WORLD INSURANCE REPORT 2016

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Preface

Introducing the 2016 World Insurance Report

A new type of consumer is beginning to make their mark on the global insurance scene, threatening to disrupt the way insurers interact with customers and destabilizing traditional engines of profitability. Young, mobile, and accustomed to a steady stream of digital interaction, these Gen Y customers are ushering in a new emphasis on technology-based services that may undermine standard business practices, while opening the way for new, more nimble competitors to make inroads.

In our 2016 World Insurance Report (WIR), we draw upon the industry's largest Voice of the Customer (VoC) Survey—more than 15,500 respondents in 30 countries—to present a comprehensive picture of the motivations, habits, preferences, and behaviors of this critical customer segment. Our findings reveal a striking chasm between the expectations Gen Y customers have for their insurers and the services that traditional insurers actually provide, and call for insurers to take a more aggressive approach in fulfilling customer perceptions of the ideal insurer. Customer expectations are evolving faster than insurers' ability to innovatively address their expectations.

Also impacting global insurers is the steady advance of the Internet of Things (IoT), a series of breakthrough technologies that may potentially transform the insurance industry in stunning fashion. Affecting everything from how consumers maintain their homes to how they drive their cars, the IoT is expected to redefine the very notion of insurable risk. Indeed, as the world becomes safer and more connected, the fundamentals of assessing and underwriting risk may see a complete transformation.

We offer a comprehensive analysis of the Internet of Things and how it is expected to impact the insurance business. Based on executive interviews, customer surveys and secondary research, this report provides guidance on effective technology investments insurers can make related to the IoT, as well as specific action plans that insurers can refer to as they develop their future strategies.

Gen Y and the Internet of Things present a potent mix for insurers. Individually and in combination, they are expected to act as major disrupters to the traditional insurance business, affecting everything from risk assessments to customer interactions. We have designed our report, including an interactive overview, with the aim of making it easy for you to find answers to your most pressing questions as you navigate this dynamic environment. We hope you find it useful.

Thierry Delaporte
CEO
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Executive Summary

Gen Y Experience Suppresses Global Improvement in Customer Experience

Although insurers around the globe improved overall customer experience levels, a generational disparity was evident, with Gen Y customers having much lower Customer Experience Index (CEI) scores than older ones. The lower Gen Y scores highlight the need for insurers to better understand the behaviors and expectations of this increasingly important customer segment.

Gen Y customers like to engage more regularly, preferring to interact with insurers at least twice as more frequently than other segments, especially via new channels such as social media. This finding, combined with Gen Y customers' lower levels of positive experience with all touchpoints, underscores the need for insurers to offer a broad set of communications channels that work together seamlessly as well as identify new and better ways to engage on a more regular basis.

In keeping with their high comfort level with advanced technology, more Gen Y customers, especially those in the emerging markets of Latin America and developing Asia-Pacific, are likely to purchase insurance from a technology firm, compared to older customers.

Connected Technologies Threaten Traditional Insurance Models

Technologies related to the IoT, including smart ecosystems, wearables and driverless cars, are expected to have a large impact on daily consumer life and, in turn, insurance service providers. We found customers anticipate they will adopt driverless cars in greater numbers than insurers expect, pointing to a need for insurers to revise their outlooks. We further found that affluence, more than age, may be a better predictor of early adoption.

As the IoT matures and becomes mainstream, the nature of risk transparency, risk ownership, and risk itself will shift, making conventional insurance principles less relevant. Insurers must begin considering new long-term business models to ensure their ongoing viability.

In the coming era of connected technology through the IoT, insurers must begin making strategic decisions about their futures. These decisions will involve devising short-, medium- and long-term plans to streamline, enhance and transform the business.

Introduction

Preparing for the Inevitable

As physical objects begin talking to other objects via the IoT, everyday consumer life is destined to change. The tech-savvy Gen Y segment is likely to be at the forefront of this change, making it critical for insurers to understand current customer attitudes and behaviors, the impact of the IoT, and how those two forces will interact over time.

The primary research data in this report, gathered from thousands of customer surveys and over 150 insurance executive interviews in 30 countries, is designed to help fill the gaps in knowledge so insurers can better map out strategic responses to the coming changes. Using the report, insurers will find information that will help:

Assess current levels of customer experience	Insurers are doing a better job of delivering positive customer experiences, especially in Austria, the United States, and Belgium. However, **Gen Y customers are proving harder to please**, registering significantly lower percentages of positive experiences compared to non-Gen Y customers.
Get inside the heads of today's Gen Y customers	Everyone knows that Gen Y customers are strong users of technology, but our report found a further distinction: **They also like to engage more regularly**, turning more frequently to both traditional and especially digital channels than non-Gen Y customers. Even though they more **enthusiastically embrace all types of channels**, they have less positive experiences through them than non-Gen Y customers.
Size up competitive threats	The advance of new competition is not a surprise given the industry's reliance on aging technology. But just how big is that threat? We found that **nearly one-quarter of Gen Y customers**—and up to nearly one-half in Latin America and developing Asia-Pacific—say they are **very likely to purchase insurance from a technology company.**
Identify how quickly consumers will adopt technologies related to the IoT	Our findings show that insurers already are underestimating the pace at which consumers expect they will adopt driverless cars, a technology with enormous implications for the insurance industry. In addition, we found **affluence was the most significant factor in determining customer uptake of new technology, having more influence than even age.**

The 2016 WIR offers information related to numerous other questions, such as: Which types of connected technologies are most likely to gain a foothold first? Which new products and services are expected to become the most profitable under emerging risk scenarios? And what are the most appropriate short-, medium- and long-term steps to effectively prepare for the IoT?

Insurers do not have a choice about whether to prepare for Gen Y and the IoT. These forces are unstoppable, and their impact on the insurance business is only going to increase. We invite you to explore the data and insights gathered in this report as you navigate this new terrain.

Chapter 1

Gen Y Experience Suppresses Global Improvement in Customer Experience Index

Key Findings

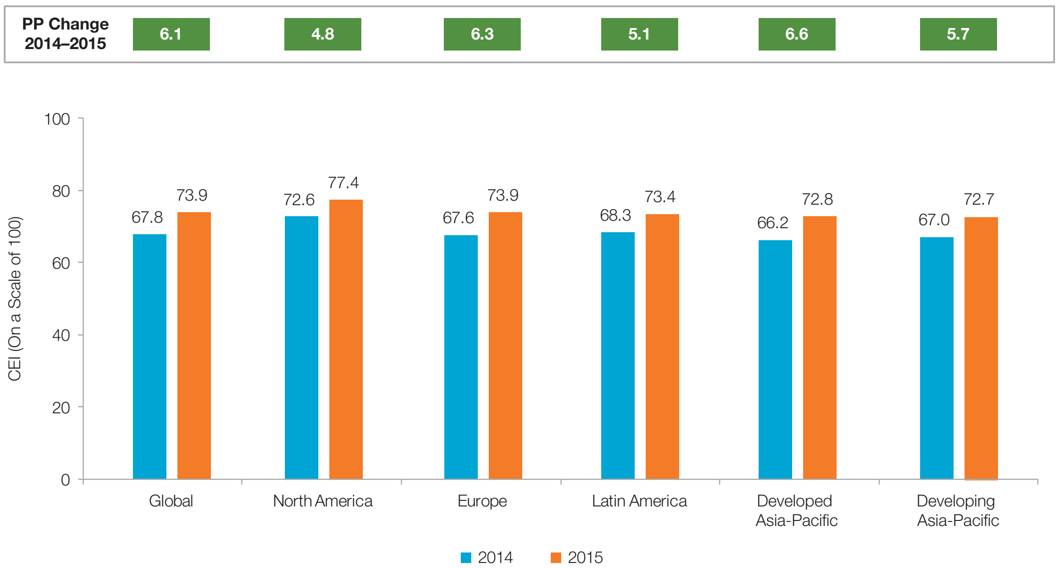
- Globally, customer experience improved, but Gen Y customers' significantly lower experience levels held the overall customer experience level down. Insurers across the globe have been making significant improvement in addressing the needs of older insurance customers, but they are still falling short in meeting the expectations of Gen Y customers.
- Unlike older insurance customers who place higher importance on the agent and Internet-PC channels, Gen Y customers embrace all channels. Gen Y customers show a higher overall tendency to engage, especially through the newer digital channels of mobile and social media. They interact with their insurers up to two-and-a-half times more than other customers on social media and over two times more on the Internet-mobile channel.
- The threat of non-traditional insurers is already a reality, especially in the view of Gen Y customers. A high comfort level with technology makes Gen Y customers more likely to purchase insurance from non-traditional insurers, with nearly one-quarter of Gen Y customers (23.4%) indicating the likelihood of purchasing insurance from a technology company if it chooses to foray into insurance.

Positive Experience Levels Lag for Gen Y Customers

Insurers around the globe achieved a significant increase in customer experience levels in 2015. The global CEI improved by 6.1 points to 73.9, pushed by solid increases in customer experience in every country surveyed. By region, developed Asia-Pacific recorded the largest increase in customer experience (6.6 points), followed by Europe (6.3). Though North America had the smallest increase (4.8), it continues to have the highest CEI level of all the regions at 77.4 (see Figure 1.1).

While the global improvement in CEI scores is encouraging, the trend in Gen Y customer experience tells a slightly different story as Gen Y customers registered much lower CEI scores across the globe. The biggest generational CEI disparity was in Europe, with a difference of 12.2 points between Gen Y and non-Gen Y, followed closely by North America. Globally, there was a difference of 10.3 points.

Figure 1.1: Customer Experience Index, by Region, 2014–2015



Note: PP represents Percentage Point throughout the report
Source: Capgemini Financial Services Analysis, 2015; Capgemini Voice of the Customer Survey, 2014, 2015

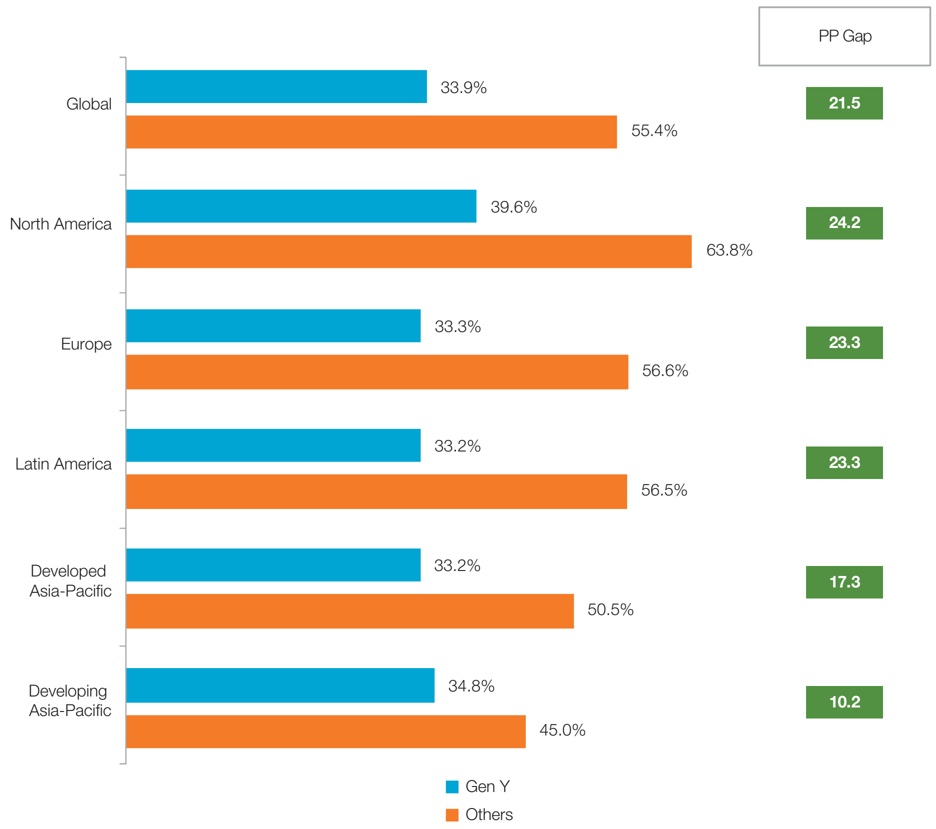
Representing more than 25% of the global population, Gen Y is expected to become a major part of the workforce in many countries by 2020[1]. Comprised of tech-savvy individuals born between 1981 and 2000, Gen Y customers have yet to fully embrace a wide range of insurance products. Over time, however, they will become the industry's core customers, influencing older generations and making it imperative for insurance firms to better understand and address their needs now.

Our findings show that Gen Y high expectations and strong preferences for digital and social media channels lead to gaps in service and, in turn, less positive outcomes. Globally, only 33.9% of Gen Y customers have positive experiences with their insurers, compared to 55.4% of non-Gen Y customers. The gap is widest in North America, followed closely by Europe and Latin America (see Figure 1.2). Gen Y customers are especially disappointed with their digital insurance experiences. Only 30.5% of Gen Y customers report positive experiences through digital channels, compared to 35.5% of Gen Y customers on traditional channels (see Figure 1.6, page 15).

While positive experience levels increased in every region across the globe, notable differences existed between countries. Austria continued to have a significant lead, with 64.9% of customers there saying they have positive experiences with their insurers, followed by the United States at 58.5% and Belgium at 57.7%. South Korea and China continued to lag all the countries, with South Korea providing positive experiences to only 33.6% of customers and China to 37.3% (see Figure 1.3).

Viewed by type of interaction, we found that making a claim also affects whether a customer's experience is positive or negative. Customers who made a claim in the past year had significantly lower levels of positive experiences than others for both auto and property insurance. Globally, only 43.0% of customers who made an auto insurance claim had positive experiences, compared to 57.8% of customers with no claims. Similarly, only 40.0% of customers who made a property insurance claim had positive experiences, compared to 58.1% of customers who did not make a claim.

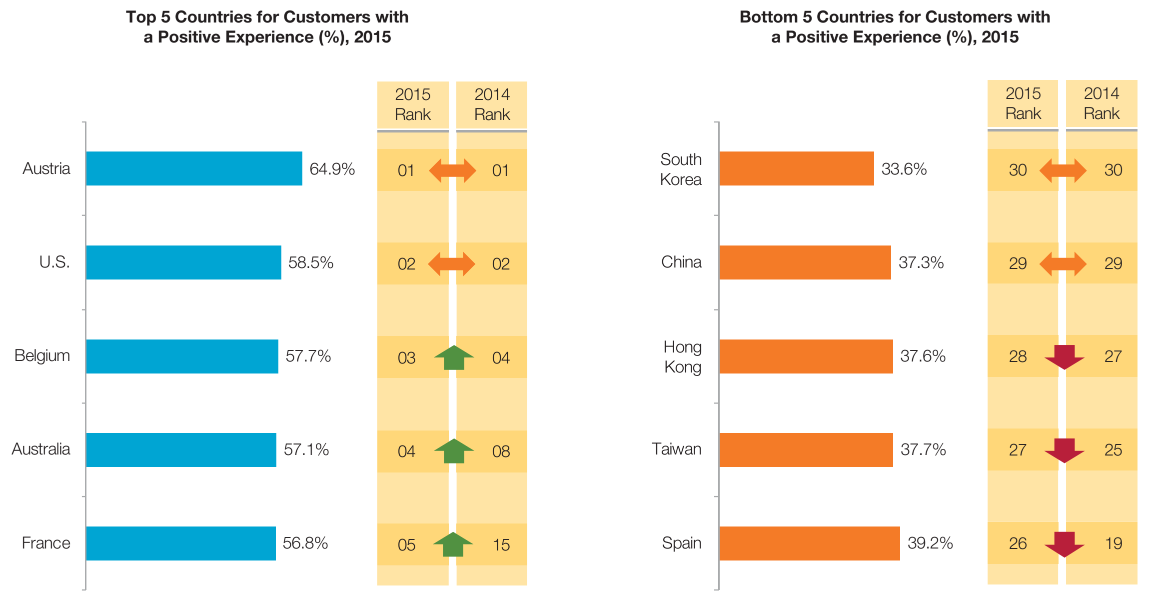
Figure 1.2: Customers with Positive Experience, by Age and Region (%), 2015



Note: Developed Asia-Pacific includes Australia, Hong Kong, Japan, Singapore, South Africa, South Korea, and Taiwan; Developing Asia-Pacific includes China and India
Source: Capgemini Financial Services Analysis, 2015; Capgemini Voice of the Customer Survey, 2015

[1] Gen Y refers to people aged 15 to 34; Only customers aged 18 to 34 (born between 1981 and 1997) were surveyed in the VoC Survey and therefore reflect the Gen Y customers for the purpose of this document, while non-Gen Y customers are those aged 35 and above

Figure 1.3: Top and Bottom Countries with a Positive Experience (%), 2015



Source: Capgemini Financial Services Analysis, 2015; Capgemini Voice of the Customer Survey, 2014, 2015

In North America, the difference was particularly stark, with only 27.0% of customers who made a property insurance claim reporting positive experiences, compared to 67.0% of those who didn't make a claim. Given the high level of automation in claims servicing, particularly in North America, insurers are likely falling short in meeting heightened customer expectations.

Gen Y Customers Embrace All Channels, Underscoring Need for Seamless Integration

Gen Y customers communicate more with their insurers than non-Gen Y customers, and tend to prefer digital channels, with 37.1% saying that they use digital channels at least once a month, and 30.7% saying they use traditional channels (see Figure 1.4). Gen Y customers turn to social media to access insurance services up to two-and-a-half times more often than other customers, and use mobile more than two times more often than other customers. Non-Gen Y customers, meanwhile, are much less likely to use either type of channel (in the range of 18% for both digital and traditional). Communication levels also differ by region, with customers (both Gen Y and others) from Latin America and developing Asia-Pacific interacting with insurers more often than those from mature markets.

When it comes to particular types of channels—including agents, phone, internet-PC, internet-mobile, and social media—Gen Y customers do not discriminate; they use them all. Other demographics tend to turn to certain channels at the expense of others. For example, non-Gen Y customers exhibit a clear preference to use agents and the Internet, instead of the phone, mobile or social media channels (see Figure 1.5).

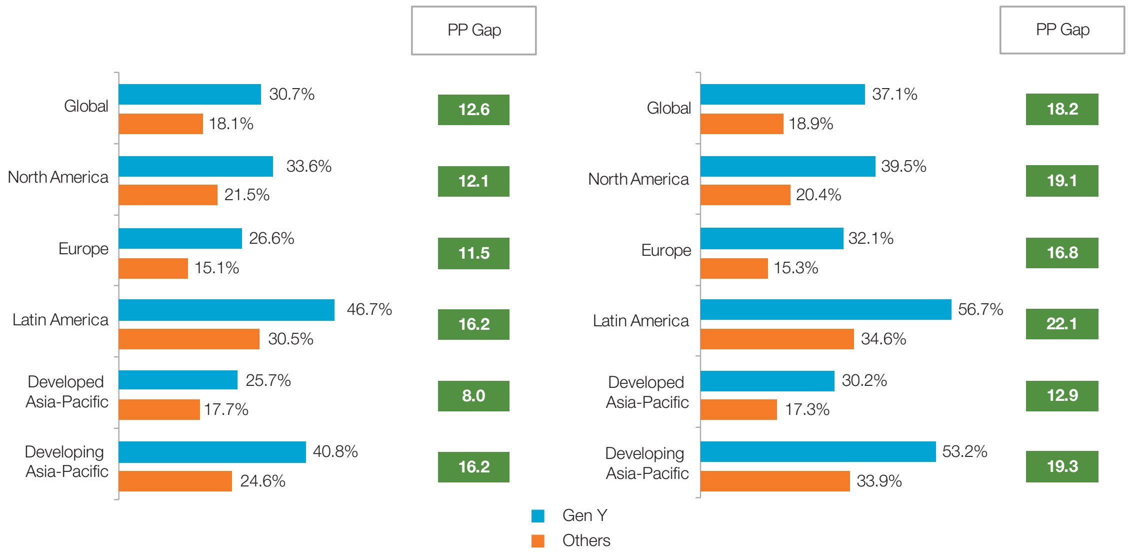
Gen Y customers, however, show a very different pattern, turning in near equal measure to all types of channels (with a slight emphasis on the Internet). Different channels appear to fulfill different needs: Gen Y customers indicate that they tap agent and phone channels for advisory services and Internet-PC and mobile channels for transactional services. Finally, social media acts as a medium for discussing insurance issues with friends and peers. At the same time, Gen Y customers are looking for improved channel experiences across the board, particularly with respect to digital interactions.

Despite their preference in using all types of channels, Gen Y customers do not consistently have positive experiences with them. Globally, their positive experience level with traditional channels (35.5%) lags that of other customers by 20.7 percentage points. For digital channels, the disparity is slightly lower. About 30.5% of Gen Y customers report positive experiences with digital channels, compared to 48.2% of others globally—a difference of 17.7 points (see Figure 1.6).

Looking forward, insurance customers of all ages are expected to gravitate toward greater use of digital channels. In the next 12 months, more than one-quarter of customers plan to purchase or renew their insurance through digital channels, with adoption levels expected to be about the same for Gen Y and non-Gen Y customers. The increased use of digital channels is expected to come largely at the expense of the agent channel, though non-Gen Y customers are expected to maintain a relatively higher preference for working with agents (see Figure 1.7).

All of these findings point to a number of opportunities for insurers to appeal to Gen Y customers. The low levels of positive channel experiences pave the way for insurers to enhance interactions, especially digital ones. Not only are positive experience levels lowest for digital, but Gen Y customers are currently using digital channels in greater numbers. In addition, the tendency of Gen Y customers to use all channels available to them calls for insurers to provide an integrated experience across all of them.

Figure 1.4: Use of Channels at Least Once a Month, by Age and Region (%), 2015

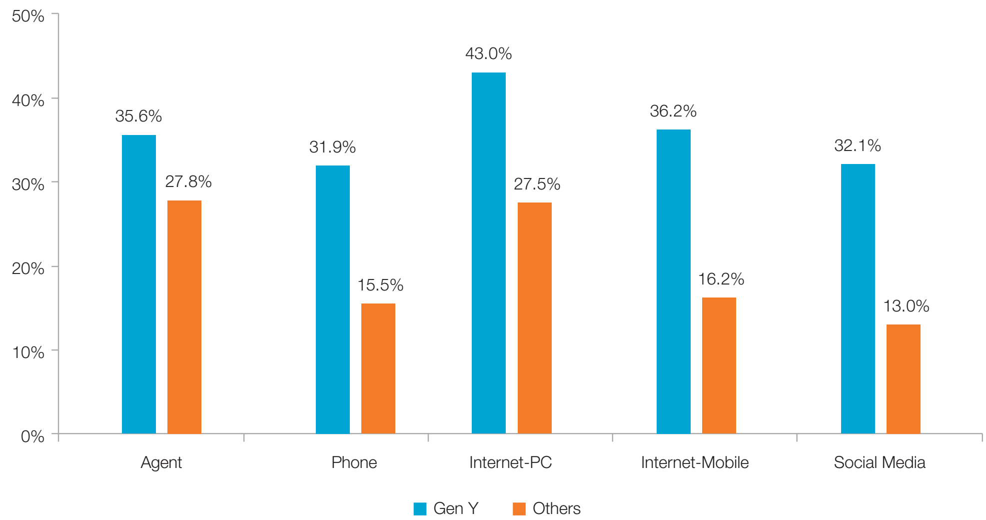


Note: 1. Question asked: "How often do/will you use the following channels for your insurance needs? Frequency of Use: Weekly, Once a Month, Once in Three Months, Twice a Year, Yearly, Never"; The values considered for the above charts are Weekly and Once a Month

2. Traditional channels include Agent, Broker, Bank, and Phone; Digital Channels include Internet-PC, Internet-Mobile, and Social Media

Source: Capgemini Financial Services Analysis, 2015; Capgemini Voice of the Customer Survey, 2015

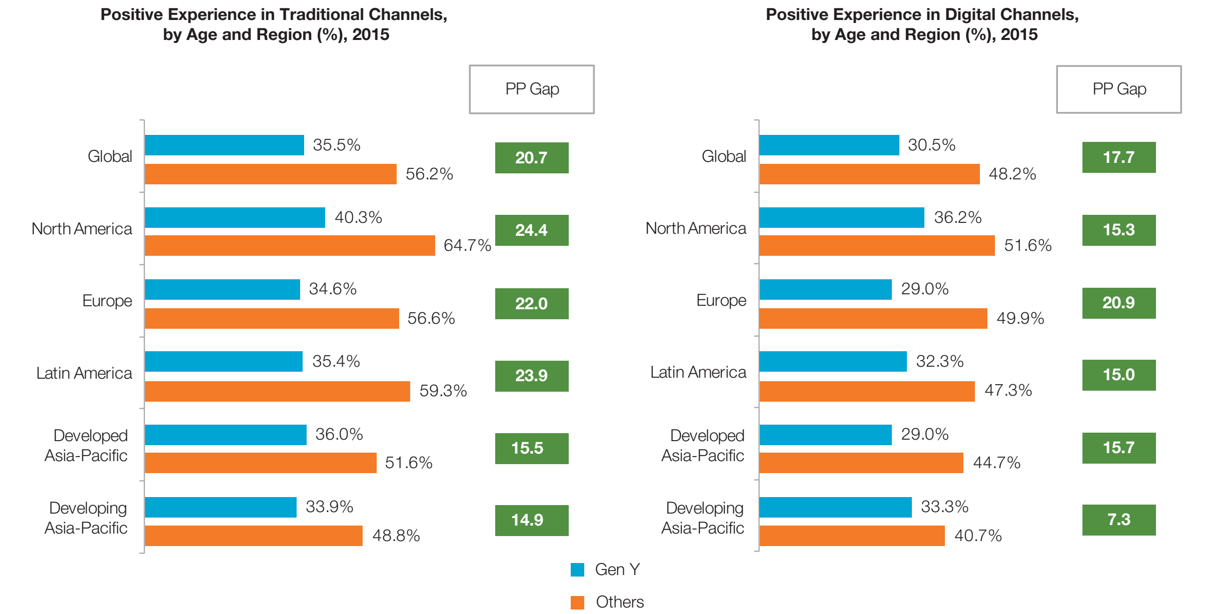
Figure 1.5: Customers Using the Channel at Least Once a Month, by Age (%), 2015



Note: Question asked: "How often do/will you use the following channels for your insurance needs? Frequency of Use: Weekly, Once a Month, Once in Three Months, Twice a Year, Yearly, Never"; The values considered for the above chart are Weekly and Once a Month

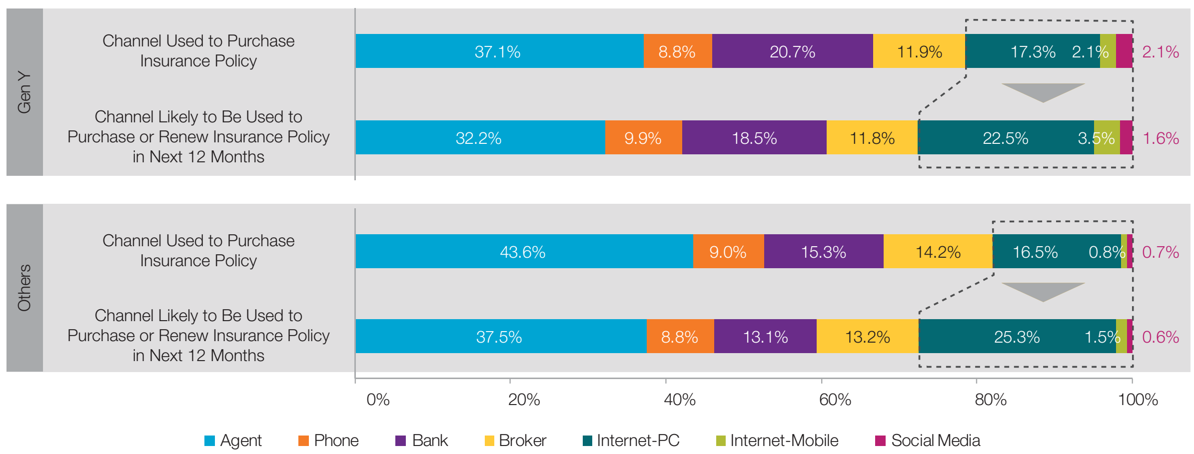
Source: Capgemini Financial Services Analysis, 2015; Capgemini Voice of the Customer Survey, 2015

Figure 1.6: Positive Experience in Channels, by Age and Region (%), 2015



Source: Capgemini Financial Services Analysis, 2015; Capgemini Voice of the Customer Survey, 2015

Figure 1.7: Channel Usage to Purchase or Renew Insurance Policy (%), 2015–2016



Note: Questions asked: "Which channel did you use to purchase your primary insurance policy"? and "How do you wish to purchase or renew primary insurance policy in the next 12 months"?

Source: Capgemini Financial Services Analysis, 2015; Capgemini Voice of the Customer Survey, 2015

Competitors Make Inroads by Addressing Gen Y Customer Demands

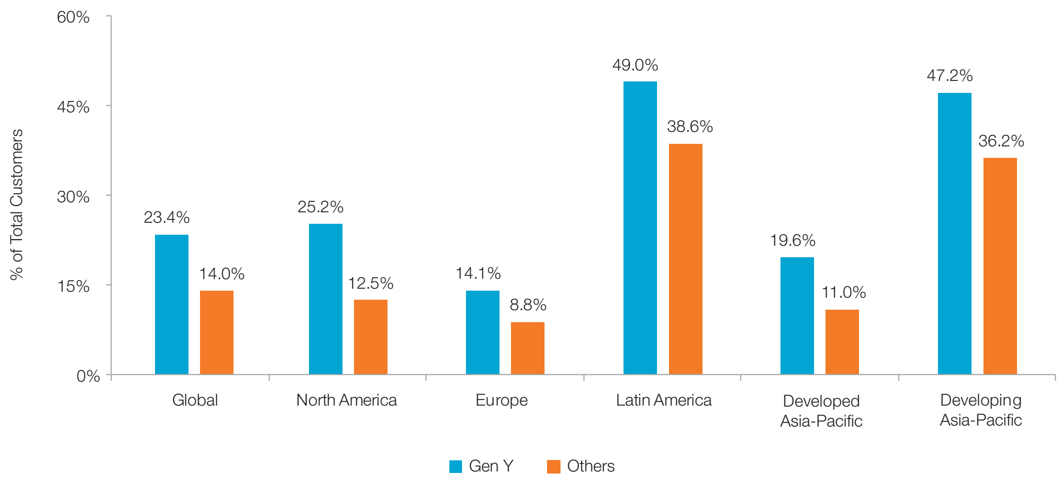
Numerous firms see opportunity in offering insurance through digital channels. Already, firms such as Oscar, a U.S.-based start-up, offers insurance by making the pricing process more transparent with the help of technology that sorts out care options. The firm has expanded rapidly from New York to California, New Jersey, and Texas within U.S. in the last year boasting 75,000 customers in 2-3 years of establishment. Amazon, taking advantage of its access to huge amounts of customer data, is offering highly customized life insurance policies that can be automatically updated and amended via a user-friendly interface[2].

While the increasing number of technology-based entrants has yet to gain significant traction in terms of adoption, they represent a growing competitive threat. These new players have started capturing the attention of tech-savvy customers and have great potential to increase their market share. Not only can they build their operations organically around digital channels, but most have proven expertise in handling and analyzing customer data.

The threat is especially acute with respect to Gen Y customers because this generation has a greater tendency to adopt advanced technology in their daily lives. Globally, 40.5% of Gen Y customers say they consider themselves to be strong technology users, compared to 30.9% of others. In Latin America and developing Asia-Pacific, the percentages of strong technology users in the Gen Y segment are particularly high, at 57.7% and 53.4%, respectively.

In keeping with the greater importance Gen Y customers place on technology and digital channels, nearly one-quarter of these customers (23.4%) say they are very likely to purchase insurance from a technology company. That compares with only 14.0% of non-Gen Y customers who are likely to do so. Gen Y customers in Latin America and developing Asia-Pacific are especially likely to purchase insurance from a technology firm, with nearly half saying they would do so (see Figure 1.8). Zhong An, a China-based start-up, with investments from firms such as Alibaba Group Holding Ltd, Tencent Holdings Ltd, Morgan Stanley, and CICC Hong Kong Securities Ltd, is expected to make significant progress in the online insurance space in the Chinese market in the near future. Zhong An offers a variety of online insurance services including niche products focused mainly on travel, accident, and health. With many outside technology firms viewing insurance as an area ripe for innovation, insurers need to stay abreast of developments in technology, as well as build deeper connections with customers to withstand competitive incursions.

Figure 1.8: Number of Customers Likely to Purchase Insurance from Technology Companies, by Age and Region (%), 2015



Note: Question asked: "On a scale of 1–7, how likely would you be to purchase insurance policies from top technology brands such as Google, if they foray into insurance"?; Ratings 6 and 7 are shown in the chart

Source: Capgemini Financial Services Analysis, 2015; Capgemini Voice of the Customer Survey, 2015

[2] "Will Google and Amazon offer one-click life insurance? The future is closer than you think", Craig Gaitan, LifeHealthPro, June 23, 2014, accessed December 2015 at http://www.lifehealthpro.com/2014/06/23/will-google-and-amazon-offer-one-click-life-insura?t=sales-marketing&page=3

Key Takeaways

Customer needs and behaviors are evolving as customers respond to the steady advance of technology in their everyday lives. Increasing familiarity and comfort with digital channels is expected to result in customers of all age groups seeking out greater interactivity with their service providers. While some users may phase out their usage of certain traditional channels in favor of digital ones, insights into Gen Y behavior in particular indicate that overall interest in using all types of channels will remain high. Insurers should view customer tendencies toward greater interaction as a prime opportunity to deepen relationships, disseminate product information, and understand customer needs.

Technology is also changing the competitive landscape. Firms with proficiencies in a variety of latest technologies, including channel integration, customer data analysis and digital interaction, may be well positioned to wrestle customers away from traditional insurers. As in the banking sector, insurers may increasingly have to contend with financial technology firms intent on attracting the most profitable customer segments through compelling technology-based service offerings. Insurers must face these threats head on, by working to better understand customer needs and increasing their agility in addressing them.

Chapter 2

Connected Technologies Threaten Traditional Insurance Models

Key Findings

- As consumers increasingly adopt connected technologies related to the IoT, the impact on the insurance industry will be unavoidable. Among many IoT-driven technologies, the three key technologies most likely to alter current insurance business models are smart ecosystems, wearable devices, and autonomous devices such as driverless cars.
- Insurers and customers exhibit differences in how quickly they expect connected technologies to be adopted. Customers anticipate they will adopt driverless cars in greater numbers than insurers expect. It was found that affluence is the more significant factor in determining customer uptake of new technology, with a greater percentage of affluent Gen X customers likely to adopt smart ecosystems and wearables than that of non-affluent Gen Y customers.
- As connected technologies take hold, the key risk variables of insurance are facing realignment. Overall risk is decreasing, while risk transparency and risk sharing is on the rise. All of these trends will lead to fundamental changes in product development, underwriting, and risk management.
- Insurers must begin developing their short-, medium- and long-term strategies for responding to the coming era of connected consumer technologies. Deep proficiency in data management and analysis will be essential to meeting evolving customer needs and keeping pace with emerging competition.

Interconnectivity Takes on Many Forms

Day-to-day life for consumers is heading toward a significant transformation. Three key themes in technology driven by the Internet of Things (IoT)—connected ecosystems, embedded technology, and machine intelligence—are converging in ways that will have wide-ranging impact on how consumers conduct their everyday lives. The coming transformation is giving insurers a rare opportunity to create new, meaningful, technology-based connections with consumers. At the same time, it is changing the fundamental nature of risk in insurance, undermining the effectiveness of traditional business models.

Connected Ecosystems

In the coming interconnected world ordinary physical products will gain digital qualities, enabling them to operate in an optimal way without human involvement. Rather than interact directly with humans, the products and devices of this emerging smart ecosystem will connect to the Internet and each other, leading to thoroughly novel ways of managing and regulating environments. In a smart home, for example, the lights may learn to go on and off based on a thermostat's settings for nighttime and daytime heating, rather than specifically programmed by a human.

Embedded Technology

Consumer devices will also continue to get smaller and more portable, making it possible to wear and even embed them into the human body. So-called wearables and digestibles are increasingly used today to monitor health and fitness levels, even to the point of relaying eating habits to the dentist via tooth-embedded sensors. Eventually, such devices could be used to detect and interpret human emotion.

Machine Intelligence

Finally, machine intelligence will enable a wide variety of objects, including cars, drones and robots, to make decisions and perform tasks on behalf of humans. A prime example of machine intelligence is the driverless car, which can do things like parallel park, avoid traffic, and automatically find the closest gas station when the tank is low. Connected driverless cars also allow data on the performance and safety of cars to be collected and analyzed.

All of these emerging technologies have important implications not only for how insurers will connect to customers, but also how they will assess and manage risk.

Affluence Affects New Technology Uptake

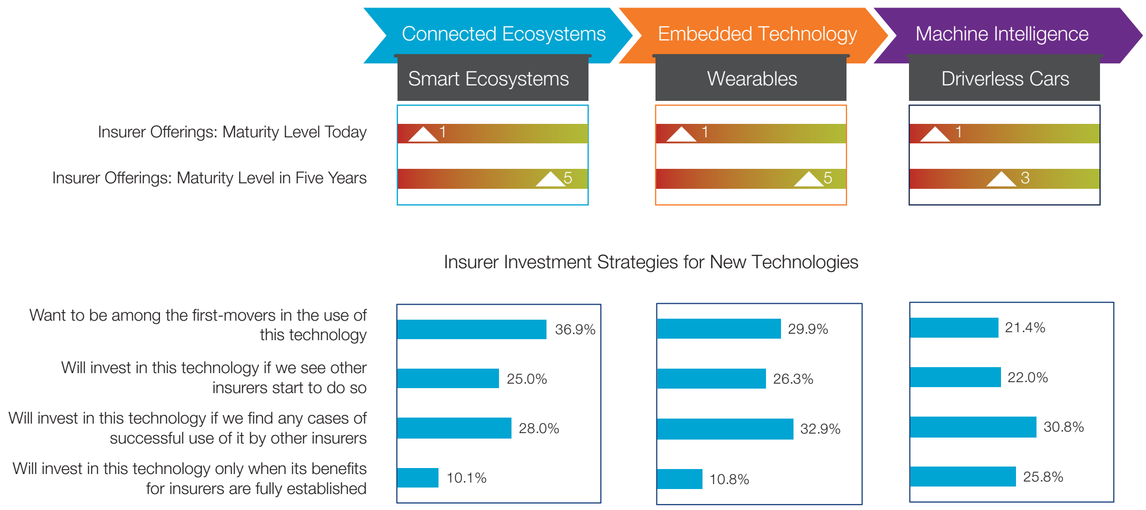
As with any new innovation, how quickly consumers adopt connected technologies will affect the speed at which insurers will make investments and develop strategies to respond. Of the three technologies, insurers have exhibited the greatest interest in exploring smart ecosystems. More than one-third (36.9%) said they want to be among the first to make investments involving it (see Figure 2.1). Insurers are also keen to explore offerings around wearables, but are planning a more cautious approach when it comes to investments related to driverless cars.

There is a slight disconnect between customer and insurer expectations, with customers anticipating they will adopt driverless cars in greater numbers than insurers expect. The difference is stark in the case of driverless cars, with 23.1% of customers saying they will adopt them, compared to only 16.3% of insurers that think so (see Figure 2.2). On the other hand, insurers are much more optimistic about the propensity of customers to adopt wearable technology, with 48.9% of insurers saying customers will do so, outstripping the 30.1% of customers who think so.

Affluent customers[3], especially if they fall into the Gen Y and Gen X categories, report the highest likelihood of adopting the new technologies. While there were some differences in expected adoption by generation, with Gen Y being slightly more likely than Gen X and much more likely than Baby Boomers to adopt, affluence was the most significant factor in determining uptake. Affluent Gen Xs, for example, were more likely to adopt the new technologies than non-affluent Gen Ys. And affluent Gen Y customers were the most receptive, with more than 50% saying they would likely adopt home sensors and wearables (see Figure 2.3).

The tendency of affluent customers to try out new consumer technologies has important implications for insurers. Given the choice, affluent customers are likely to turn to technology firms that offer new ways of delivering insurance, rather than traditional firms. Globally, 30.7% said they would do so, while among affluent Gen Y customers, the percentage goes up to 47.1%. The importance of technology to the influential affluent segment underscores the need for insurers to stay abreast of customer preferences, especially as technological possibilities evolve. In addition, as the costs of consumer technology come down, the preference of affluent customers for new technology is likely to extend to less affluent customers as well, increasing the imperative for insurers to embrace advanced solutions.

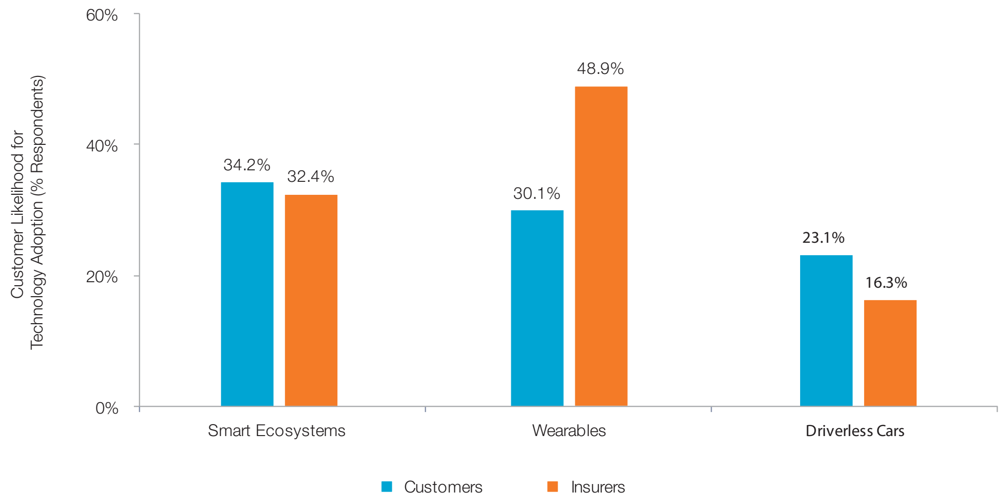
Figure 2.1: Insurer's Current and Future Maturity for Offerings Linked to New Technologies



Note: 1) Question asked for current and future maturity for offerings linked to new technologies: "What level of maturity are your firm's offerings, which are linked to these technologies today and where do you expect them to be in five years? Please rate on a scale of 1–7"
2) Question asked for insurer's investment strategies for new technologies: "Which of the below options best describes your investment strategy for each technology: a) We want to be among the first-movers in the use of this technology, b) We will invest in this technology if we see other insurers start to do so, c) We will invest in this technology if we find any cases of successful use of it by other insurers, d) We will invest in this technology only when its benefits for insurers are fully established"
Source: Capgemini Financial Services Analysis, 2015; WIR 2016 Executive Interviews, 2015

[3] Customers whose assets are more than $250,000

Figure 2.2: Customer Likelihood to Adopt the Latest Technologies (%), 2015

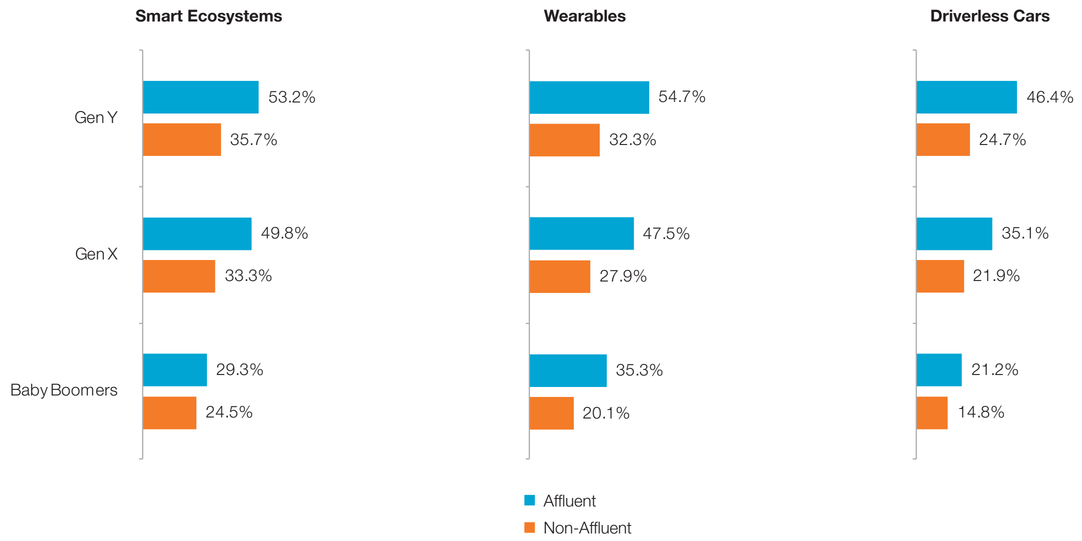


Note: 1) Question asked to customers: "On a scale of 1–7 (1 being Most Unlikely and 7 being Most Likely), how likely are you to adopt emerging technologies such as driverless cars, home sensors, and wearable technologies"?; Ratings of 6 and 7 are shown in the chart above

2) Question asked to insurer: "Please rate on a scale of 1–7, (1 being Very Unlikely and 7 being Very Likely) how likely are your customers to adopt the following technologies on a large scale in the next five years: (a) Smart ecosystems; (b) Wearables; (c) Driverless Cars" Ratings of 6 and 7 are shown in the chart above

Source: Capgemini Financial Services Analysis, 2015; WIR 2016 Executive Interviews, 2015; Capgemini Voice of the Customer Survey, 2015

Figure 2.3: Customer Likelihood to Adopt New Technologies by Age Group and Affluence (%), 2015



Note: Question asked: "On a scale of 1–7 (1 being Most Unlikely and 7 being Most Likely), how likely are you to adopt emerging technologies such as driverless cars, home sensors, and wearable technologies"?; Ratings of 6 and 7 are shown in the chart above

Source: Capgemini Financial Services Analysis, 2015; Capgemini Voice of the Customer Survey, 2015

Risk Fundamentals Undergo Major Shift

Since its inception, the insurance industry has been built upon its ability to detect, analyze and manage risk. Now new technology is changing the nature of risk in insurance, altering the most fundamental aspect of the business.

Most of the key risk variables of insurance are facing significant realignment. Risk transparency, for one, is on the rise as direct customer data, such as heartbeat rates from wearables or driving pattern data from in-vehicle devices, reduce the unknowns that have traditionally driven statistical models for risk assessment. The improved transparency into customer behaviors and related risks makes it possible to create more dynamic pricing models. In auto insurance, for example, pay-as-you-drive insurance, which takes into account driving distances and behaviors, is becoming possible through greater risk transparency.

In general, risk is decreasing. By their very nature, technologies such as smart homes and autonomous fleets create a potentially safer environment. These technologies are making it possible for customers to avoid risks through smart programming and real-time connectivity. The overall impact is that customers will be reducing their exposure to risk over time. As a consequence, insurers will need to prepare for a potentially reduced need for insurance in the long term.

In addition, the nature of risk ownership is changing. Traditionally, one person or family has owned an insurance policy. But in an economy where shared services, such as ZipCar and Uber, are increasingly common, the nature of risk ownership and exposure is changing. In auto insurance, autonomous vehicles will also transfer the ownership of risk from individual customers to vehicle manufacturers. These new ownership patterns will create ripple effects in the way insurance products and customer portfolios are designed.

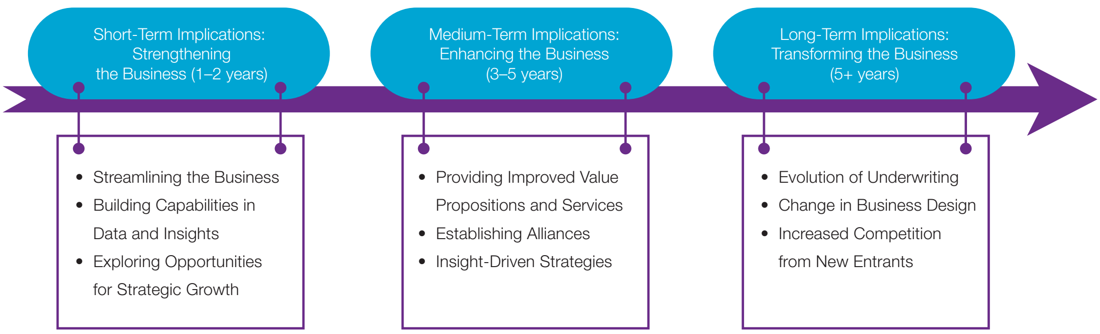
Finally, new technologies may cause a shift in basic insurance principles and business models. While insurance products traditionally almost exclusively revolved around a transfer of risk from policyholders to insurers, connected technologies may gradually introduce more risk mitigation models, along with risk transfer. Connected technologies will also give insurers better ability to detect fraudulent claims. All of these changes point toward a reworking of the basic insurance revenue model, while offering the potential for better control over profitability.

All in all, connected technologies have far-reaching implications for insurers on many levels. The ways in which insurers appeal to customers, interact with them, and assess their risk are all subject to significant change. The industry has little choice but to begin making strategic decisions about how to thrive—in the short-, medium- and long-term—in this coming era of connected technology (see Figure 2.4).

Building a Strong Foundation in the Short-Term

In the short-term, insurers need to strengthen their businesses by improving their existing operations and laying the groundwork for growth. This one-to-two-year plan should be aimed at building a strong foundation that can adapt to shifting technological forces. An effective short-term plan should include three distinct areas of action (see Figure 2.5).

Figure 2.4: Implications for Insurers



Source: Capgemini Financial Services Analysis, 2015

Figure 2.5: Short-Term Implications: Strengthening the Business

Source: Capgemini Financial Services Analysis, 2015

Streamline the Business

Existing operations should be upgraded to their fullest capacity. Processes should be reengineered to achieve straight-through standards, and product lines simplified, with the goal of improving operational efficiencies, reducing expenses, and increasing profitability. Successful streamlining is essential not only for improved operational efficiency, but also for a better customer experience.

Insurers have numerous tools at their disposal to help in these efforts. Primary among them are digital technologies, such as online capabilities for purchasing policies, managing accounts and tracking claims. United Healthcare's myClaims Manager, for example, is a highly interactive digital payments tool that helps users track and manage their healthcare claims and related expenses online. Aetna uses its Twitter capability @aetnahelp to more efficiently respond to customer queries and concerns, redirecting simpler queries away from more costly channels.

Another tool is available in the form of cost restructuring, which offers the opportunity to convert costs from fixed to variable. Such restructurings are now achievable in a number of ways, including by subscribing to cloud services or by sourcing non-core activities, such as customer service, to a third-party provider that can offer greater scalability.

Explore Opportunities for Strategic Growth

Insurers need to prepare for growth, both strategically and geographically. Numerous opportunities exist within the expanding insurance-technology market to make acquisitions or create partnerships that would lay the groundwork for moving into new markets or business models. The thriving insurance-technology market has raised $2.12 billion since 2010[4], and is populated by a wide range of innovative start-ups. Firms such as Simplesurance and Insly provide advanced software solutions for insurers and brokers, while aggregators such as Coverfox and CoverHound are creating new marketplace models for insurance purchases. A concept under development comes from Brolly in the UK, which aims to provide customers with a digital personal insurance concierge powered by artificial intelligence. The app will help customers manage all their insurance policies and related documents in one place while also simplifying the purchase of a new policy. With all the changes happening in the marketplace, insurers need to keep abreast of potential partners and acquisition targets to ensure they are prepared from a strategic perspective to compete effectively.

Insurers should also consider having global expansion as a goal. As regulatory standards become more uniform between Europe and North America, it will become increasingly advantageous for insurers to either expand globally or strengthen existing global operations. Insurers can consider exploring fast-growing emerging markets to complement slow-growing mature markets. Consolidating systems and operations on a global basis can lead to highly effective synergies and reduced costs, while also preparing the firm for further expansion.

Build Capabilities in Data and Insights

In the coming era of connected technologies, customer data will become even more valuable to the core business, making the ability to manage and leverage data a top-level strategic priority. Insurers must have the skill and capacity to handle both external and internal data sets. U.S.-based Bankers Insurance Group exemplifies a firm that has successfully leveraged data from multiple sources, including internal databases, publicly available sources, and multiple aggregators, to simplify the home insurance shopping experience. Similarly, MetLife has launched the MetLife Wall which provides a better customer view by bringing together data from more than 70 legacy systems and merging

[4] "Insurance-Tech Startups Are Invading the Multi-Trillion Dollar Insurance Industry", CB Insights, Insurance Tech Insights, June 5, 2015, accessed December 2015 at https://www.cbinsights.com/blog/insurance-tech-startups-investment-growth/

them into a single record. This can help MetLife to more quickly personalize their customer service and thus, improve customer experience.

For most firms, a phased approach toward a more data-centric business model will be an appropriate path. Gaining optimal proficiency in data management requires certain basic steps (see Figure 2.6), such as identifying and scrubbing data sources, clarifying profitability and performance indicators, and identifying reports for decision making.

Once these basics are in place, firms can move on to improving their expertise in customer data analysis and segmentation with the aim of creating more personalized insurance products. This type of detailed customer knowledge is also useful in detecting and mitigating fraud.

In the next phase of data proficiency, firms can incorporate data collected from external sensor devices to develop increasingly targeted products, business models and branding strategies. In the final stage of optimization, data will drive all decision-making and business models, and become essential to the culture of the firm.

Medium-Term Strategy: Mastering Data Management

The three-to-five-year strategic plan will require insurers to apply their growing expertise in data management to enhancing the business. Becoming masters of their data will enable insurers to develop essential new products and more effective marketing strategies, as well as become better judges of value-adding alliances. The three-pronged plan for enhancing the business includes:

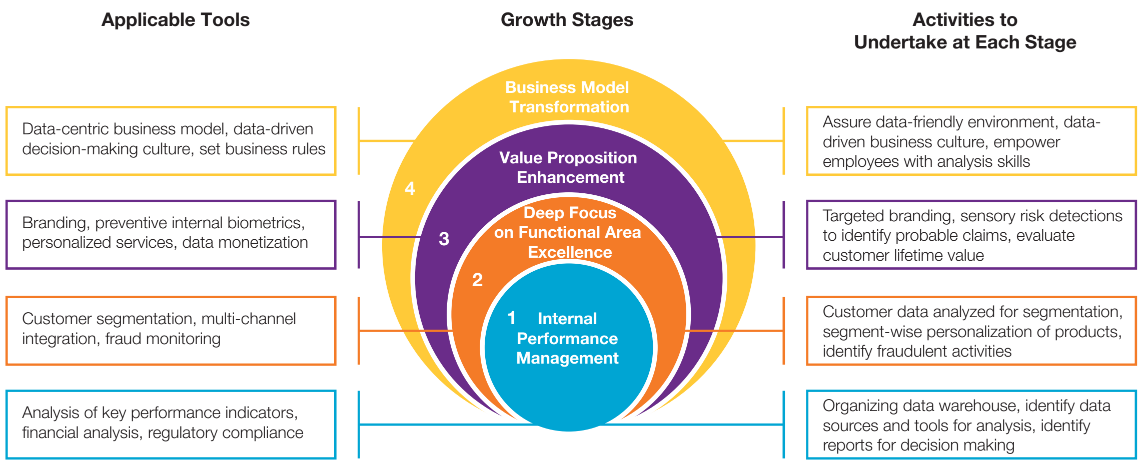
Provide Improved Value Propositions and Services

As traditional insurance models become less lucrative, new service offerings will become imperative. At the same time, customer data from connected devices is driving a new era of creativity in insurance product development. Insurers able to thoroughly analyze their data, especially the new streams resulting from connected technologies, will be better positioned to bring to market much-needed new products.

> "I think about data and the value of our data and how we can use that for revenue sources. Analytics, trend analysis are things I see as potential areas for revenue."
>
> Capgemini Health Payer Client

By working in partnership with other firms, insurers can devise compelling value-added products and services. A smart home system, for example, could let an insurer warn customers of an impending washing machine problem, and also provide a discount at a partner store's outlet for the repair. Allianz provides a similar service in partnership with Panasonic. In case of any danger in the customer's home, the Panasonic sensors used by them will send alerts to the user's mobile device, as well as to Allianz. Allianz will then dispatch repair teams to address the issue quickly and mitigate the damage caused. Aviva also has a

Figure 2.6: Big Data Analytics Framework



Source: Capgemini Financial Services Analysis, 2015; *Big Data Analytics for Life Insurers — Integrating the Solutions across the Value Chain*, Capgemini, 2014 partnership with HomeServe to underwrite HomeServe home assistance products and further enable smooth service for customers in case of damages in the home. Subscription-based risk mitigation services, such as alerts about speeding or health dangers, are also becoming more common. State Farm's In-Drive program, for example, offers services such as stolen vehicle assistance and emergency calling for a subscription fee, following an initial free trial period. In Italy, Cardif Vita Compagnia di Assicurazione e Riassicurazione S.p.A. has created a product called Habit@t Homebox, which monitors homes around the clock and alerts emergency assistance in case of danger. Insurers can also consider diversifying into related industries such as wealth management, where they already have some expertise.

> "Insurance companies could (a) Verticalize – i.e., start to sell to the customer the services above and below you in the food chain. E.g., Pet wearables – Pet insurance – Pet hospital, veterinary practice or you could (b) Horizontalize – i.e., sell services that are directly related to that product e.g., pet insurance and then sell pet grooming services, pet food, pet toys etc. (c) Look at new partnerships."
>
> Andrew Livesley, RSA Insurance

In the commercial lines area, insurers can leverage customer data to become more strategic advisors. Depending on the industry, a wide variety of data-driven, value-added services are possible, such as predictive maintenance alerts, supply chain optimization and commercial fleet management.

Insurers are also well positioned to offer pricing incentives for robust monitoring of risk elements, such as heat and smoke in offices. Further, workers compensation products can take advantage of wearable devices for employees that help detect factors like fatigue.

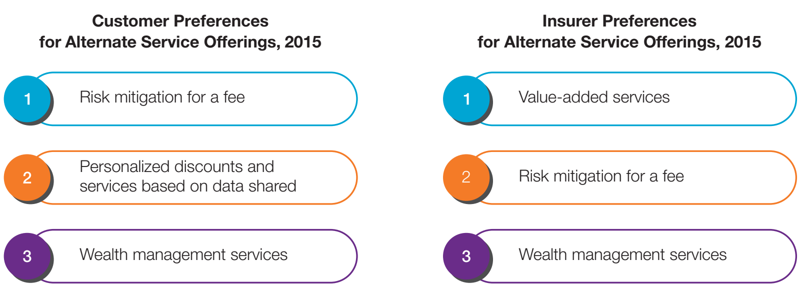
> "An alternate source of revenue for insurers could be to develop an ecosystem of services for the customers in which the policy is part of an offering."
>
> Guido Sommella, Amissima Assicurazioni

Our Voice of the Customer Survey found that customers are most interested in having insurers advise them of impending risks, and are willing to pay for such services (see Figure 2.7). Next to risk mitigation, customers are most interested in getting discounts, such as shopping vouchers, based on data they share, while wealth management services fall lower in the order of preference. All of these new product categories are expected to lead to deeper relationships and greater customer engagement.

Establish Alliances

Technology firms are increasingly using their expertise in customer data management to address unmet insurance market needs with innovative new services. Often, these players are creating new business models, making it imperative for traditional insurers to understand the dynamics of the evolving marketplace and identify the most advantageous partners.

Figure 2.7: Customer and Insurer Preferences for Alternate Service Offerings



Note: 1) Question asked to customers: "How likely are you to avail of the following services from insurers, if offered for a fee in the future: (a) Personalized discounts/offers such as shopping vouchers based on data shared by you, (b) Risk mitigation services such as timely warning of hazards in home or health risks, (c) Wealth management services"; Please rate on a scale of 1–7
2) Question asked to insurers: "Which of the following alternate sources of revenues would be most suitable for insurers: (a) Monetization of customer data, (b) Provision of personalized, value-added services based on customer data and through tie-ups with other firms, (c) Insurers acting as risk mitigation partners for a fee, (d) Diversification into other industry services such as wealth management, (e) Others, if any"; Please rank in order of preference

Source: Capgemini Financial Services Analysis, 2015; WIR 2016 Executive Interviews, 2015; Capgemini Voice of the Customer Survey, 2015

Niche insurance intermediaries are creating a new category of product that may best be described as social insurance. Firms such as Friendsurance and Bought by Many help consumers form social networks aimed at pooling their purchasing power. In the case of Friendsurance, a group of friends set aside a portion of their premiums to cover the costs of small claims that would normally be paid by a single policyholder through a deductible. Bought by Many enables groups of people with niche insurance needs to come together in collective purchasing arrangements to obtain cheaper policies.

Another emerging type of technology firm is the value-added aggregator, which seeks to provide customers with the most suitable policy, based on their preferences. The auto insurance comparison site, EverQuote, for example, matches consumers with a short list of best-fit insurers, taking into account their profile, as well as the buying patterns of previous customers. In the health insurance field, Stride Health uses up to 38 data points, including prescriptions and doctors, to help users choose the most cost-effective plan. Its patent-pending recommendation algorithm provides an apples-to-apples comparison of total annual costs, and allows individuals to enter as much or as little information as they want to refine the forecast.

Other start-ups are using new value propositions to redefine the way customers purchase and use insurance. Guevara, a Peer-to-Peer car insurance firm, allows customers to choose the pool with which they wish to share their risk. Customers with safer pools stand to benefit from lower premiums in successive years. Thus, the insurance model drives customers to encourage safer behavior from their group through premium incentives. Clover Health is seeking to become the quarterback of senior-citizen care by analyzing unstructured data in insurance claims—including factors like lab test results, radiology reports, and prescription refills—to identify gaps in care. It then deploys its staff of nurse practitioners and social workers to help patients achieve better outcomes.

Develop Insight-Driven Strategies

Expertise in data analytics will be essential for insurers to effectively execute their three-to-five-year plan. Targeted data analytics can help insurers formulate more informed strategies across every step of the insurance process.

On the customer-facing side of the business, data from various sources, such as social media and risk behavior monitoring, can help insurers develop more detailed customer segmentations to help drive better product matching. Customer preference and lifestyle data can also be used to refine cross-selling and up-selling strategies. And through profitability and channel data, insurers can take steps to retain the most profitable customers and tailor interactions to emphasize customers' preferred channels.

With data analytics, insurers can support more advanced risk mitigation and claims strategies. Real-time data on weather and road conditions, for example, can be used to warn drivers about poor visibility or other dangers. Over time, large volumes of data can be analyzed to identify high-level risk trends, such as the most common reasons for claims in a particular product line. Insurers can then take steps to mitigate those causes and improve their underwriting loss ratios. In the claims area, data analytics can be used to streamline processes or develop value-added services that can help control claims costs, as well as improve the customer experience. For example, for its customized weather insurance product, Monsanto monitors the weather through remote-sensing systems, satellites, weather stations, and radar. Whenever a covered weather event occurs, a payment is made automatically without any claim adjusters[5].

Preparing for Long-Term Transformation

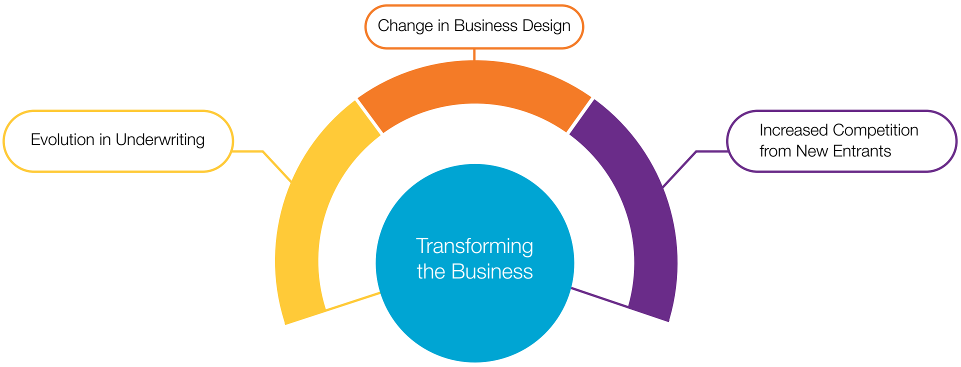
It is highly unlikely that the insurance business will remain the same over the next five to ten years. Already new players are taking advantage of technology to introduce radically different business models. To remain relevant over the long term, traditional insurers must strive to make their businesses more agile while deepening existing customer bonds. Over the long term, insurers need to prepare for the following developments (see Figure 2.8).

Evolution in Underwriting

Traditionally, insurers have based their risk modeling on historical and customer data, such as age, gender, credit scores, and past claims data. As real-time data becomes increasingly available, risk models are expected to evolve to include near-instant information from devices like sensors, wearables and smart

[5] "Name Two Transformative Disruptors—If You Answered Digital Revolution and Internet of Things, Two Points", Nicholas Chen, Towers Watson, December 17, 2014, accessed December 2015 at https://www.towerswatson.com/en/Insights/Newsletters/Global/Emphasis/2014/the-internet-of-things-is-transforming-the-insurance-industry

Figure 2.8: Long-Term Implications: Transforming the Business



Source: Capgemini Financial Services Analysis, 2015

phones. This near-real-time data can be used to enhance traditional risk models on an iterative basis, leading to more predictive risk models.

As risk modeling begins to incorporate more real-time data, the nature of underwriting may undergo significant change. Real-time information will let insurers move beyond customer segmentation-based pricing and into dynamic pricing at an event and exposure level (see Figure 2.9). For example, a customer traveling abroad may see their life and travel coverage go up for the duration of the trip, while their auto and home coverage goes down. In commercial insurance, smart ships could provide data to enable more accurate pricing based on actual behavior (such as in dock or in transit). This greater complexity in risk modeling and pricing will require more robust and adaptive data analytics as well as more adaptive core insurance systems.

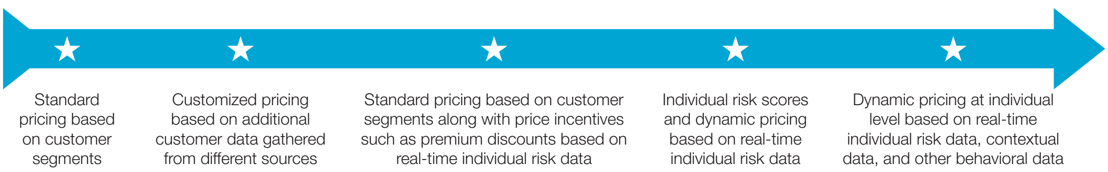
> "With evolution in risk modeling, the number of potential rating factors increases massively. And the number of times you can revise and/or re-run pricing models increases massively too—giving a much more dynamic, ever-changing technical price."
>
> Gina Fusco, NFU Mutual

> "Additional real-time data will enable better individual risk-based pricing and portfolio segmentation. This will allow carriers to rate more accurately existing risks as well as accept risks they have stayed away from in the past. This is a good thing for the customers, the carriers and therefore the industry as a whole."
>
> Stephane Flaquet, Hiscox

Change in Business Design

Many forces are putting pressure on insurers to embrace new business models. Traditionally, insurers have put forth a common front-end interface for all customers and addressed their needs through a fairly limited number of product options and servicing routines. With real-time data increasingly getting used in risk modeling and pricing, insurers will have the opportunity to engage in mass personalization. All interactions, from purchasing to servicing and underwriting, will be executed according to individual circumstances and preferences. Insurers must prepare for such a scenario by building flexibility and scalability into their infrastructures.

Figure 2.9: Evolution of Risk Pricing



Source: Capgemini Financial Services Analysis, 2015; WIR 2016 Executive Interviews, 2015

Forces outside the insurance field are also impacting the industry, particularly in terms of new product development. The advent of smart devices and ecosystems, for instance, is creating a shift in traditional liability (see Figure 2.10). If a driverless car gets into an accident, for example, liability will likely lie with the manufacturer, rather than the car owner. This shift may cause some traditional personal-property insurance products to evolve into commercial liability products.

New types of insurance product lines are also emerging in response to external trends. As many types of firms begin storing sensitive digital data, new opportunities in cybersecurity insurance for commercial insurers are being created. In addition, the movement of customers toward shared economies and more mobile lifestyles is generating opportunity. Customers may prefer to buy a single packaged insurance product that ties together different types of coverage, rather than discrete insurance products from multiple providers, for example. Insurers able to adapt their product lines and customer strategies to the constantly changing environment will be well positioned to take advantage of these evolving opportunities.

Increased Competition from New Entrants

The threat of new competitors in insurance emanates from many corners. Retail giants, such as Google, Amazon and Rakuten, have already made advances into insurance or are expected to do so. Rakuten, for example, offers life insurance policies via the Internet at very low premiums and aims to bring premiums down even further. These companies have unparalleled expertise in catering to customer preferences, building up their brand value, and analyzing vast amounts of data, making them potentially formidable players, especially in the customer-facing end of the insurance business.

Insurers are also under threat from financial technology firms with proficiencies in data analysis, as well as from commercial customers that may choose to insure themselves. With the gradual transformation in underwriting methodologies and insurance business design, these new entrants may pose greater competition in the market, as they have advantages in some areas over insurers. (see Figure 2.11).

Of all the possible threats, insurers view Google to be the most significant (40.8%), followed by self-insurance by product manufacturers and Amazon (see Figure 2.12). To withstand the coming competition, insurers must build up their brands, learn to take advantage of real-time customer data, and develop agile operating models that will enable them to adapt to changing scenarios.

Figure 2.10: Change in Business Design: Changes in Product and Customer Portfolio

New Commercial Product Lines

- As all customer information goes digital, many firms are storing large amounts of sensitive customer information that is susceptible to cyber attacks
- This provides strong opportunities in cybersecurity insurance for commercial insurers
- The increase in automation and emergence of intelligent devices such as driverless cars makes manufacturers of such products more liable for any malfunctioning in their product
- This provides a lot of scope for commercial liability products

Personal Lines to Commercial Lines

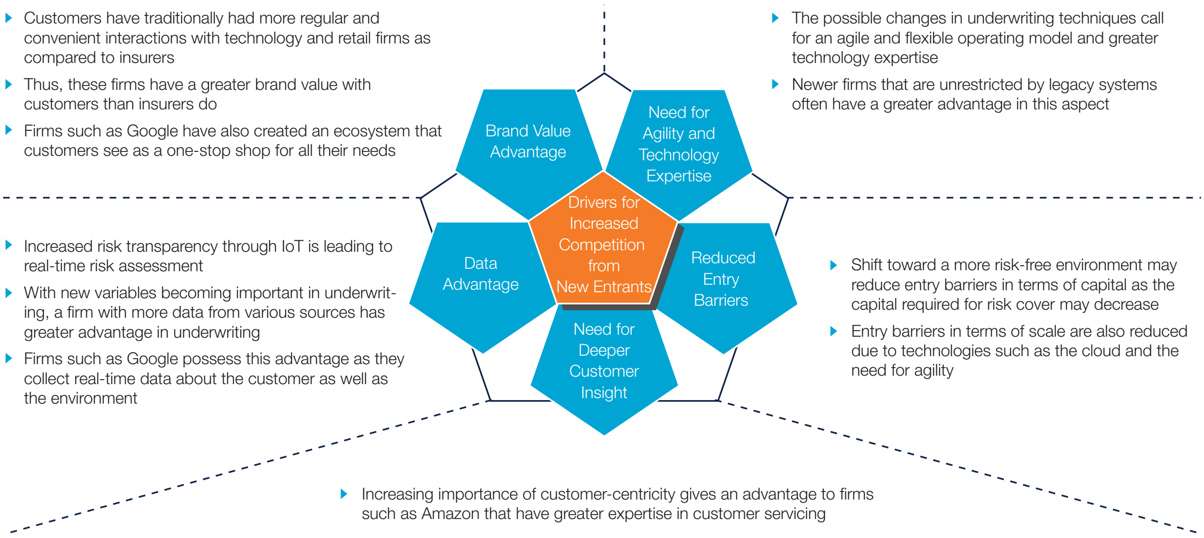
- Increase in automated and intelligent devices shifts the liability for the functioning of those devices to the product manufacturers
- This may cause product lines such as auto insurance to convert from personal to commercial insurance
- For example, if a smart microwave is responsible for a fire in the home, the liability would be with the product manufacturer and thus, the insurance may become a commercial liability insurance rather than personal property insurance

Product to Customer Insurance

- Customer lives are becoming more mobile and traditional ownership patterns are changing
- This will increasingly make it necessary for insurers to design coverage around a customer for multiple risks rather than by discrete products
- Thus, insurers may shift to packaged insurance products that cover the risks for motor, home, travel, life, etc, for a single customer

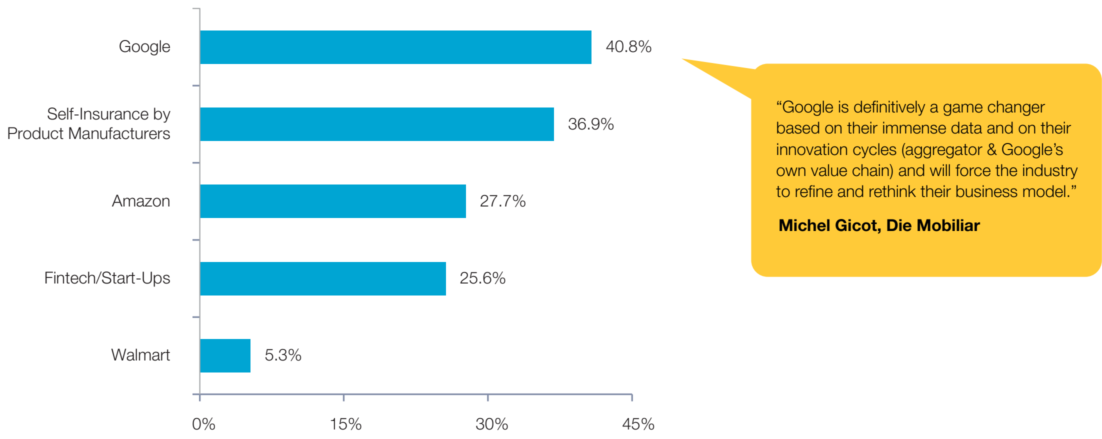
Source: Capgemtini Financial Services Analysis, 2015; WIR 2016 Executive Interviews, 2015

Figure 2.11: Drivers for Increased Competition from New Entrants



Source: Capgemini Financial Services Analysis, 2015; WIR 2016 Executive Interviews, 2015

Figure 2.12: Insurers' Perception of Threat from Possible New Entrants in the Insurance Industry (%), 2015

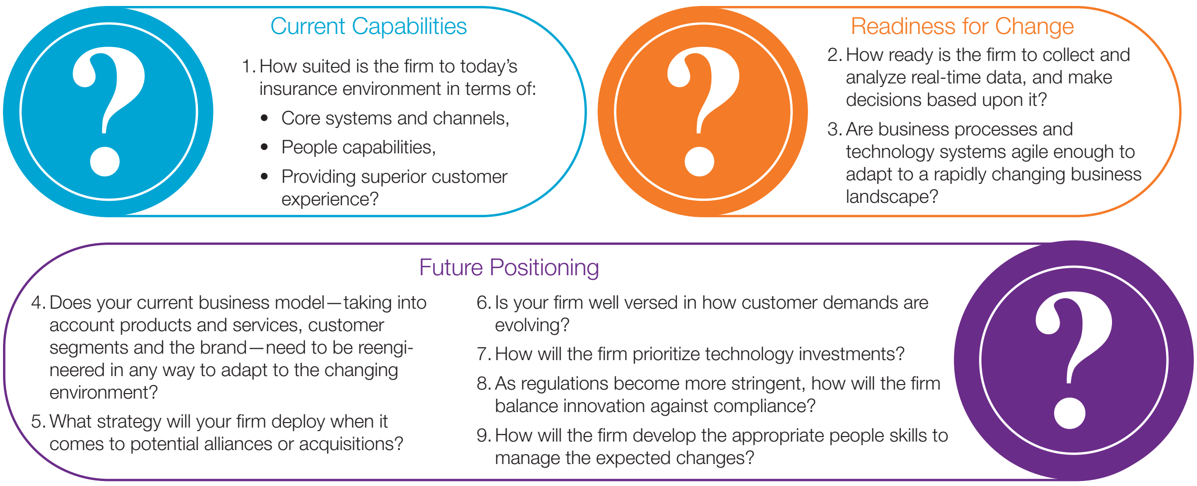


Note: Question asked: "Please rate on a scale of 1–7, the threat you perceive from new entrants such as: a) Google, b) Walmart, c) Amazon, d) Fintech/Start-ups, e) Self-insurance by product companies such as manufacturers of driverless cars, f) Others (please name)"
Source: Capgemini Financial Services Analysis, 2015; WIR 2016 Executive Interviews, 2015

The Way Forward Requires Critical Assessments

The short-, medium- and long-term implications of the changing environment for insurers require firms to assess the future along three levels: current capabilities; readiness for change, and future positioning (see Figure 2.13). Firms should ask key questions related to each stage, and be prepared to take action as necessary. Such an exercise is an important first step in devising an effective strategy to meet coming challenges.

Figure 2.13: Key Questions for Insurers to Assess the Future along Three Levels



Source: Capgemini Financial Services Analysis, 2015; WIR 2016 Executive Interviews, 2015

Key Takeaways

Connected technologies are changing the way consumers live their lives and, in effect, altering their needs related to insurance. Innovations including smart ecosystems, wearable devices and driverless cars are not only simplifying everyday life for consumers, but also changing the fundamental nature of insurable risk. In a more highly connected world, overall risk is not only lessened, but also increasingly transparent and more likely to be shared. To insurers, which are built and operate on their ability to detect and manage risk, the coming changes in risk variables are potentially transformational.

Insurers need to get prepared. A top priority is to improve their ability to manage and leverage data with the aim of becoming a fully data-driven business. At the same time, it will be necessary to strengthen existing operations and customer bonds, while keeping track of potential acquisition or alliance opportunities. In the new customer-driven market, it will be very important for insurers to clearly define as well as communicate the value they bring to customers.

Appendix

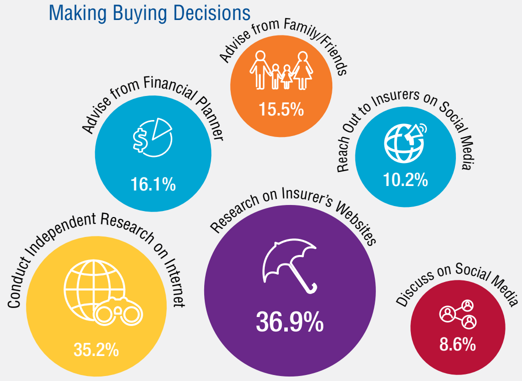
Appendix A: Country Snapshots

Country Snapshot - Australia

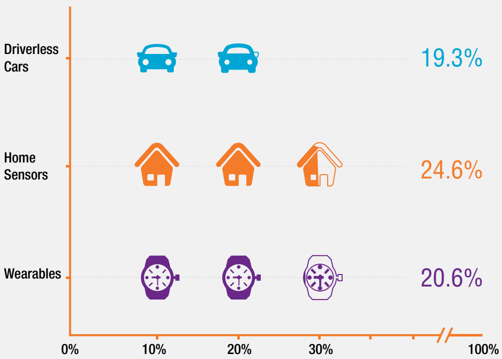
	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	45.7	32.6	78.3
Year 2014	56.1	31.9	88.0

Growth 2013–2014
12.4%

Importance of Channels for Research while Making Buying Decisions



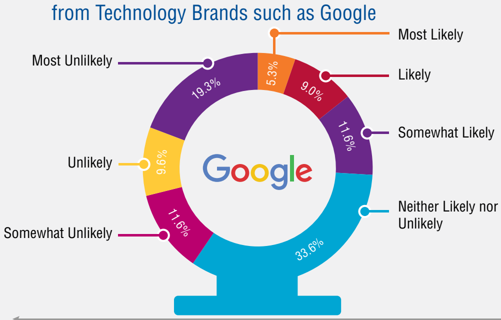
Customer Likelihood to Adopt Emerging Technologies



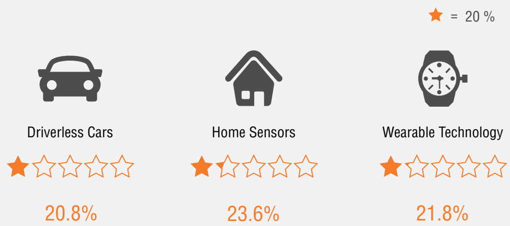
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	57.0%	39.7%	56.2%	28.7%
Low-value Purchases such as books, clothes	63.5%	36.3%	53.2%	27.5%
High-value Purchases such as electronic appliances	62.5%	26.1%	37.7%	21.0%
Booking of Services such as holiday packages, movie tickets	58.0%	42.8%	55.0%	26.1%
Insurance	54.0%	45.2%	50.3%	24.6%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

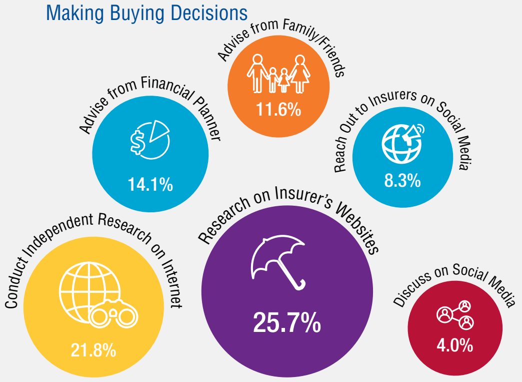
Country Snapshot - Belgium

	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	21.6	16.2	37.8
Year 2014	22.8	16.5	39.3

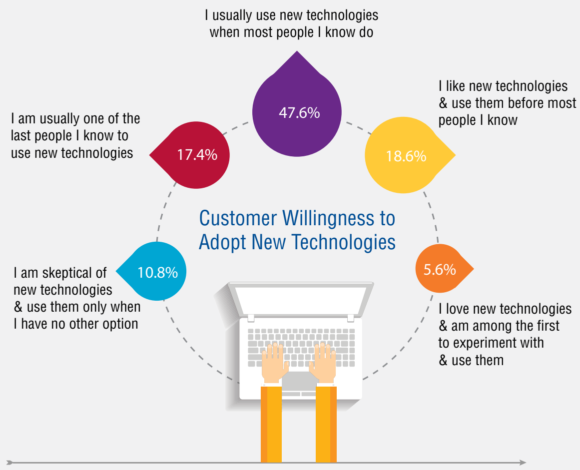
Growth 2013–2014

4.0%

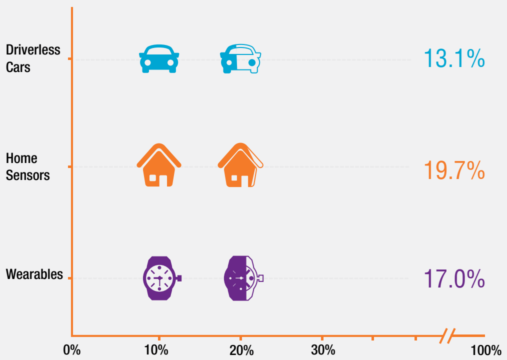
Importance of Channels for Research while Making Buying Decisions



Customer Willingness to Adopt New Technologies



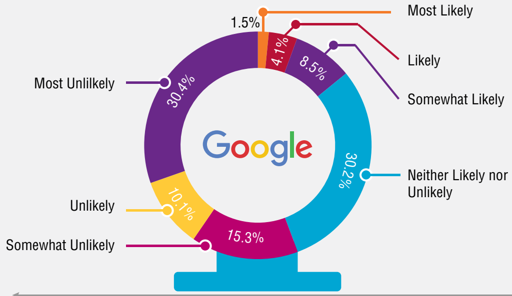
Customer Likelihood to Adopt Emerging Technologies



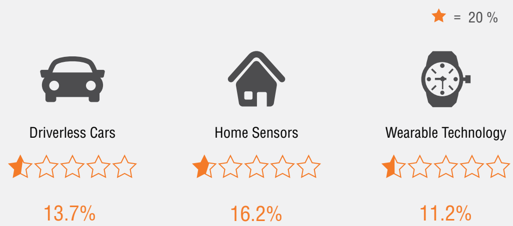
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	47.2%	23.0%	52.4%	19.5%
Low-value Purchases such as books, clothes	51.8%	23.7%	48.7%	21.2%
High-value Purchases such as electronic appliances	50.8%	18.9%	33.2%	15.2%
Booking of Services such as holiday packages, movie tickets	50.1%	22.8%	42.7%	18.1%
Insurance	47.8%	19.5%	27.2%	11.8%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



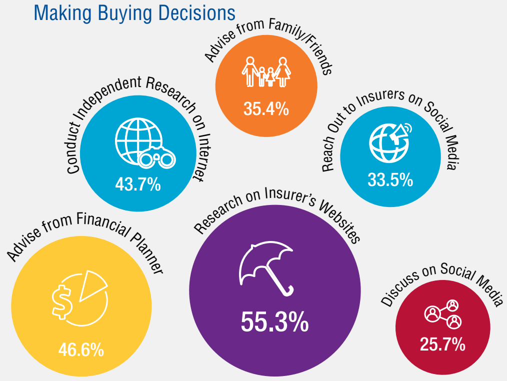
Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

Country Snapshot - Brazil

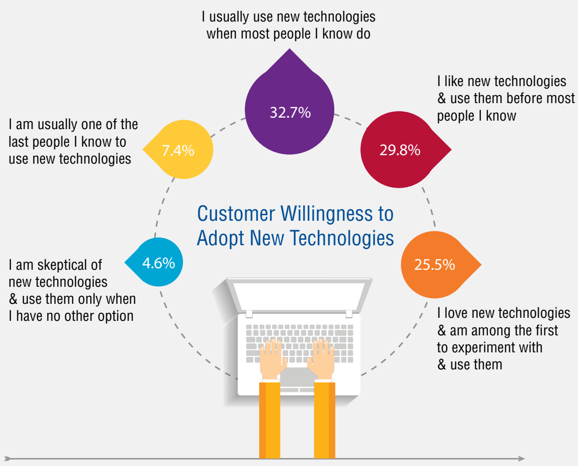
	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	43.7	38.9	82.6
Year 2014	44.9	40.4	85.3

Growth 2013–2014
3.3%

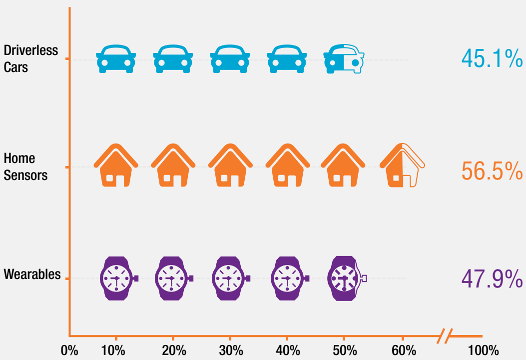
Importance of Channels for Research while Making Buying Decisions



Customer Willingness to Adopt New Technologies



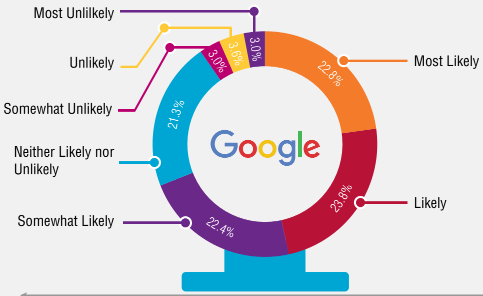
Customer Likelihood to Adopt Emerging Technologies



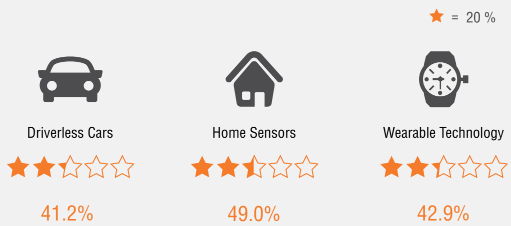
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	48.7%	36.1%	56.8%	43.9%
Low-value Purchases such as books, clothes	58.4%	39.2%	61.8%	48.5%
High-value Purchases such as electronic appliances	58.4%	33.3%	50.6%	39.9%
Booking of Services such as holiday packages, movie tickets	53.6%	43.3%	59.5%	47.5%
Insurance	55.9%	39.4%	49.2%	40.1%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

Country Snapshot - Canada

	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	52.9	74.9	127.8
Year 2014	52.1	73.2	125.3

Growth 2013–2014

- 2.0%

Importance of Channels for Research while Making Buying Decisions

- Advise from Family/Friends: 20.1%
- Research on Insurer's Websites: 26.8%
- Reach Out to Insurers on Social Media: 14.4%
- Advise from Financial Planner: 28.4%
- Conduct Independent Research on Internet: 29.6%
- Discuss on Social Media: 12.6%

Customer Willingness to Adopt New Technologies

- I usually use new technologies when most people I know do: 40.9%
- I like new technologies & use them before most people I know: 18.0%
- I love new technologies & am among the first to experiment with & use them: 8.9%
- I am skeptical of new technologies & use them only when I have no other option: 8.9%
- I am usually one of the last people I know to use new technologies: 23.3%

Customer Likelihood to Adopt Emerging Technologies

Driverless Cars	19.3%
Home Sensors	22.7%
Wearables	21.5%

0% 10% 20% 30% 100%

Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	58.9%	31.1%	49.2%	22.7%
Low-value Purchases such as books, clothes	61.9%	31.6%	47.0%	21.7%
High-value Purchases such as electronic appliances	58.3%	22.7%	31.4%	19.2%
Booking of Services such as holiday packages, movie tickets	54.3%	39.5%	46.0%	23.3%
Insurance	54.7%	38.7%	35.0%	19.9%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google

- Most Likely: 3.0%
- Likely: 9.1%
- Somewhat Likely: 14.6%
- Neither Likely nor Unlikely: 34.8%
- Somewhat Unlikely: 13.0%
- Unlikely: 8.9%
- Most Unlikely: 16.6%

Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits

★ = 20 %

Driverless Cars	Home Sensors	Wearable Technology
19.7%	22.9%	20.2%

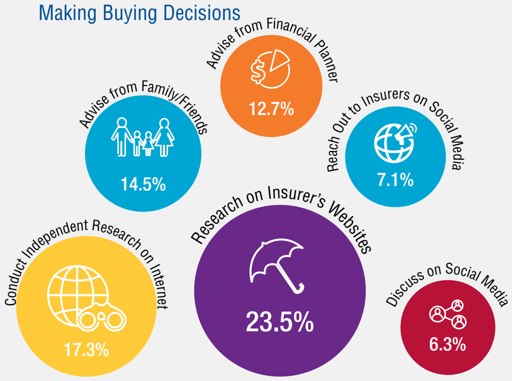
Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

Country Snapshot - France

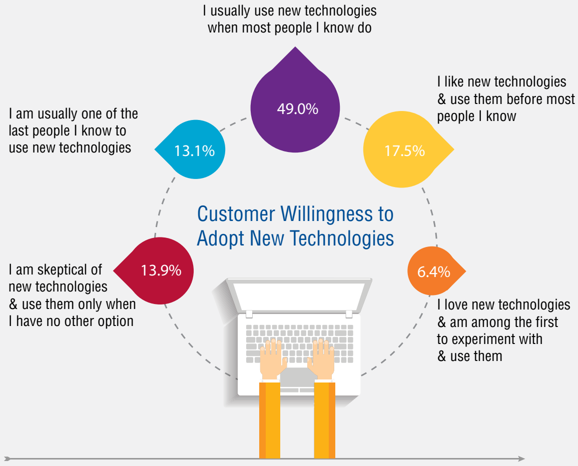
	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	161.2	96.2	257.4
Year 2014	172.7	97.7	270.4

Growth 2013–2014
5.1%

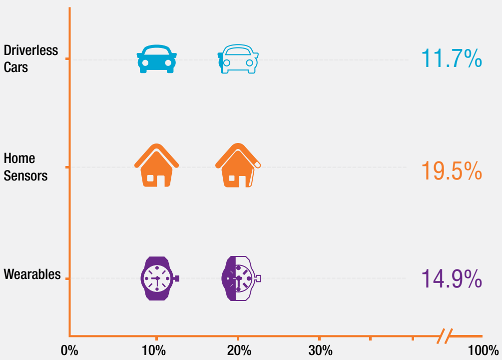
Importance of Channels for Research while Making Buying Decisions



Customer Willingness to Adopt New Technologies



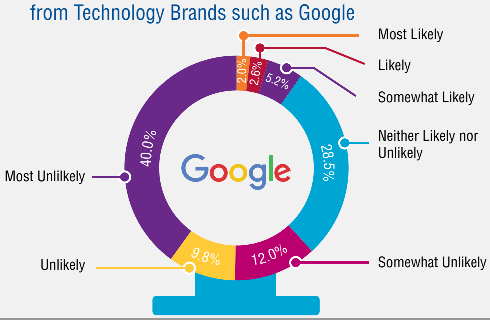
Customer Likelihood to Adopt Emerging Technologies



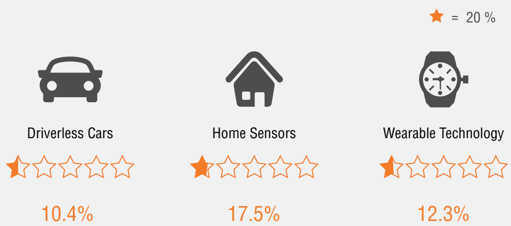
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	48.8%	31.5%	52.6%	19.3%
Low-value Purchases such as books, clothes	56.2%	28.9%	53.4%	20.7%
High-value Purchases such as electronic appliances	53.2%	24.1%	42.2%	17.5%
Booking of Services such as holiday packages, movie tickets	49.8%	32.1%	47.2%	17.3%
Insurance	51.2%	26.9%	35.3%	14.7%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



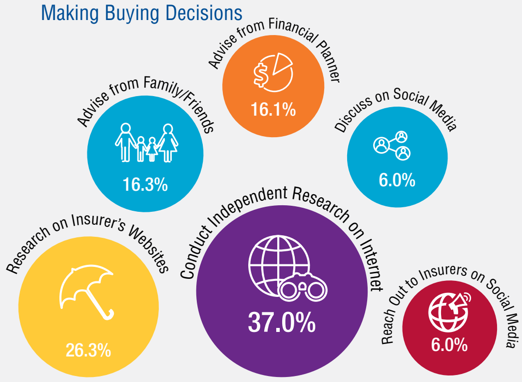
Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

Country Snapshot - Germany

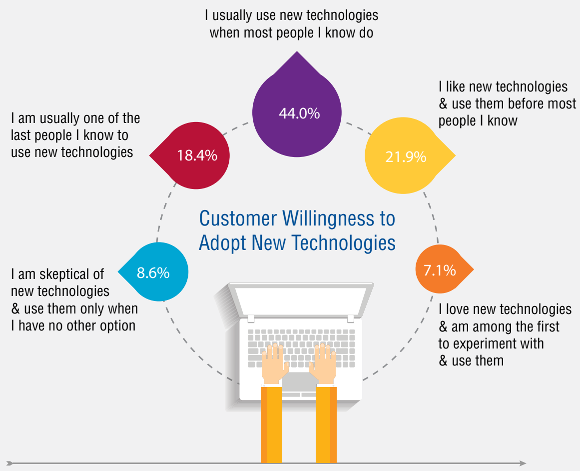
	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	114.6	133.0	247.6
Year 2014	118.4	136.1	254.5

Growth 2013–2014
2.8%

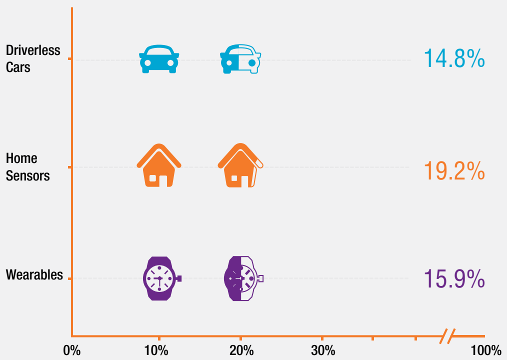
Importance of Channels for Research while Making Buying Decisions



Customer Willingness to Adopt New Technologies



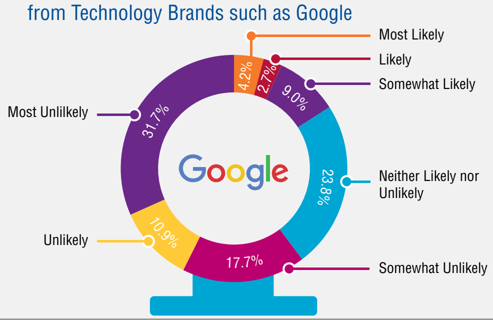
Customer Likelihood to Adopt Emerging Technologies



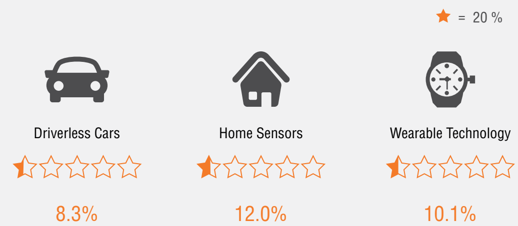
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	46.6%	17.3%	23.8%	11.3%
Low-value Purchases such as books, clothes	57.4%	27.4%	41.7%	21.5%
High-value Purchases such as electronic appliances	48.6%	12.7%	22.8%	10.4%
Booking of Services such as holiday packages, movie tickets	47.0%	21.3%	29.4%	13.6%
Insurance	42.2%	19.0%	25.7%	11.1%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



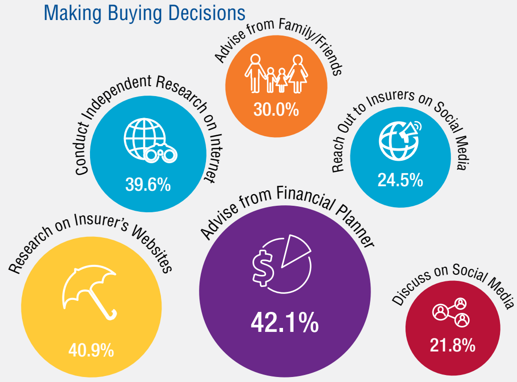
Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

Country Snapshot - India

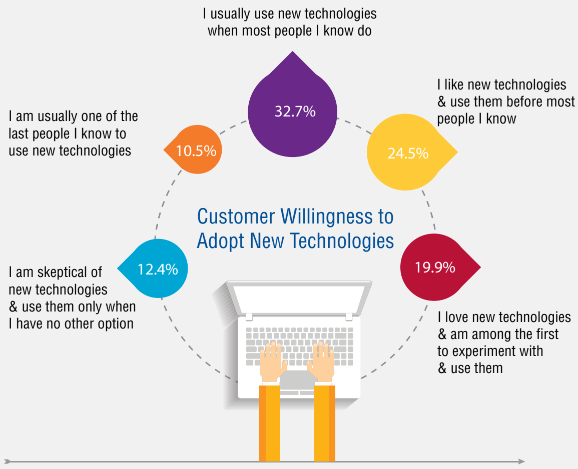
	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	51.9	13.2	65.1
Year 2014	55.3	14.5	69.8

Growth 2013–2014
7.2%

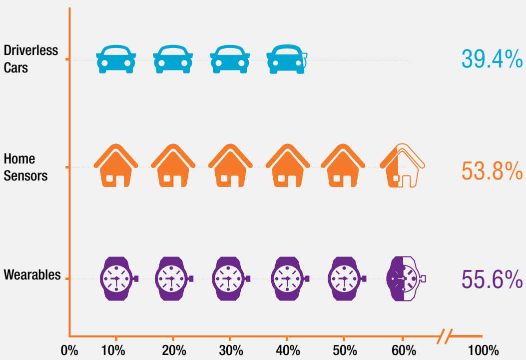
Importance of Channels for Research while Making Buying Decisions



Customer Willingness to Adopt New Technologies



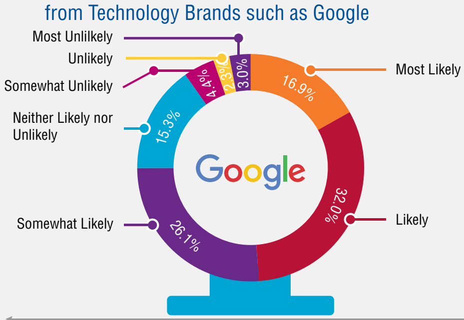
Customer Likelihood to Adopt Emerging Technologies



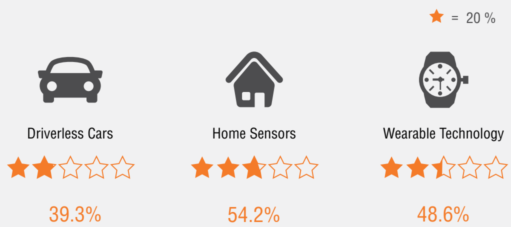
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	44.6%	35.2%	63.1%	46.5%
Low-value Purchases such as books, clothes	46.2%	33.6%	60.7%	49.9%
High-value Purchases such as electronic appliances	52.2%	29.8%	48.1%	39.6%
Booking of Services such as holiday packages, movie tickets	43.5%	42.5%	62.3%	49.9%
Insurance	54.0%	34.3%	49.7%	40.0%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



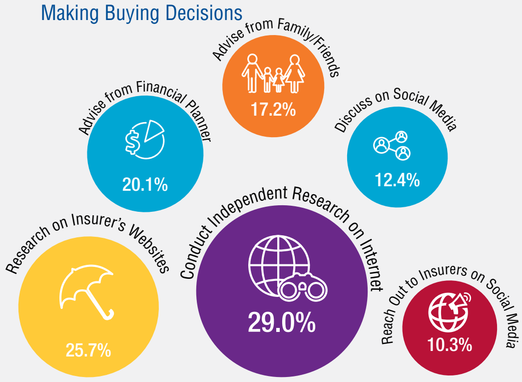
Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

Country Snapshot - Italy

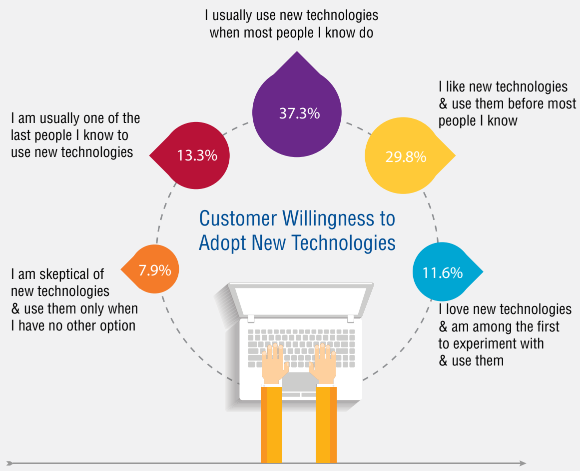
	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	118.0	50.7	168.7
Year 2014	145.2	49.4	194.6

Growth 2013–2014
15.4%

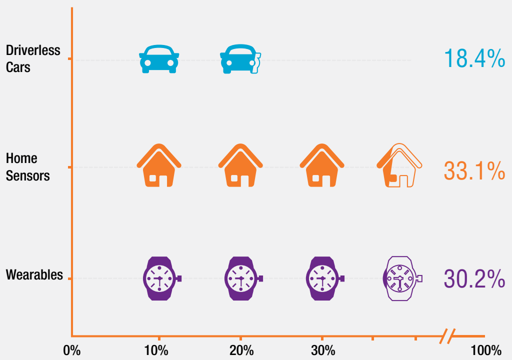
Importance of Channels for Research while Making Buying Decisions



Customer Willingness to Adopt New Technologies



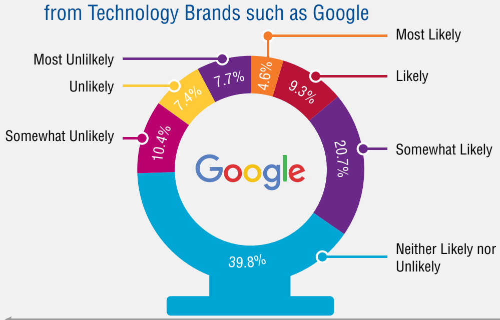
Customer Likelihood to Adopt Emerging Technologies



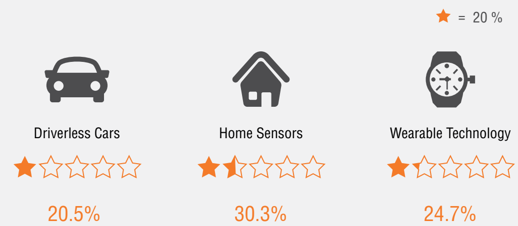
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	40.0%	22.1%	44.9%	29.6%
Low-value Purchases such as books, clothes	49.5%	25.0%	50.5%	36.4%
High-value Purchases such as electronic appliances	48.2%	19.7%	36.2%	27.7%
Booking of Services such as holiday packages, movie tickets	43.9%	28.4%	42.6%	31.3%
Insurance	47.2%	20.7%	31.9%	22.6%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



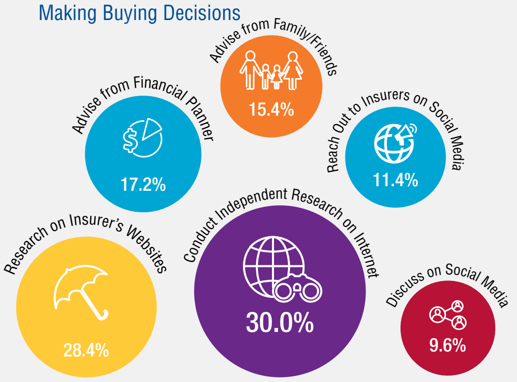
Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

Country Snapshot - Japan

	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	383.5	114.4	497.9
Year 2014	371.5	108.1	479.6

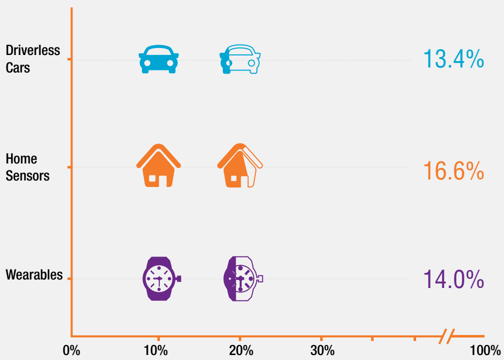
Growth 2013–2014
- 3.7%

Importance of Channels for Research while Making Buying Decisions



Customer Willingness to Adopt New Technologies

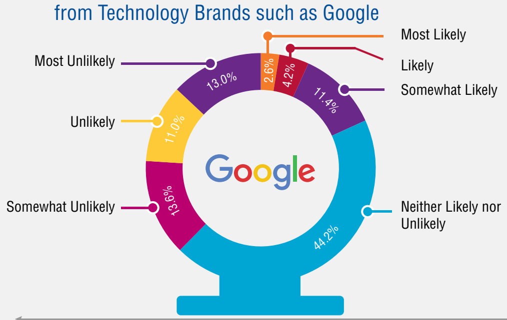
Customer Likelihood to Adopt Emerging Technologies



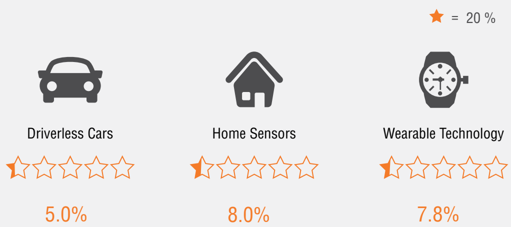
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	34.2%	16.6%	15.4%	9.2%
Low-value Purchases such as books, clothes	39.6%	18.6%	25.2%	16.0%
High-value Purchases such as electronic appliances	31.4%	7.6%	11.2%	6.8%
Booking of Services such as holiday packages, movie tickets	35.2%	19.6%	22.6%	14.6%
Insurance	30.2%	12.6%	16.0%	10.2%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



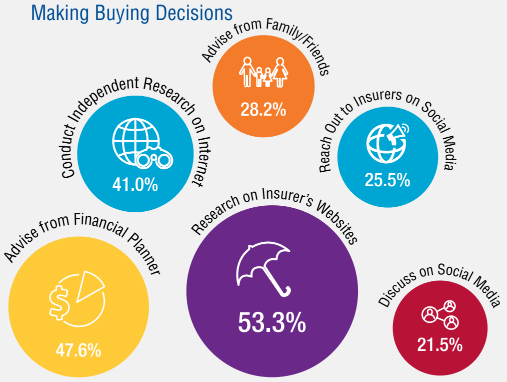
Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

Country Snapshot - Mexico

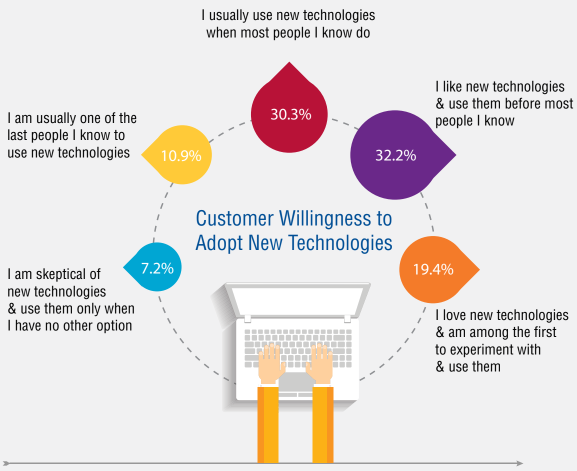
	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	12.4	14.8	27.2
Year 2014	12.5	14.6	27.1

Growth 2013–2014
- 0.4%

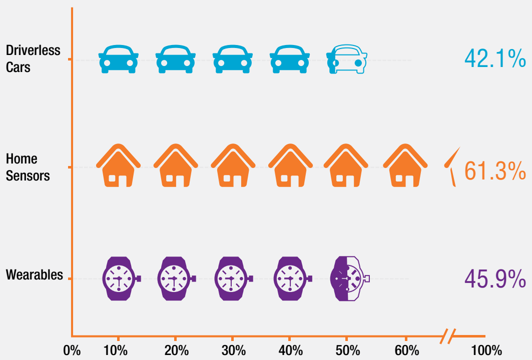
Importance of Channels for Research while Making Buying Decisions



Customer Willingness to Adopt New Technologies



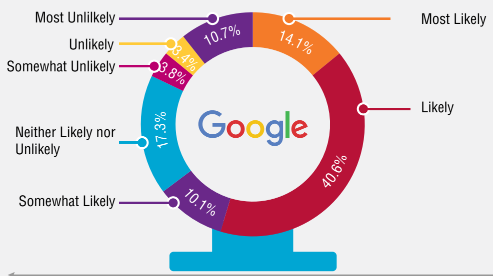
Customer Likelihood to Adopt Emerging Technologies



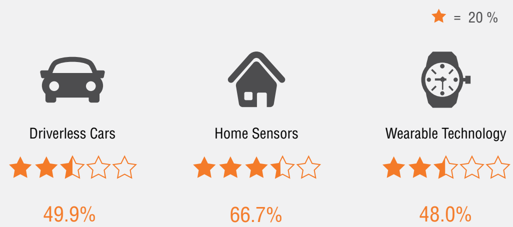
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	49.1%	35.2%	59.0%	47.0%
Low-value Purchases such as books, clothes	51.0%	28.4%	58.1%	46.7%
High-value Purchases such as electronic appliances	58.7%	27.6%	58.1%	38.5%
Booking of Services such as holiday packages, movie tickets	51.6%	45.7%	62.3%	51.0%
Insurance	61.5%	37.5%	46.7%	38.3%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



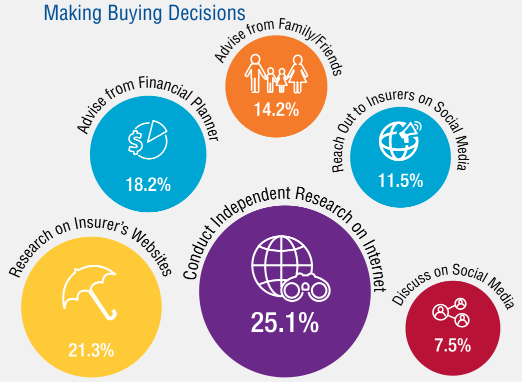
Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

Country Snapshot - Netherlands

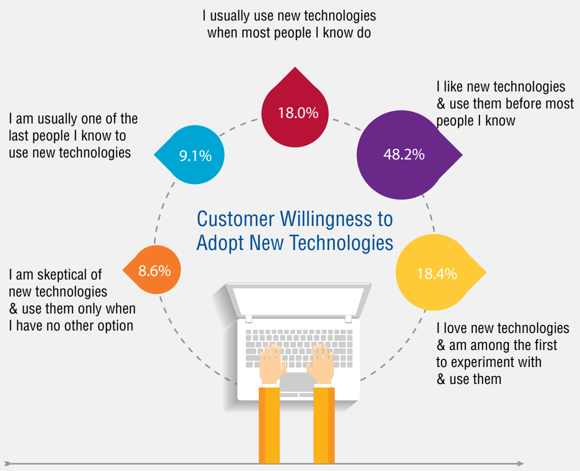
	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	24.2	75.1	99.3
Year 2014	21.8	74.1	95.9

Growth 2013–2014
- 3.4%

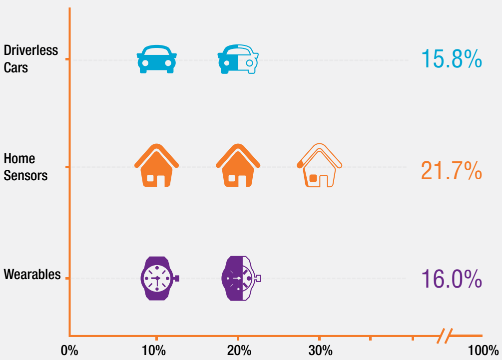
Importance of Channels for Research while Making Buying Decisions



Customer Willingness to Adopt New Technologies



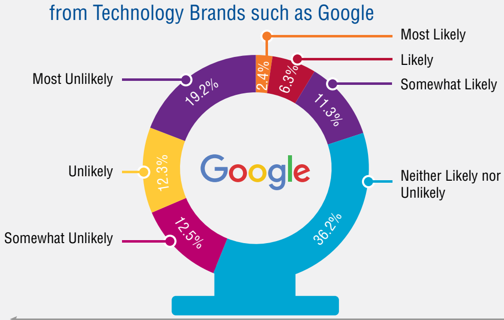
Customer Likelihood to Adopt Emerging Technologies



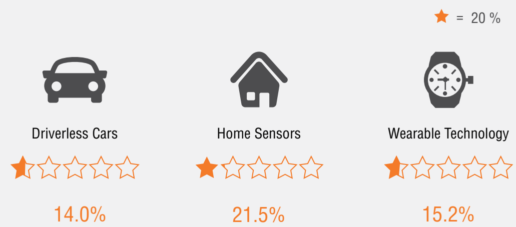
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	35.8%	25.3%	50.4%	24.7%
Low-value Purchases such as books, clothes	43.3%	21.7%	46.4%	23.3%
High-value Purchases such as electronic appliances	40.3%	16.4%	35.4%	20.0%
Booking of Services such as holiday packages, movie tickets	38.3%	21.9%	44.7%	21.5%
Insurance	37.5%	21.1%	41.1%	19.2%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits

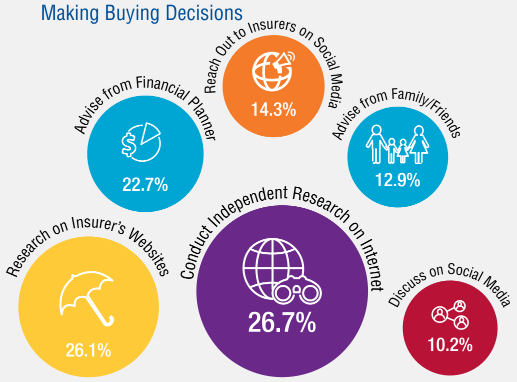


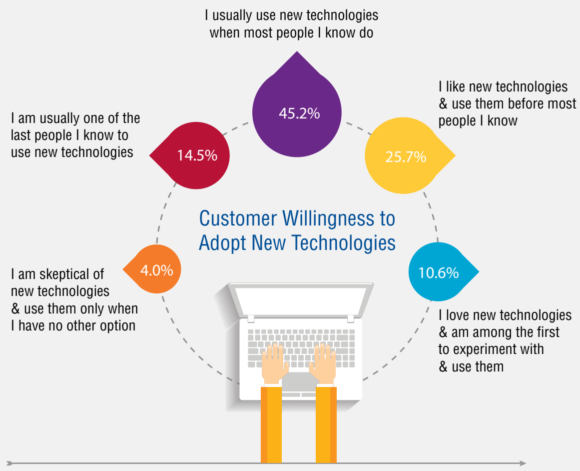
Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

Country Snapshot - Spain

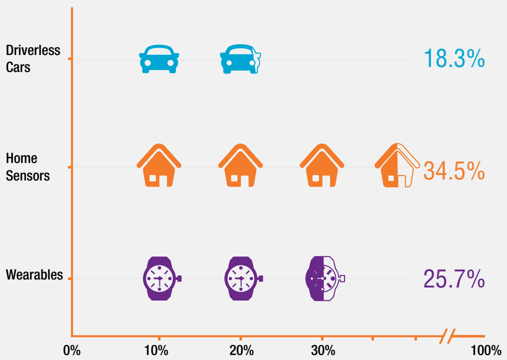
	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)	Growth 2013–2014
Year 2013	33.8	38.1	71.9	- 0.7%
Year 2014	33.0	38.4	71.4	

Importance of Channels for Research while Making Buying Decisions





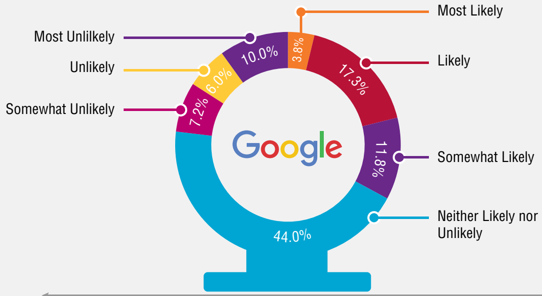
Customer Likelihood to Adopt Emerging Technologies



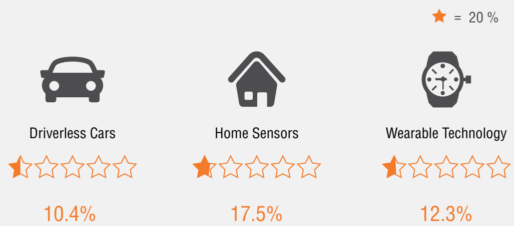
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	38.6%	26.5%	51.0%	34.1%
Low-value Purchases such as books, clothes	43.4%	19.3%	46.8%	31.9%
High-value Purchases such as electronic appliances	46.4%	14.3%	32.1%	25.3%
Booking of Services such as holiday packages, movie tickets	41.0%	23.9%	49.0%	32.5%
Insurance	45.0%	25.9%	36.3%	24.3%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

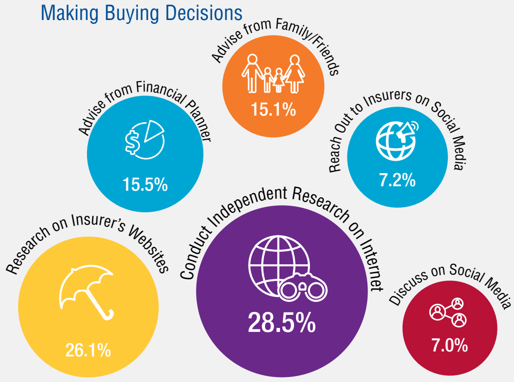
Country Snapshot - Switzerland

	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	35.2	28.2	63.4
Year 2014	36.0	29.1	65.1

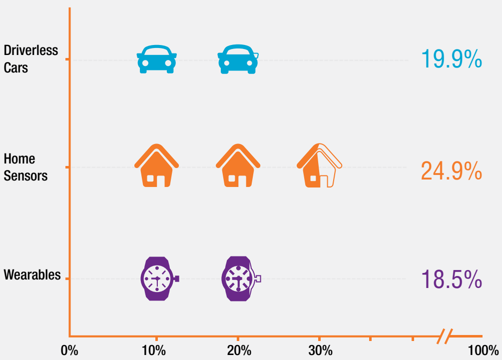
Growth 2013–2014

2.7%

Importance of Channels for Research while Making Buying Decisions



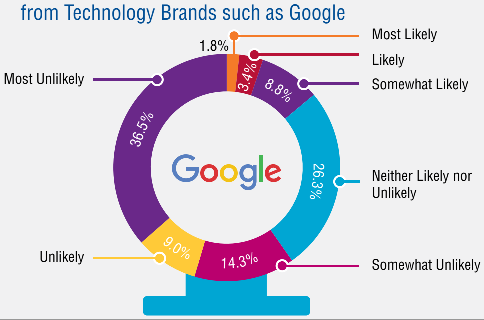
Customer Likelihood to Adopt Emerging Technologies



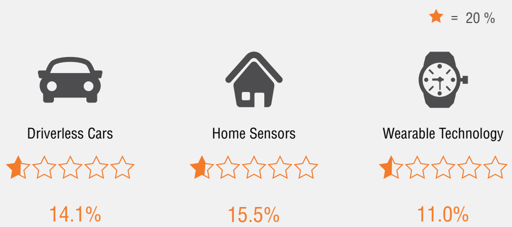
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	47.6%	18.1%	41.2%	15.3%
Low-value Purchases such as books, clothes	59.2%	25.5%	47.8%	25.7%
High-value Purchases such as electronic appliances	48.2%	14.3%	28.5%	14.5%
Booking of Services such as holiday packages, movie tickets	50.0%	21.7%	42.2%	21.7%
Insurance	48.8%	18.9%	28.1%	14.1%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



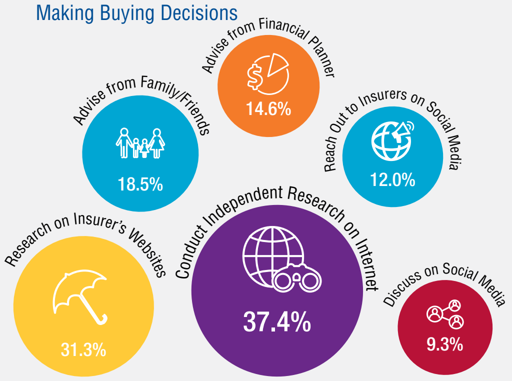
Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

Country Snapshot - UK

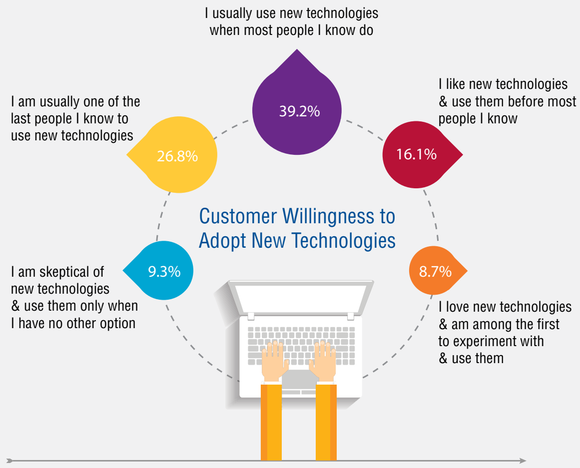
	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	219.0	106.6	325.6
Year 2014	235.3	116.0	351.3

Growth 2013–2014
7.9%

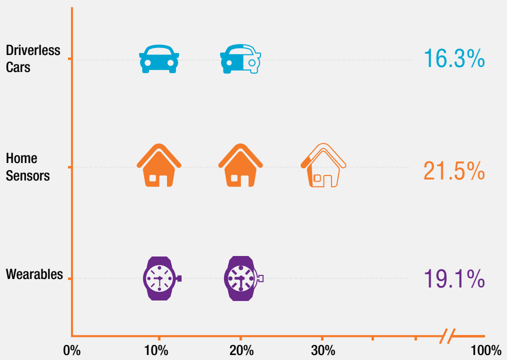
Importance of Channels for Research while Making Buying Decisions



Customer Willingness to Adopt New Technologies



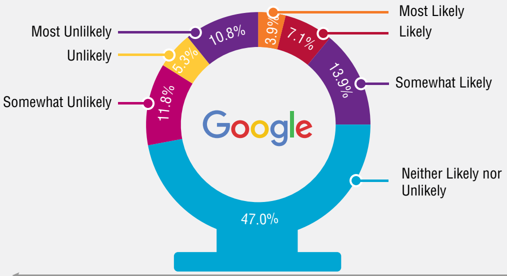
Customer Likelihood to Adopt Emerging Technologies



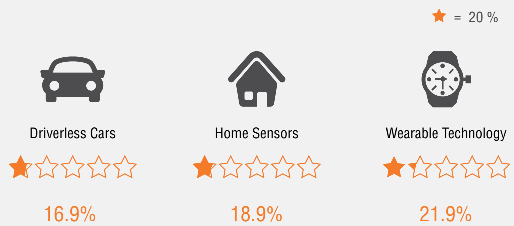
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	54.5%	35.8%	55.3%	24.6%
Low-value Purchases such as books, clothes	57.3%	34.8%	59.1%	29.1%
High-value Purchases such as electronic appliances	56.9%	27.2%	48.4%	21.7%
Booking of Services such as holiday packages, movie tickets	50.4%	35.2%	50.6%	25.2%
Insurance	45.7%	40.9%	51.6%	23.0%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



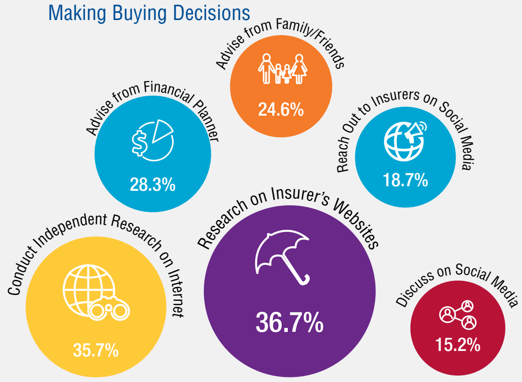
Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014,Swiss Re, 2015

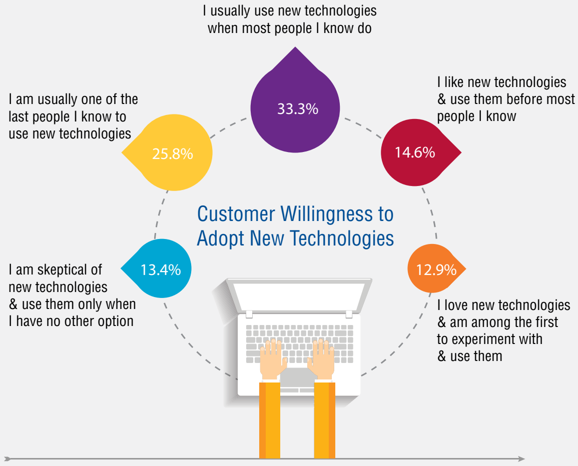
Country Snapshot - United States

	Life Insurance Premium ($ bn)	Non-Life Insurance Premium ($ bn)	Total ($ bn)
Year 2013	533.2	721.6	1254.8
Year 2014	528.2	752.2	1280.4

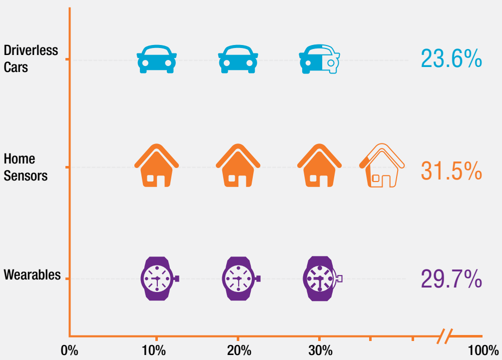
Growth 2013–2014
2.0%

Importance of Channels for Research while Making Buying Decisions





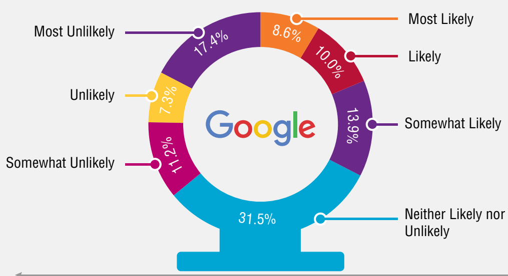
Customer Likelihood to Adopt Emerging Technologies



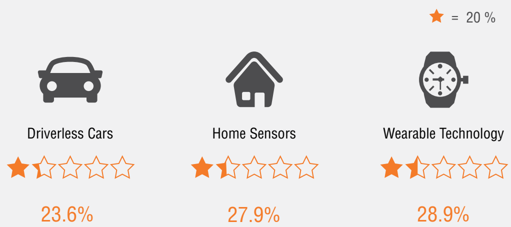
Customer Channel Preferences for Following Transaction Types

	Agent	Phone	Internet	Mobile Apps
Banking	61.3%	43.2%	50.1%	34.7%
Low-value Purchases such as books, clothes	63.3%	40.0%	54.2%	36.6%
High-value Purchases such as electronic appliances	61.8%	31.5%	39.9%	29.5%
Booking of Services such as holiday packages, movie tickets	55.8%	45.6%	49.1%	33.8%
Insurance	60.1%	42.7%	43.7%	30.2%

Customer Likelihood to Purchase Insurance from Technology Brands such as Google



Customer Willingness to Share Information with Insurers in Exchange of Monetary Benefits



Source: Capgemini Voice of the Customer Survey, 2015; World Insurance in 2014, Swiss Re, 2015

Appendix

Appendix B: Customer Experience by Country

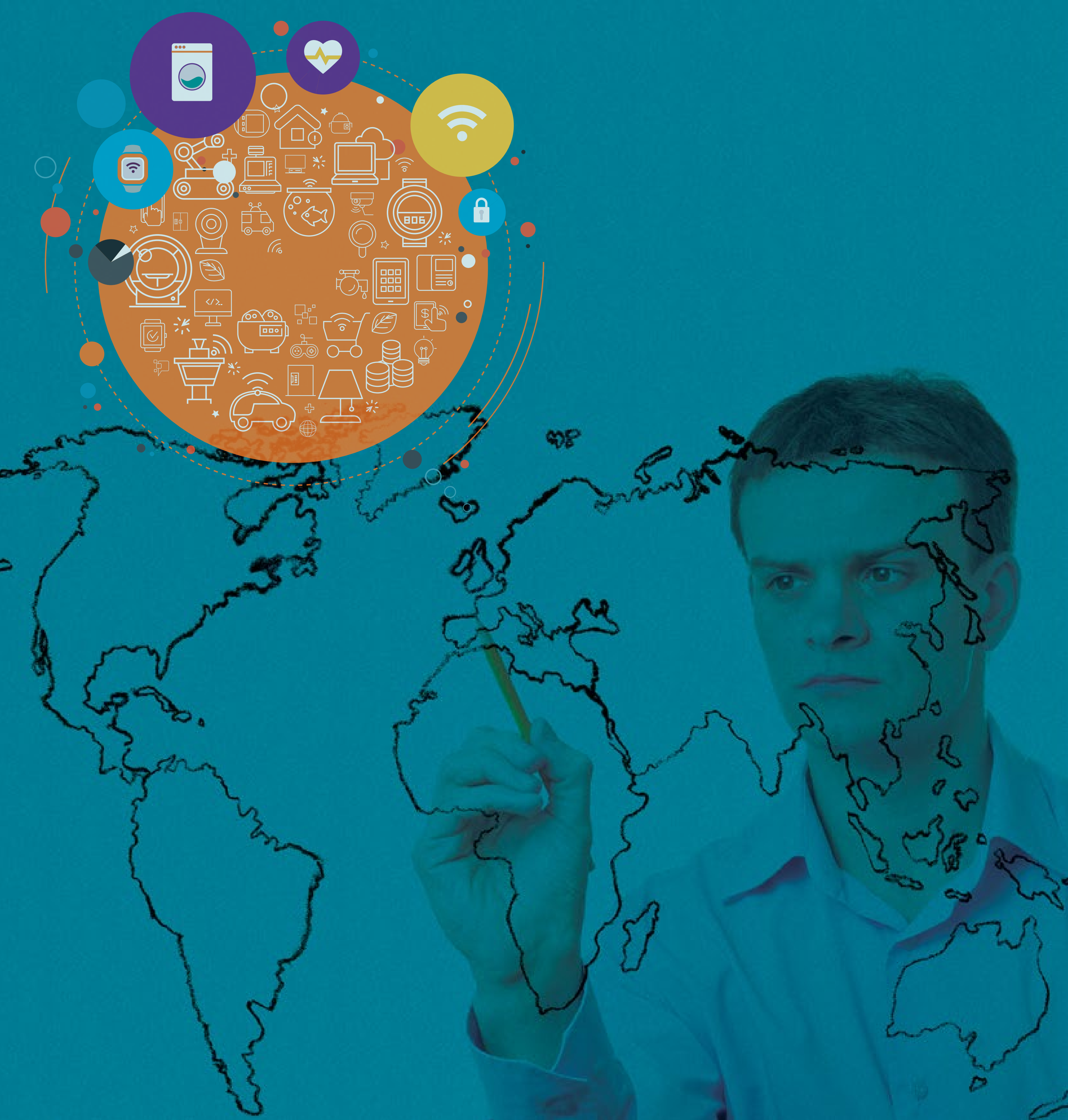
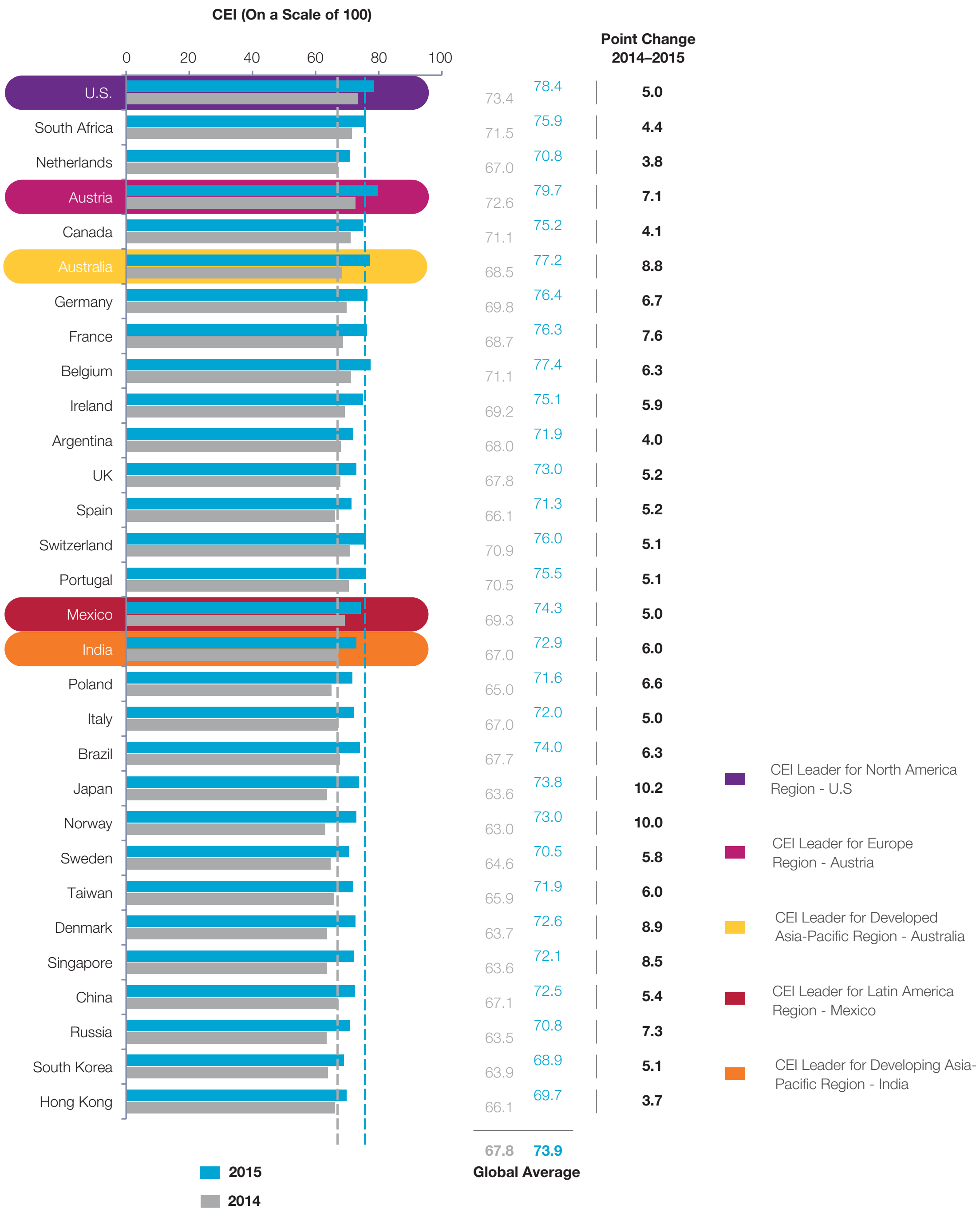
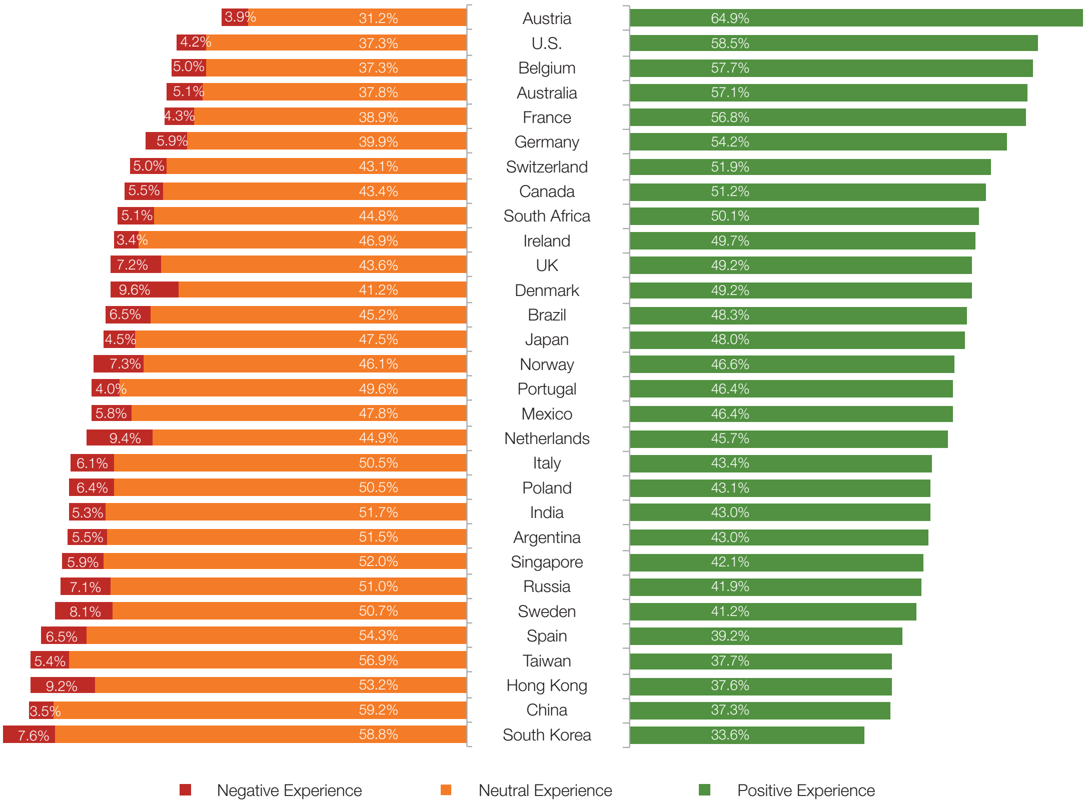


Figure B1: Customer Experience Index, by Country, 2014–2015



Source: Capgemini Financial Services Analysis 2015; Capgemini Voice of the Customer Survey, 2014, 2015

Figure B2: Insurance Customers with a Positive/Neutral/Negative Experience, by Country (%), 2015



Source: Capgemini Financial Services Analysis 2015; Capgemini Voice of the Customer Survey, 2015

Methodology

Scope and Research Sources

The 2016 World Insurance Report (WIR) covers both life and non-life (including health) segments. This year's report draws on research insights from 30 markets: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Mexico, Netherlands, Norway, Poland, Portugal, Russia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, the United Kingdom, and the United States. We estimate these countries together account for approximately 93% of the global insurance market, based on data from the "World Insurance in 2014" Swiss Re sigma report. The sample of countries covers 30 of the world's top 35 insurance markets in terms of premiums.

The 2016 WIR is based on a comprehensive body of research that includes 183 interviews with senior insurance executives of 100+ leading insurance firms. Of the total firms interviewed, 33% sell both life and non-life insurance, 33% focus solely on life, and 35% are dedicated to non-life.

2015 Global Insurance Voice of the Customer Survey

A global survey of customer behavior toward insurance forms the basis of the ninth annual World Insurance Report. Our comprehensive Voice of the Customer Survey, which was administered in September and October 2015, in collaboration with Phronesis, polled more than 15,800 insurance (personal lines) customers in 30 countries. The survey sought to gain deep insight into customer preferences, expectations, and behaviors with respect to specific types of insurance transactions. The survey questioned customers on their general satisfaction with their insurer, the importance of specific channels for executing different types of transactions, and their satisfaction with those transactions, among other factors. The survey also questioned customers on the importance they ascribe to digital channels (Internet, mobile, and social media) and their satisfaction levels for services offered via these digital channels. Participants were also asked questions around factors that influence their decision to choose, stay, or leave their current insurer. They were also asked questions related to behavior such as technology usage and adoption. We supplemented these detailed findings through in-depth interviews with senior insurance executives around the world.

Capgemini's Customer Experience Index

The responses from the global Voice of the Customer Survey, which analyzed customer experiences across 112 data points, provide the underlying input for our Customer Experience Index (CEI). The CEI calculates a customer experience score that can be analyzed across a number of variables. The scores provide insight on how customers perceive the quality of their insurance interactions. These interactions are dissected by product, channel, and lifecycle stage, as well as by demographic variables, such as country, gender, age, and investable assets. The result is an unparalleled view of how customers regard their insurers, and the specific levers insurers can push to increase the number of positive experiences for customers. The CEI provides a foundation for insurers to develop an overall retail delivery strategy that will increase satisfaction in ways that are most meaningful to customers.

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With almost 180,000 people in over 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2014 global revenues of EUR 10.57 billion.

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We would like to extend a special thanks to all of the insurance companies and individuals who participated in our Insurance Executive Interviews.

The following companies are among the participants who agreed to be publicly named:

AEGON UK, Açoreana Seguros, AG Insurance, Allianz Benelux nv, Allianz Pojistovna a.s., Allianz UK, April Deutschland AG, April International, Argenta Assuranties, Asistencia Sanitaria Intercolegial, Avipop Assicurazioni, Aviva Sp. z o.o., AXA, AXA Assicurazioni S.p.A., AXA Belgium, AXA Brasil, AXA Ceska Republika, AXA Insurance Singapore, AXA Italy, AXA Mansard Insurance plc, Axa México, AXA UK, Baloise Insurance, Bank Simpanan Nasional, BBVA Seguros, BCR ASIGURARI DE VIATA Vienna Insurance Group SA, Belfius Insurance, BNP Paribas - Banque De Detail France, CA Seguros, Cardif Vita S.p.A., Carige Assicurazioni & Carige Vita Nuova, Carttolica Assicurazioni S.p.A., CASER, CIG Pannonia Life Insurance Plc, CNP VITA, Co-op Insurance, Co-operative Insurance, Crédit Agricole Vita, Croatia osiguranje d.d., D.A.S. Assicurazioni, Delta Lloyd, Delta Lloyd Life, Desajrdins General Insurance Group, Die Mobiliar, Direct Line Group, Direct Line Insurace spa., Ecclesiastical Insurance Group plc, Ergo Insurance, Ethias SA/NV, Fairzekering, Federale Verzekering, Fidea, Fidelidade, Folksam, Generali Brasil, Generali Group, Generali Group Polska, Generali Seguros, GNP Seguros, Groupama Seguros, Groupe Macif, Gruppo Aviva Italia, Gruppo ITAS Assicurazioni, Hanover Insurance, Helvetia Italy, Hiscox, Hollard Insurance Group South Africa, Icare, IF P&C Insurance AB, ING Bank Belgium, InShared, Interpolis, KBC Group, KBC Insurance, KBC Verzekeringen N.V., Klesia, Komunalna Poistovna a.s., L&G Group plc, La Mondiale Europartner S.A., Liberty Seguros España, Liberty Seguros S.A. (Portugal), Lombarda Vita spa, LV, Malayan Banking Berhad, Mapfre, Mapfre Brasil, Mapfre S.A., Maybank, Mediolanum Vita S.p.A., Metlife Insurance Ltd, NFU Mutual, NFUM, NN, NN Belgium, Ocidental Group, Onepath Life Insurance, ORIX Life Insurance Corporation, Pelayo, Permanent General Cos. inc., Porto Seguros Auto e Residência, Prudential UK, PT. Asuransi Jiwa Generali Indonesia, Reale Seguros, S.A. (ASISA), S.A. (International SOS Spain), Santalucía Compañía de Seguros y Reaseguros, Santander Group, Sara Assicurazioni S.p.A., SBI Insurance Co. Ltd., Scottish Widows plc, Securex, Societe Generale Insurance, SOS SEGUROS Y REASEGUROS, Standard Life, State Farm Insurance, Suncorp Group Ltd, Tata AIA Life Insurance Company Limited, Tokio Marine & Nihcido Fire Insurance Co. Ltd., Topdanmark Forsikring A/S, TUA Assicurazioni, Unico Sigorta A., Vátryggingafélag Íslands hf., Victoria Seguros, Vidacaixa, Vienna Insurance Group, Wafa Assurance, Willis Group, XL Catlin, Yarden, Zurich, Zurich Financial Services Australia, Zurich Group Germany, Zurich Life Insurance Switzerland, Zurich UK.

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