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## **World Insurance Report 2020: Established insurers must join open ecosystems and draw upon partners to retain market share from BigTech entrants**

***Consumer behavior is shifting in favor of BigTech insurance providers as customers feel empowered to forego agents and brokers and work directly with new entrants***

Paris, May 14, 2020 – [Capgemini](#) and [Efma's World Insurance Report 2020](#), published today, reveals that consumers of all ages are adopting a 'millennial mindset', and increasingly trusting their own research through various channels to source information and purchase insurance products themselves. Consumers are turning to non-traditional players such as BigTechs<sup>1</sup> and product manufacturers for innovative, personalized offerings with enhanced customer experience (CX) and are increasingly relying on digital channels in the face of the COVID-19 pandemic.

To remain relevant, cites the report, incumbent insurers must take action, by re-evaluating their portfolios and harnessing partnerships to become 'Inventive Insurers'. This involves shaping existing products to meet fast-evolving customer needs and preferences.

### **The millennial mindset has transcended age**

Digital adoption is no longer a function of age; for those with access to the web and social media, researching and directly procuring insurance online has become mainstream across all generations. Capgemini's report shows that the number of Gen X and older customers<sup>2</sup> making daily online and mobile transactions such as shopping or bill payments has doubled, rising from 30% of Gen X and older respondents in 2018 to 64% in 2020. The COVID-19 lockdown will further fuel this trend as consumers are forced to use digital channels for day-to-day transactions, irrespective of age or tech know-how.

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<sup>1</sup> BigTechs are large, multinational technology firms such as Google, Amazon, Facebook, Apple, Alibaba, etc.

<sup>2</sup> Gen X and older customers are customers born in 1980 or earlier.

## **There is a new trust equation in insurance**

The World Insurance Report 2020 groups today's insurance customers into four categories – pioneer<sup>3</sup>, inquisitive<sup>4</sup>, experimental<sup>5</sup>, and follower<sup>6</sup> -- based on their social behavior and shopping preferences. Today's customers do not rely exclusively on one channel in their purchasing decision. To varying degrees, they trust online research including reviews, testimonials from family and friends as well as broker and agent advice and feel empowered to make independent policy purchase decisions. Would-be customers are looking for convenience, and non-traditional firms such as digitally-agile BigTechs or product manufacturers offer an unmatched customer experience, tempting more and more customers to take a chance on a new provider. The appetite for BigTech insurance is accelerating fast: while only 17% of World Insurance Report 2016 survey respondents said they would consider purchasing insurance from a BigTech, the number has doubled by 2020 (to 36%.)

## **Hyper-personalization is key**

The report recommends that in order to remain relevant to customers, insurers need to better connect with their policyholders by providing them with hyper-personalized and experience-led engagement. Simply put, insurers need to offer the right products, at the right time and via the right channels. Also, as customer preferences are evolving faster than ever, continuous assessment through real-time data management is highly needed so that customer experiences evolve at par with consumers' needs and desires.

Consumers want flexibility and ease when surveying insurance providers. For example, more than 50% want usage-based insurance because it offers hyper-personalization as well as value for money, but only half of insurers offer this kind of option. Although traditional insurers understand the importance of getting in front of consumers at the right moment, they are not acting on it. They sometimes lack the right tools and techniques to predict when to push appropriate products, reducing their ability to act at the right time: only 35% of insurers are providing agents with digital tools that help to determine policyholder life events such as marriage, new child, or home purchase; in fact, only a quarter say external data tracking is useful.

Policyholder data can be captured using a variety of sources (within the realm of data privacy regulations). By joining open-API ecosystems, insurers could better understand when consumers might need a new product, suggests the report.

In addition, while consumers are turning to comparison websites and company websites to gather information on policies, less than 30% of insurers think their websites are useful for sharing policy information and only 37% say comparison websites help educate customers. Insurers may want to consider investing in online channels that empower customers to make decisions with the click of a

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<sup>3</sup> Pioneers actively seek information through online reviews and consult with friends/family before purchasing a product. They welcome new insurance offerings and are willing to pay more for an excellent post-purchase support experience.

<sup>4</sup> Inquisitive customers are social media savvy and seek online reviews but are ready to try new products and extra services at a premium only if they perceive value in doing so.

<sup>5</sup> Experimental customers are not very active on social media or very interested in family/friend guidance but are ready to try new products.

<sup>6</sup> Followers are unlikely to access product/service information proactively, seek online reviews, family/friend advice, try new products, or pay more for extra services.

<sup>7</sup> Some product manufacturers such as select automobile manufacturers are adding insurance as option in their products.



button. Without seamless omnichannel engagement options, traditional insurers face losing out: 75% of customers would switch insurers if seamless policy servicing was not available across all channels.

### **Incumbents must transform into inventive insurers**

Insurers must evolve quickly from one-size-fits-all products to offering experiences that align with policyholders' specific and individual preferences. While BigTechs are gathering real-time data through voice assistants, wearables and other IoT devices, and interactive chatbots, only 38% of insurers capture data from real-time IoT devices and 33% mine data via natural language processing-based support systems (e.g. chatbots).

The report concludes that in this new landscape, those that succeed will be the 'Inventive Insurers', incumbents that understand customers' needs and preferences and that leverage available ecosystem data to deliver personalized and time-sensitive products.

*"Today's competitive and fast-changing environment has been inexorably altered by the COVID-19 pandemic. Cross-generational digital adoption and the unprecedented impact of the pandemic are compelling reasons why established insurers need to transform their operating models,"* said Anirban Bose, CEO of Capgemini's Financial Services Strategic Business Unit and Member of the Group Executive Board. *"The end game will be to become the insurer that provides hyper-personalized experiences to be able to compete head on with BigTechs. There has to be a reason for consumers to choose to stay with insurers and hyper-personalization can be that reason."*

*"Strategically-savvy frontrunner insurers are ramping up collaboration with mature InsurTech firms to develop innovative solutions as, now more than ever, customer experience will be the differentiator for those that thrive in the future,"* said John Berry, CEO of Efma.

### **Report methodology**

The World Insurance Report 2020 draws on insights from two primary sources – the 2020 Global Insurance Voice of the Customer Survey and the 2020 Global Insurance Executive Interviews. This primary research covers insights from 32 markets: Argentina, Australia, Belgium, Brazil, Canada, China, Colombia, Denmark, Finland, France, Germany, Hong Kong, Hungary, India, Italy, Japan, Malaysia, Mexico, Morocco, Netherlands, Nigeria, Norway, Philippines, Portugal, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

### **2020 Global Insurance Voice of the Customer Survey**

The comprehensive Voice of the Customer Survey, which was administered in January and February 2020, in collaboration with Phronesis, polled more than 8,000 insurance customers in 22 countries. The survey sought to gain deep insight into general behavior and preferences of customer and how it shapes their attitude towards insurance. The survey questioned customers on their personality dimensions such as lifestyle, education and work, social behavior, financial behavior, shopping preferences, and technological affinity; and insurance purchase behavior for their product, channel, and time preferences. Participants were also asked questions covering factors that may influence their decision to switch their current insurer, their interest in adopting new insurance models, and their willingness to purchase policies from non-traditional insurance firms.



## **2020 Global Insurance Executive Interviews**

The report also includes insights from interviews of over 150 senior insurance executives of leading insurance companies across 29 markets. These markets together represent all the three regions – Americas (North America and Latin America), EMEA (Europe, Middle East, and Africa), and Asia-Pacific (including Japan).

### **About Capgemini**

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