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Disrupting insurance: how technology, data and digitalisation are changing the industry

The face of insurance is changing. Again. Led by data, digitalisation and a need to engage the customer, there are already many shifts underway.

This current round of technology-driven change differs from those of the past, not least because of the speed and scale involved. Harnessed properly, these powerful forces offer new hope for the insurance industry to remain central to the lives of its customers. Swiss Re's Sigma report *Data-driven insurance, ready for the next frontier?* explains what's going on and presents a potential roadmap for progress.

"Everybody wants to be customer-centric," says Evangelos Avramakis, Head Digital Ecosystems R&D, Swiss Re Institute. "Digital technology provides an opportunity to really see things from the customer's perspective when designing new products and services."

Customer expectations are setting the pace

One of the clearest ways to visualise how digital technology is impacting insurance is to think of the customer journey.

Customer acquisition and loyalty lifecycle

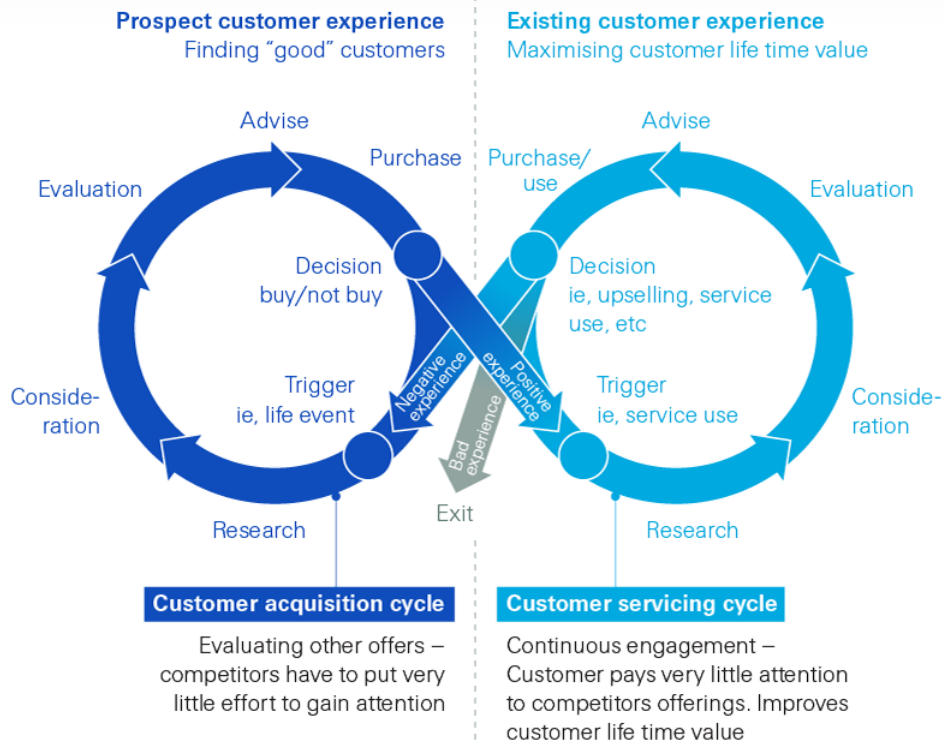


Fig 1: Forecast growth of digital data (Source Swiss Re Institute)

At every stage – assessing their needs, researching the options, interacting with insurers and making a choice – customers are evaluating potential providers, and making comparisons that go much further than a simple assessment of Insurer A vs Insurer B.

As Avramakis explains: “Customer expectations are rising fast because insurance companies’ customers may already be using multinational ride-hailing or e-commerce companies – businesses that go to great lengths to ensure fast, effective consumer-focused experiences.”

Jonathan Anchen, Head of Swiss Re Institute Research & Data Support, wonders how the insurance industry could be affected by customers’ interactions with this kind of forward-looking digital experience. “If you have a problem with a property you’ve rented, you take a photo with your phone and upload it. It’s kept simple for the customer.”

“It’s not a direct comparison, of course. But that emphasis on a frictionless customer experience is shaping the way people expect to interact in the digital sphere.”

As customer interactions broaden out into this constantly evolving ecosystem of digital touchpoints, there will be more opportunities for insurers with innovative products to find suitable ecosystem partners.

A customer renting a property may have an insurance requirement – perhaps in case their over-excitable dog damages something and they lose their security deposit. Where would they be likely to purchase their additional cover? If they could bundle it with their rental transaction, they might appreciate the ease that offers.

Automation and the human touch

If it wants to provide the kind of seamless, frictionless customer service people expect, the insurance company of the future will need to be hyper-aware of what people want and when.

One option will be to map customers’ life events. Buying a home, starting a family, setting up in business – these and many other milestones often trigger a reassessment of insurance needs. Gaining insight into them will offer an insurer a deeper understanding of a customer’s risk exposure and the way it changes over time.

Artificial intelligence (AI) will make it possible to offer these personalised products in near-real-time based on data whether it’s generated by consumers and their digital touchpoints or third

Access to life events enabled by digital interactions

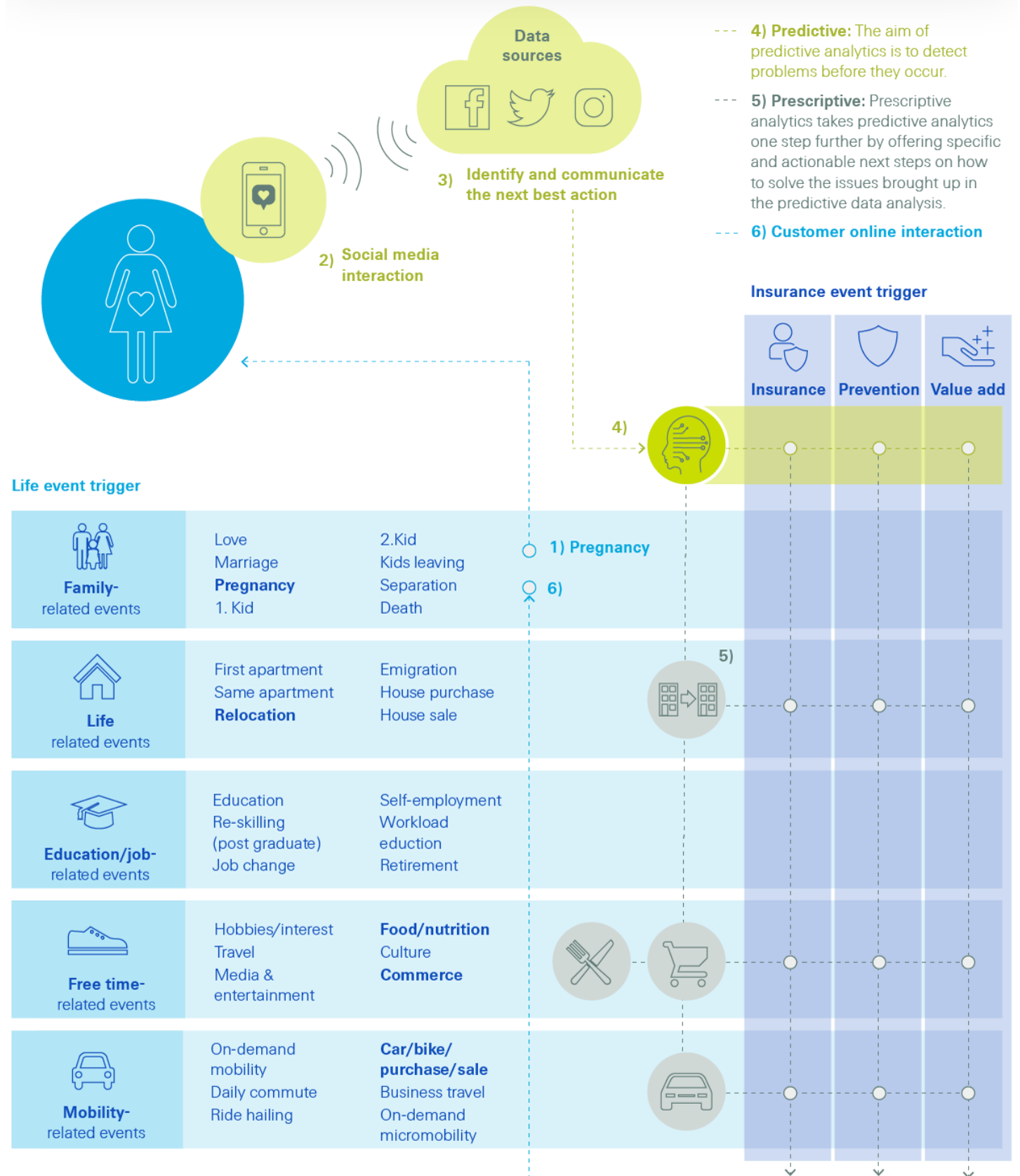


Fig 2: Access to life events enabled by digital interactions (Source: Swiss Re Institute)

But digital technology must be regarded as a tool or digital enabler; it's not a holy grail or silver bullet. It will help to quickly and accurately identify what action should be taken, but sometimes that action will need to be taken by a person. Those higher-value moments, whether in financial or emotional terms, where a customer will welcome the human touch, might be more easily identified by AI – but they aren't ready to be outsourced to a robot just yet.

Emerging digital touchpoints: an opportunity to learn from others

In its Technology Vision for Insurance 2019 report, Accenture found that 59% of insurers are already forming relationships with non-traditional partners. These cross-industry platforms and ecosystems, involving businesses in sectors such as e-commerce, retail, or automotive, offer a more rounded view of customer wants and behaviour.

This idea of combining insights into key life events with data on other aspects of a customer's behaviour creates an intriguing opportunity. When an insurer really understands customers' needs and their risk exposure, not only can they develop more relevant products and services, they could even start to redefine the insurer-customer relationship.

While some of this may still be in its infancy, analysing data points like biomarkers, activity levels, building footprints, occupancy and so on, can create more reliable risk profiles. Especially when the algorithms collecting the data and making assessments can learn from their own experiences and refine their outputs.

Dynamic and personalised protection enabled by digital-touchpoint insights and digitally-augmented assistants

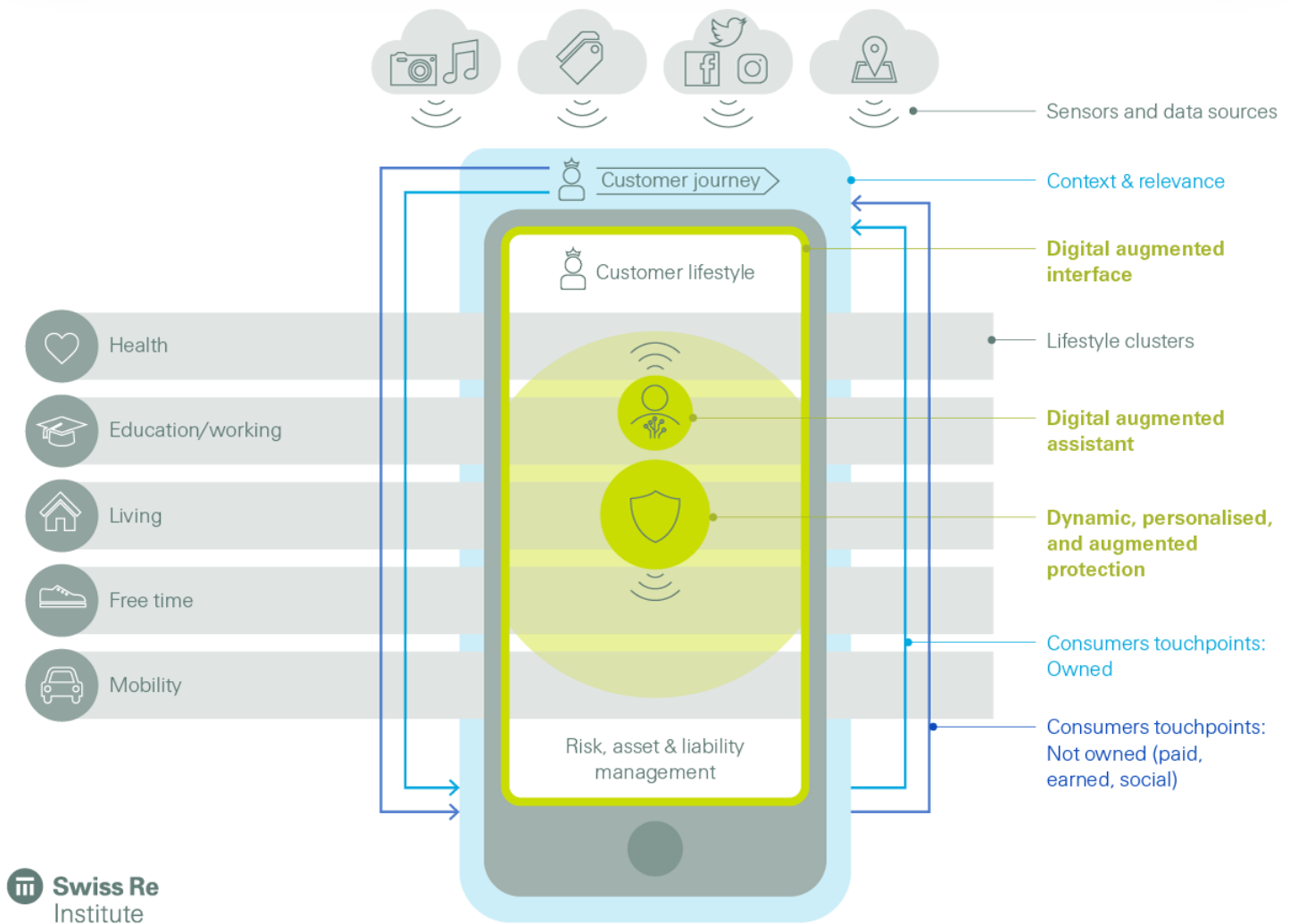


Fig 3: Dynamic and personalised protection enabled by digital-touchpoint insights and digitally-augmented assistants (Source: Swiss Re Institute)

The impact on the insurance value chain

This increased digitalisation of customer touchpoints has the potential to reshape the entire insurance value chain. The key to it all is, of course, data and the ability to analyse it. Being able to create mathematically robust risk models, based on a reliable evaluation of customers' exposure, and being able to identify the touchpoints that are most likely to trigger sales conversion, will help streamline sales, improve experience, and eliminate waste.

It will not be achievable without access to that data and those touchpoints, though. That will drive the need to form strategic partnerships with businesses from outside the insurance world. Those partnerships will, in turn, provide insurers with the opportunity to take control of changes that may impact the future of their business.

It's a stark outlook but the choice may be between acting solely as suppliers of coverage or innovating on higher value activities like new products and new routes to the customer.

"As their value chain becomes more digitally connected, insurers will be able to better understand customer segments and partners, and adapt to changes in near real-time," says Jonathan Anchen, Head of Swiss Re Institute Research & Data Support. "Insurers will need continuous access to a range of data sources from connected objects and platform providers, and behavioural insights from consumer and environmental data, to name just a few.

« This will spark the evolution of new data-driven business models taking insurers beyond their existing value chain. »

Jonathan Anchen, Head of Swiss Re Institute Research & Data Support, Swiss Re Institute

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Here, at the start of a new decade, we can only speculate about how some of these trends and