with existing systems and processes, and that have potential to affect the whole value chain. Most insurers (82.8% of *WIR 2017* respondents) cited advanced analytics as the industry’s most important emerging capability. More than 60% of insurance executives indicated that artificial intelligence, connected devices, and robotic process automation were critical emerging technologies.

According to *WIR 2017* respondents, advanced analytics and RPA are the leading investment priorities, with more than 80% of executives indicating that they are already making investments in these capabilities. Over 40% of executives said they are planning to invest in artificial intelligence, robo-advisors, and blockchain over the next three years.

These technologies are driving myriad innovations around digitization, data, and analytics, and insurance-as-a-utility, which are expected to deliver the highly-prized goals of Convenience, Agility, and Personalization (CAP) for insurance customers. For successful implementation of profitable and sustainable business models, insurers must invest in a portfolio of synergistic InsurTech capabilities and develop a comprehensive and holistic strategy that leverages the right mix of digital, and data and analytics capabilities to carve out a new business model that aligns with their strategic priorities.

Figure 1.4: Capgemini Framework for Navigating the Innovation Conundrum to Deliver CAP



Source: *World Insurance Report 2017*

II. The Insurance Industry Today and Tomorrow: WIR

The insurance industry is likely to continue witnessing a gradual but steady evolution driven primarily by two megatrends — the rise of disruptive digital technologies and evolving customer preferences.

Internet of things, RPA, advanced analytics, AI and blockchain have significant potential to disrupt the insurance business model while refining the customer engagement metrics.

Today, customers — especially millennials or Gen Y — want to be reached in the manner they prefer, and they tend to prefer digital channels. Gen Y customers, who are considered tech-savvy, have a strong preference for convenience, personalization, and transparency. They expect more choices, do not appreciate bundled offerings and do not want to pay for things they think they do not need.

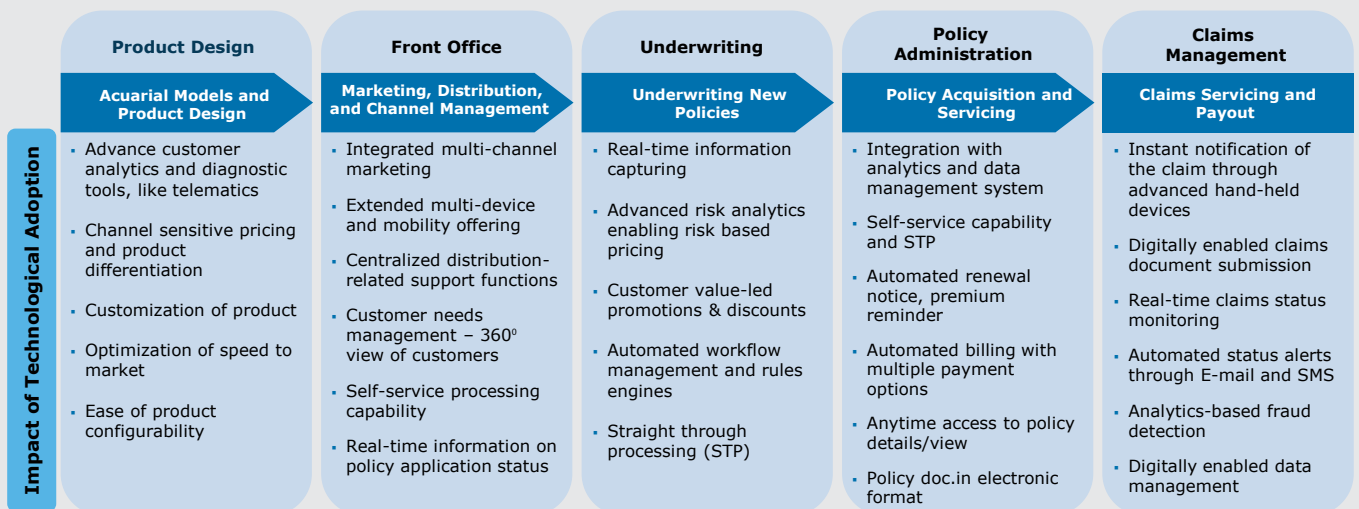
To provide future insights, the *World Insurance Report* will continue to analyze the role of emerging and disruptive technologies in reshaping insurance business models and redefining customer engagement metrics.

Digital Agility: A Critical Imperative for the Insurer of the Future

Digital agility is a lean, insight-driven technique that enables companies to become more nimble, innovative, and responsive. Going forward, the success of an insurance company will be defined by its ability to leverage digital tools and technologies to quickly anticipate and respond to changes in operating conditions by innovating at a faster pace.⁵

Digital technology and innovation are game changers with potential to redefine insurers’ ability to manage customers’ evolving preferences via seamless, real-time, and direct communication. Digital technologies, most likely to affect the insurance industry, include RPA, IoT (wearables and other sensor-based devices), cognitive computing (advanced predictive analytics, AI, and machine learning), and blockchain. The goal for many insurers will be to significantly improve their digital capabilities.

Figure 2.1: Implications of Digital Across the Insurance Value Chain



Source: Capgemini Financial Services Analysis, 2018

5 “Digital Agility – Corporate Agility in the Digital Age”, Michael Bromley, Slideshare, accessed January 2018 at <https://www.slideshare.net/michaelbromley1/digital-agility-1172014>

In future editions, the *World Insurance Report* will track the insurance sector's digital agility by analyzing and discussing high-impact emerging and disruptive technologies with the potential to enhance the efficiency across the insurance value chain.

It will be interesting to analyze and investigate how insurance companies will leverage these capabilities to integrate internal core systems, to develop more personalized products by unpooling risk and unbundling perils, and to digitally enhance customer experience via multiple touch points.

Cognitive and Blockchain on Track to Become Key Innovation Enablers

Cognitive computing will be at the heart of the fundamental shift in the insurance industry, from analyzing the past to predicting the future. This is strongly driven by the fact that the volumes of information businesses use is reaching a scale beyond human capacity and requires intelligent machine intervention.

Today, data accessibility is growing at a faster pace than ever before due to online digital sources such as telematics, wearable devices, and social media, which will require advanced analytics models and frameworks to analyze vast volumes of data from various sources quickly.

There will also be a more significant need for real-time insights from data to enable informed, faster and actionable decisions and strategies.

Moving forward, cognitive computing will become indispensable in every part of the insurance value-chain to quickly innovate and deliver competitive new business models. Large-scale personalization will require cognitive computing power for behavioral analytics to draw customer insights from myriad sources. The shift toward micro-duration and on-demand insurance will also require cognitive computing to enable real-time coverage. Cognitive power will help streamline operations by automating not only simple tasks but even tasks that are more complex, which can seamlessly support usage-based insurance offerings.

Blockchain technology-enabled smart contracts and digital assets also have the potential to transform the industry and disrupt business models. Blockchain can provide secure, reliable, and fast applications, which will enhance service quality and enable firms to cut operational costs through automation of policy administration and claims management. Smart information assets, which is an extensive database of verified information (with timestamps), can be created using blockchain and leveraged in the actuarial and underwriting functions.

New business models based on blockchain technology are expected to emerge. For instance, insurers may be able to design micro-insurance products that target currently underserved markets. With the possible shift of insurance to the blockchain and with the use of connected technologies that generate streams of real-time data, cognitive computing may well become central to the implementation of future insurance models.

III. A Look at the Future: A Digitized and Seamlessly-Integrated Insurance Ecosystem

With value-chain and operating model disruptions from InsurTech startups likely to continue, we can expect continued — and rapid — insurance ecosystem evolution.

Within this dynamic ecosystem (and with new InsurTech players continually entering the market) it will be necessary for insurers to manage customer retention and to develop selective but strategic partnerships. As new entrants slowly capture the customer interface, insurers may face diminished control of their customer relationships.

Increasingly, consumers may shift to one-stop apps to buy and manage all their policies, which will lead to diluted brand loyalty and the need for a greater focus on innovative engagement for customer retention. Therefore, to operate with a variety of new ecosystem players it will become imperative for insurers to develop the right partnerships and to use digital technology for real-time integration with these partners.

During the next decade, count on the *World Insurance Report* for insights about how insurers can best create a digitalized ecosystem that is even more data-driven and adaptive to real-time information. Increasing availability of real-time data and the growing need for real-time and actionable insights make the seamless flow of data and ideas between ecosystem stakeholders (customers, insurers, technology/healthcare/service providers, third-party administrators, and regulators) critical.

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