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Insurance Nexus Global Trend Map 2017

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ABOUT INSURANCE NEXUS

Insurance has been disrupted, and the accelerating pace of change has created many challenges and opportunities for insurance executives. New technology, innovative business models and the rise of IoT, digital transformation and customer engagement is changing the face of the industry and inspiring new products, services and strategies. Insurers must seize the opportunities that digital transformation brings.

Situated between London's Silicon Roundabout and the City, Insurance Nexus is at the innovative heart of an industry undergoing significant disruption and innovation. We are a team of energetic professionals who are passionate about insurance, technology and innovation, and are ready to provide the tools, insights and opportunities for insurers to thrive in the future.

Insurance Nexus is the central hub for insurance executives. Through in-depth industry analysis, targeted research, niche events and quality content, we provide the industry with a platform to network, discuss, learn and shape the future of the insurance industry.

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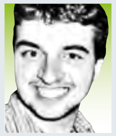
Introduction

> This report explores both the overarching trends shaping the insurance industry in 2017 – a market cycle characterised by low interest rates and soft market conditions, increasingly complex global risk and insurance's growing fixation on the customer – and the specific technologies that accompany them at every level of the insurance operation: from analytics and AI to Blockchain and IoT.



ALEXANDER CHERRY

Head of Research at Insurance Nexus

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Welcome to Insurance Nexus' annual **Insurance Nexus Global Trend Map.** We hope that you find this an enjoyable and useful read.

From 2016-7, Insurance Nexus undertook wide-ranging research with the aim of understanding the global state of the insurance industry, not just in terms of the overarching themes within it but also on a regional basis: to create a first-of-its-kind 'map' of insurance trends worldwide. In the course of our outreach, we collected over 1,000 survey responses from all around the world, increasing our range via partnerships with a number of regional insurance associations.

In the following pages, we present our findings in glorious technicolour, through a combination of infographics, written explication and industry commentary. We explore not just the key themes grabbing people's attention in today's insurance universe – analytics, IoT, AI and customer-centricity to name a few – but also how these themes vary on a region-by-region basis, with comparison of key trends in North America, Europe, Asia-Pacific, LatAm, Africa, the Middle East and Central Asia, supplemented by extensive direct testimony from respondents in these regions.

Throughout this report, we have tapped our network of insurance influencers, drawn not just from leading global insurers but also from the brave new world of Insurtech, so that we can provide up-to-the-minute comment (details of all our influencers can be found at the back). This report aims to present both our key survey findings and the observations of our influencers as clearly and objectively as possible – although we allow ourselves a level of speculation where we believe this to be justified.

The fundamental challenge putting this report together was the need to present both regional and thematic trends in a way that readers would find useful and accessible. For this reason, we have split the body of the report (which is preceded by an in-depth overview of our respondents) into three key sections, each one with a different flavour.

SECTION 1 (Global Trends) a **general** section on insurers' key challenges, priorities, service consumption and investments across the world.
SECTION 2 (Key Themes) a **thematic** section that looks in more detail at specific topic areas, departments and technology developments within the insurance industry.
SECTION 3 (Regional Profiles) here we take each part of the world under the microscope for a closer examination of **regional** trends.

Whether your interest in today's insurance market is **general**, **thematic** or **regional**, our report is designed to give you immediate access to the information you are most intent on finding out. Using the interactive menu on the right, simply jump straight to the section of your choice, whichever angle you want to approach the industry under.

We hope that you find value in this Trend Map, whatever the nature of your involvement and interest in insurance, and we look forward to hearing what you think!

Thanks and regards,

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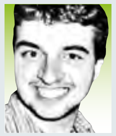
About our Respondents

Comments from our 40+ influencers drawn from every corner of the insurance industry can be found in the page margins – complementing the trends, observations and statistics from each section. Details of all our influencers, as well as of our additional contributors, can be found at the back of the report. You can share your favourite infographics on the way via the built-in Twitter widgets, so please join the social conversation!



ALEXANDER CHERRY

Head of Research at Insurance Nexus

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Before we get started, we'd like to quickly introduce you to our respondents. You may find this section most useful as a reference, and you can jump back to it at any time via the interactive menu on the right – in any case, the stats we use in the later sections should always be self-explanatory.

Given the all-encompassing nature of this Trend Map, Insurance Nexus sought responses not just from every global region but from every part of the insurance ecosystem – from (re)insurers through brokers and affiliate partners to technology providers, regulators and associations. Furthermore, due to the variety of specific themes we wanted to explore in detail, we needed responses from every single division within (re)insurers, from claims and underwriting through to cybersecurity and investments.

For the survey underlying this report, we gathered over 1000 responses, capturing information about: Respondent Region, Respondent Company Type, Respondent Department, Respondent Insurance Line and Respondent Seniority.

As far as our treatment of the stats is concerned, we have been guided primarily by what we deem most useful and interesting for readers. We have also tried, wherever possible, to corroborate and qualify our findings with input from respected industry commentators. We now briefly review our audience segments.

RESPONDENT REGION

For the purposes of this Trend Map, we divided the world into seven regions: North America, Europe, Asia-Pacific, LatAm, Africa, Middle East and Central Asia. The world-map diagram on the next page illustrates exactly how we have defined these regions, and shows the share of our respondents that came from the first four of these.

As a result of the high level of representation, we have been able to segment most of our general stats on North America, Europe and Asia-Pacific, which for this reason we sometimes refer to during the report as our 'three key regions'.

We explore the key challenges, priorities and developments within all our regions as part of our Regional Profiles section at the back, drawing heavily on perspectives from in-region correspondents. This way, we have been able to provide a qualitative picture of those regions for which we have limited statistics (LatAm, Africa, the Middle East and Central Asia).

About our Respondents

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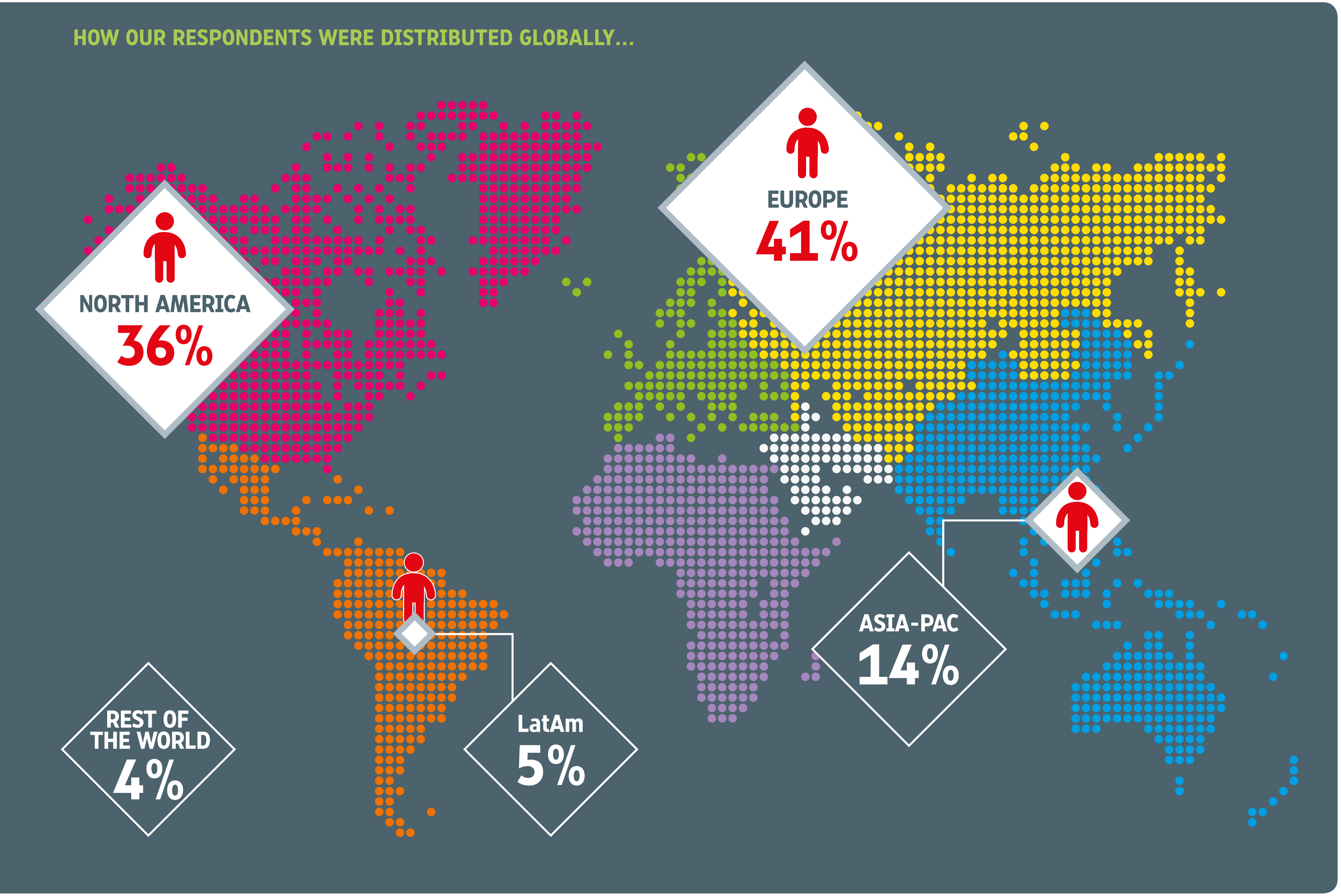
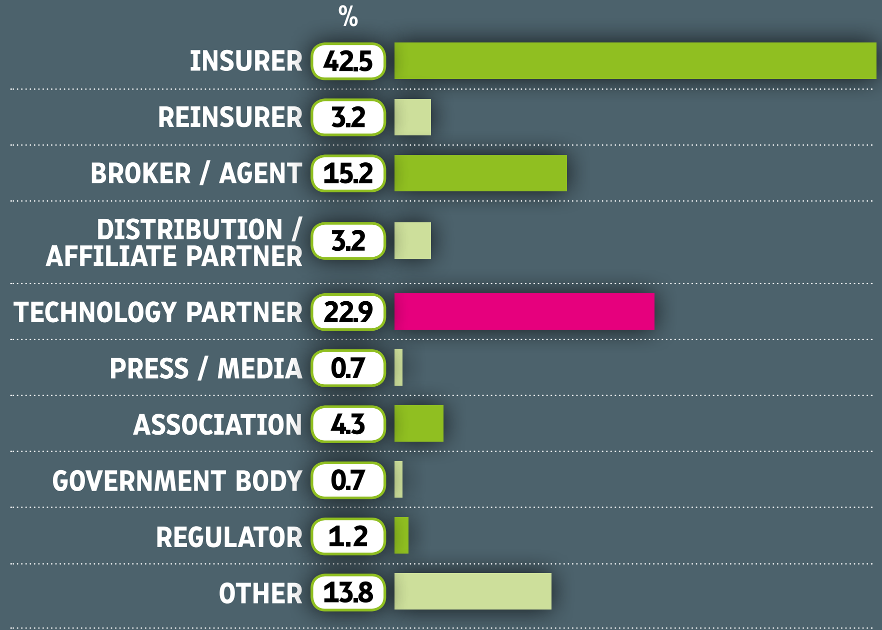


About our Respondents

RESPONDENT COMPANY TYPE

The insurance ecosystem is a varied one, with a multitude of different players performing a multitude of different roles, and we gathered responses from every corner. We gave our respondents the option to choose from nine different company types, which we array in the following table:

WHICH SORTS OF COMPANIES DO OUR RESPONDENTS WORK FOR?



44% of our respondents identified themselves as being either Insurers or Reinsurers (a number indicated that they were both). The other abundantly represented categories were Brokers & Agents and Technology Partners. Under 'Other', we found a diverse range of unlisted company types, including loss adjusters, legal assistance and search firms.

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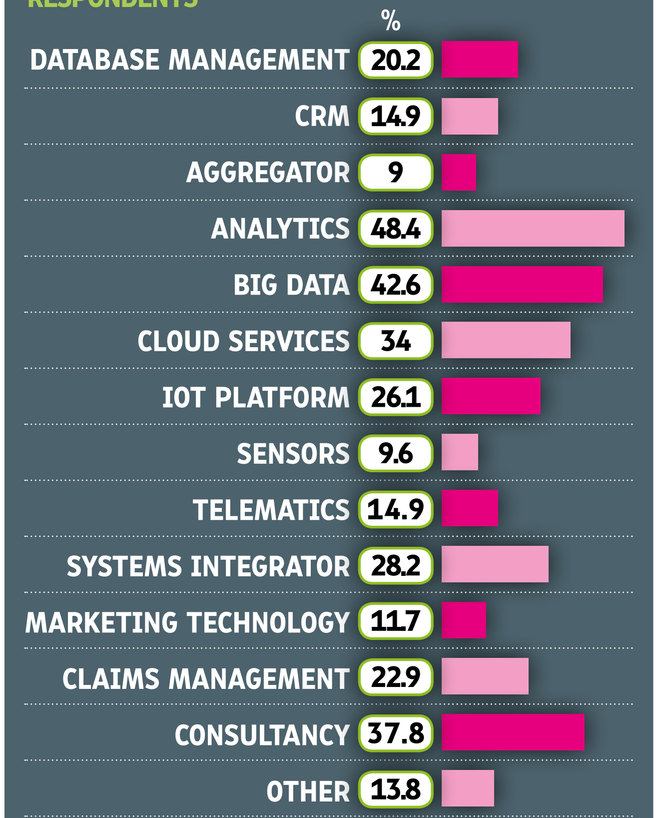
BREAKDOWN OF OUR 'TECHNOLOGY PARTNER' RESPONDENTS



Within the category of Technology Partner, we gave respondents the opportunity to identify themselves further. This gives us a good idea of the sorts of vendors and services dominating in today's market. The top Technology Partner categories are thus Analytics provider, Big Data services, Consultancy, Cloud Services, Systems Integrator and IoT Platform provider.

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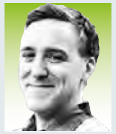
About our Respondents

Insurance Nexus is active across the insurance ecosystem, with a focus not just on the rise of new cross-functional technologies but also on the prime concerns of specific departments. This breadth – as well as the seniority of our community – is reflected in these stats detailing the make-up of our respondents.



JAMES VINCENT
General Manager at Insurance Nexus

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RESPONDENT DEPARTMENT

We also asked Insurers & Reinsurers to specify which departments they worked in from a range of 20, laid out in the table below (the figure in brackets is the percentage working in OR with that department).

Actuarial	12.3%	(25.4%)
Analytics	21.6%	(27.9%)
Broker Relations	9.6%	(14.4%)
Capital Management	4.7%	(9.1%)
Claims	14%	(28.2%)
Customer Services	12%	(22.1%)
Digital	13.5%	(21.6%)
Distribution	10.8%	(22.9%)
Fraud	6.4%	(11%)
Investment	3.8%	(8.8%)
IT	14.6%	(26.2%)
Marketing	17.5%	(27.1%)
Operations	15.2%	(25.4%)
Pricing	12.9%	(20.3%)
Risk	14.9%	(21.8%)
Sales	10.5%	(22.4%)
Senior Leadership	19.9%	(29.7%)
Strategy	29.2%	(32.3%)
Treasury	3.2%	(5.7%)
Underwriting	20.2%	(29%)

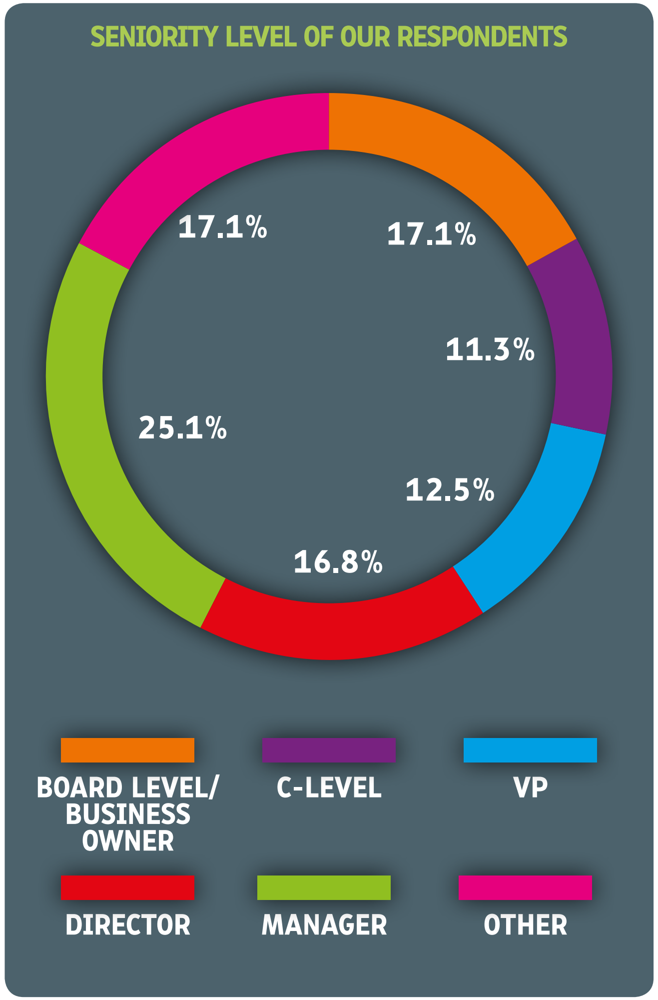
RESPONDENT INSURANCE LINE

We achieved representation from six main lines, with the majority of respondents working in multiple lines:

Auto	60.1%
Home	53%
P&C/General	63.1%
Commercial	53.7%
Health	32.9%
Life	37.5%

RESPONDENT SENIORITY

Finally, a note on the seniority of respondents. As can be seen from the pie chart below, the level was generally senior, with 28.4% belonging either in the C-Suite or in the Board Room.



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Global Trends

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This section casts light on the major sea-changes in insurance. This is a multifaceted industry that will always face challenges and set priorities on many different fronts; all the issues we touch on here are important but, by asking our respondents to rank them, we have been able to focus in on what is really occupying insurers' minds – and budgets.

ALEXANDER CHERRY

Head of Research at Insurance Nexus

This opening section serves as an overview of the state of insurance as a whole, detailing the high-level challenges facing the industry, insurers' priorities, the sorts of services being consumed and new job-role creation.

Where appropriate, and where it adds value, we have segmented the stats by region (Europe, North America and Asia-Pacific) and sometimes by insurance line and department.

INDUSTRY CHALLENGES

The first problem we had when trying to assess the challenges facing the industry was the breadth of potential challenges that respondents might name. For this reason, we drew up a shortlist based on Insurance Nexus' periodic research within the insurance community.

We then asked respondents to rank their top challenges, giving us a good indication of the relative importance of all the main ones. In order to nuance the picture, respondents were also asked via an open-text question to name any additional challenges they thought we had missed – and we have included the stand-out ones in this section too.

A second problem we had is that not all challenges are directly comparable. For this reason, we split them out into 'external' and 'internal' challenges, creating two separate hierarchies. External Challenges are issues in the wider world that necessitate a response from the industry if the industry is to survive and thrive; Internal Challenges are whatever stands in the way of that response's successful implementation.

For example, 'Increased regulation' might require changes from insurers and other industry participants (external challenge); however, 'Lack of company-wide dedication to core priorities' might prevent these necessary changes from actually happening (internal challenge).

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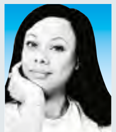
"Technology has always been a key enabler within the insurance sector. In today's highly customer-centric world, organisations that want to thrive will do so through digital excellence; meaning by combining unique customer experiences and omnichannel distribution mechanisms, as well as by reinventing interactions across the insurance value chain, despite legacy constraints.



SABINE VANDERLINDEN

Managing Director at Startupbootcamp

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External Challenges

The overall results for external challenges – based on all respondents – indicate that 'Technological advancement' is by far the greatest overall external challenge, followed by 'Changing customer expectations' and 'Digital channel capabilities'.

'New emerging risks', 'Changing economic conditions', 'Increased regulation' and 'Increased competition' make up the middle tier.

Further down we have 'New entrants to the market', 'Catastrophe risk', 'Absence of a clear strategy' and 'Climate change'. Then, comfortably in last position, we find 'Lack of company investment'.

A quick note on our methodology: respondents were asked to rank their top three challenges, with three points being awarded for 1st place, 2 points for 2nd and 1 point for 3rd. This allowed us to create not just a ranking but a cumulative score for each challenge.

So what then is the picture, if any, that we see emerging? The top-three challenges, notably, form a clear constellation: changing consumer behaviour patterns, especially the desire for digital channels, certainly underlie insurers' preoccupation with technological advancement to a considerable degree.

We would therefore say tentatively that the interface between customer and insurer is going to be one of the key battlegrounds going forwards, not just in the trivial sense of online portals and chatbots but rather as the ability of insurers and other industry participants to make every part of their operation work for the customer. The mid-tier challenges – essentially market factors – are certainly significant but represent the pointy end of 'business as

EXTERNAL CHALLENGES FACING THE INDUSTRY (ALL RESPONDENTS)

SCORE	RANK	KEY CHALLENGE
962	1	Technological advancement
664	2	Changing customer expectations
490	3	Digital channel capabilities
460	4	New emerging risks
435	5	Changing economic conditions
400	6	Increased regulation
320	7	Increased competition
206	8	New entrants to the market
136	9	Catastrophe risk
120	10	Climate change
117	11	Absence of a clear strategy
42	12	Lack of company investment

> These challenge tables perfectly illustrate and explain the fundamental conundrum of the global insurance industry; the acceleration of technological advances coupled with expanding sense of consumer entitlement and their rapidly evolving tech-driven behaviour is causing older and slower-to-change insurers to struggle mightily in playing catch-up and has made them vulnerable to newcomers and disruptors.

STEPHEN APPLEBAUM

Managing Partner at Insurance Solutions Group

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usual' rather than the digital, customer-centric paradigm shift we see coming into focus at the top of the challenges table.

This shift falls broadly under the remit of 'digital transformation', which we have seen at work in many recent initiatives at major insurers, both internal and external to their organisations. Many insurers have for instance, like Allianz in November 2015, founded some form of digital transformation unit.[1] Likewise, a number of major players have set up venture-capital arms in order to foster digital innovation outside of their four walls – like AXA Strategic Ventures.

While insurance was for a time considered the sleepy corner of financial services in terms of digitisation, tech and innovation, we now see a host of transformation and innovation projects underway, and the money is flowing. This is borne out by the fact that 'Lack of company investment' was, by some way, the lowest-ranked challenge in the industry. Insurers and other industry participants may or may not be successful in their digital transformation – but this will likely be decided by factors other than their willingness to invest in it.

Internal Challenges

The overall results for the internal challenges – based on all respondents – show 'Lack of innovation capabilities' and 'Legacy systems' neck and neck and leading the pack. 'Finding & hiring talent' and 'Siloed operations' make up the middle tier, with 'Lack of company-wide dedication to core priorities' and 'Mergers & acquisitions activity' a long way behind at the bottom of the table.

The methodology used here was the same as that used in gathering the external challenges – giving us both a ranking and a score.

INTERNAL CHALLENGES FACING THE INDUSTRY (ALL RESPONDENTS)

SCORE	RANK	KEY CHALLENGE
1032	1	Lack of innovation capabilities
1027	2	Legacy systems
759	3	Finding and hiring talent
740	4	Siloed operations
373	5	Lack of company-wide dedication to core priorities
305	6	Mergers & acquisitions activity

These results are consistent with the picture we saw emerging from our exploration of the external challenges; for a 'Lack of innovation capabilities' to be the leading internal challenge indicates first and foremost the industry's strong will to innovate, which is part and parcel of many insurers' and industry participants' current digital transformation projects.

Supporting this view is the low position attained by 'Lack of

[1] insurancejournal.com/news/international/2015/11/16/389020.htm

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> Successful innovations must be closely coordinated with the company's strategy. They require an innovation process and involvement from all areas of the company. On the one hand, it is important to constantly improve existing products and services. On the other hand, it is essential to think outside-of-the-box: Artificial intelligence, augmented-reality applications and buying a Fintech company are examples which fall into this category.

MONIKA SCHULZE

Global Head of Marketing at Zurich Insurance

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company-wide dedication to core priorities' – it's clear that what is missing is neither the intention nor the investment to change (lack of investment was rated the industry's lowest external challenge), rather it is the capabilities to make it happen. And these capabilities fall short in three perennial areas that turn up here: systems, staffing and silos, which make up internal challenges #2 through to #4. We will examine how the top internal and external challenges vary on a regional basis (for North America, Europe, Asia-Pacific and LatAm) in the Regional Profiles section that closes this report.

INSURTECH PERSPECTIVES

In addition to having respondents rank the challenges on our shortlists, we also asked them for any that we might have missed. Responses were colourful and varied but some of the additional challenges that stood out were, in no particular order:

- Prevailing low interest rates
- Insurtech / disruptors
- Cyber-risk
- Loss of agents / disintermediation
- Change management
- Lack of strong leadership

In this list, we find Insurtech, which was not explicit in our shortlist of challenges (although it cuts across a number of our categories), and there is indeed plenty of talk on the air about an impending shake-up of traditional insurance models. So it is interesting to step back and see to what extent insurers are currently losing market share to new entrants…

We asked our Insurers & Reinsurers just this, and the results show a significant impact, although the majority of respondents are still not indicating lost share. A total of 29% of respondents indicated losses. When considered regionally, this 'disruption score' fell to 23% and 25% in Europe and North America respectively but rose to 47% in Asia-Pacific.

The impact of new entrants is therefore greatest – or at least is perceived to be greatest – in the East. This is not a wholly surprising result given that the overall market in this area is expanding so fast, due to the rapidly emerging middle class (especially in places like China and India) as well as the uninsured masses coming into focus as micro-insurance targets. An expanding market creates more opportunities for new companies, and existing companies must grow at a high rate just to maintain their existing share.

In addition to this, there may be a psychological factor driving up the percentage of respondents indicating market-share loss in Asia-Pacific. People may perceive the threat from new entrants more keenly here than elsewhere, even if they are not currently losing real market share; in saturated markets, the risk of total disruption is less because traditional insurance is established as the solution to a certain set of problems.

In underpenetrated Asia-Pacific however, many people have never had insurance in their lives and do not therefore have any kind of bias towards established insurance forms. This means that traditional insurance models appear particularly ripe for circumvention by non-traditional players. We will explore these trends in more detail in our dedicated regional profile on Asia-Pacific later in the report.

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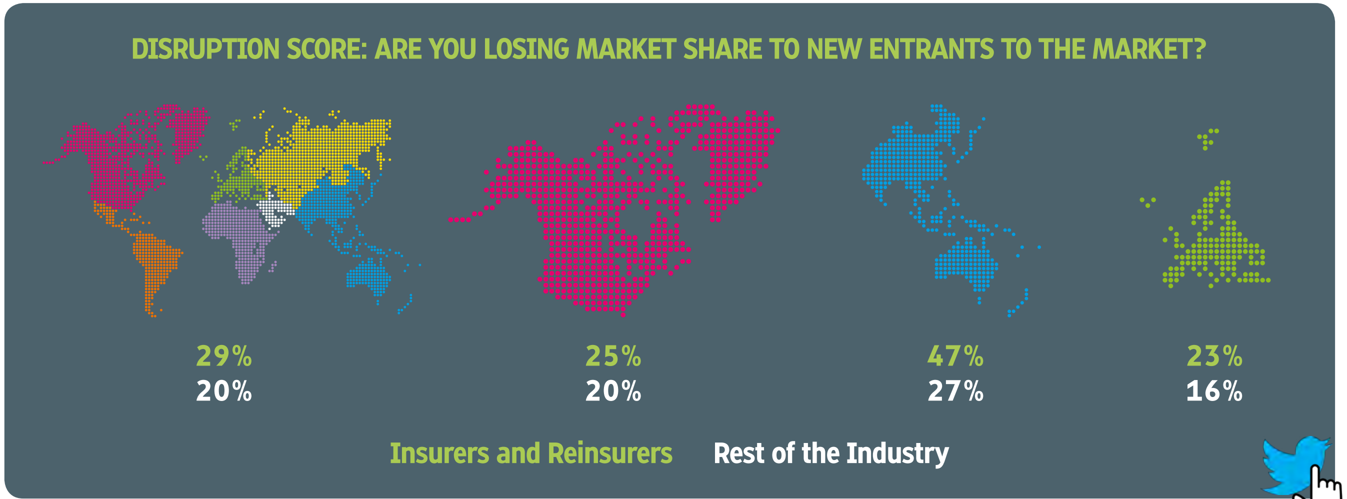
> The common denominator that's sweeping the industry right now is this whole wave of Insurtech. It applies to anybody and anywhere in the world.

HILARIO ITRIAGO
CEO at Bullfrog Ventures



Just because the European and North American markets produced lower disruption scores does not mean that the waters here are clear; we need look no further than the fact that more than half of 2016's Insurtech deals took place in the USA to see that the situation is much more complex.

We should bear in mind the psychological factor and the hype cycle, whereby technology impacts are often overestimated at first: the wave is always biggest when it breaks but may leave little behind it other than foam. Later, in our Regional Profiles, we loosely apply this wave model to our three key regions, drawing on stats from our Key Themes section and input from local commentators; in North America the 'disruption wave' is still rising, in Asia-Pacific it is breaking and in Europe it has broken.

In this sense, these scores are perhaps more revealing as indicators of each market's 'maturity' than of the overall extent of disruption; while newcomers will continue to take market share for the foreseeable future, carriers' assessment of this threat may, paradoxically, adjust down, as they take on board a 'new normal'.

This new normal will by no means be totally inimical to today's insurers; while some Insurtechs do have incumbents in their crosshairs, many new start-ups will simply end up replacing the more tired parts of insurers' stacks with something better. And once the gloss has worn off, many Insurtechs' currently belligerent stance may well soften into something more cooperative, particularly given the mutual benefits that could come from newcomers and incumbents working together, in a marriage of scale and innovation. We further explore the potential for collaborative Insurer-Insurtech models in our Regional Profiles section at the end of this report.

Disruption is not just an issue for carriers but affects every player in the insurance ecosystem and every category of insurance work. The balance of industry chatter would suggest that brokers and agencies will be the first part of the

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Check out our 'Closing Thoughts' in the final section of this report, in which we place Insurtech within the context of the other 'megatrends' at work in the industry: the current market cycle, with low interest rates and soft market conditions, the complexification of global risk and insurance's customer-centric turn.

ALEXANDER CHERRY

Head of Research at Insurance Nexus

insurance value chain to feel the pinch, for example through disintermediation by new direct plays and robo-advice.

Interestingly, the Rest of the Industry (everyone apart from Insurers & Reinsurers) achieves a disruption score of 20% (24% for Brokers & Agents specifically), lower than the 29% we registered for Insurers & Reinsurers, and this trend is consistent across our three key regions. Again, this may reveal more about sector maturity than material realities; the fact that indirect channels have for a while been an obvious target – not just for Insurtechs but for incumbents' own direct offerings – could mean agents and brokers have come to perceive the threat more realistically than carriers, who may currently be in peak panic mode.

Before we move on to our section on Insurer Priorities, let's quickly review the state of Insurtech at present. According to data from CB Insights, total Insurtech investment in 2016 totalled $1.7 billion, around double what it had been in 2014. This compares to the $17.4 billion invested in Fintech overall in 2016 (according to data from PitchBook). Insurtech has been slightly longer coming than tech disruption in other branches of financial services, but its role in insurance – a data industry par excellence – could be even more transformative yet.

According to a recent report from Accenture (The Rise of Insurtech), approximately half of investment money is being funnelled towards Artificial Intelligence (AI) and IoT. Currently, personal lines are generating more activity than commercial lines, and Life is the quietest of the major branches; this picture is broadly borne out by our more general stats across this report. This may be a case of people going after the lowest-hanging fruit first rather than anything inherent in these lines – there remain manifold untapped opportunities here, from backroom efficiencies to innovation out in the field (especially anything IoT-related for Commercial insurance).

We do not have scope here to explore specific Insurtech innovations, although we return to the subject across the remainder of this report. Also, a number of our influencers either work with, or for, Insurtech companies.

Having examined industry challenges and touched on the role of new market entrants, we now turn to look at where insurers are setting their priorities for the next 12-18 months. Our fifteen key priority areas are scored and ranked overleaf – both globally and for our three key regions.

TOP PRIORITIES (MONEY + TIME + STAFF + TRAINING) BY REGION (INSURERS AND REINSURERS)

Rank	WORLD		NORTH AMERICA		ASIA-PACIFIC		EUROPE	
1st	Digital Innovation	59	Digital Innovation	54	Digital Innovation	60	Digital Innovation	59
2nd	Customer Centricity	56	Analytics	53	Customer Centricity	55	Customer Centricity	56
3rd	Analytics	51	Underwriting	53	Analytics	53	Analytics	51
4th	Claims	47	Customer Centricity	51	Distribution	43	Claims	49
5th	Underwriting	44	Claims	46	Claims	38	Regulation	40
6th	Product Development	41	Product Development	43	Product Development	38	Product Development	38
7th	**Regulation**	35	Distribution	31	Pricing	36	Pricing	35
8th	Distribution	33	Regulation	29	Underwriting	33	Underwriting	34
9th	Pricing	30	Risk Management	29	Regulation	31	Distribution	31
10th	Risk Management	21	Pricing	26	Internet of Things	29	Internet of Things	24
11th	Internet of Things	19	Cybersecurity	17	Mobile	16	Mobile	19
12th	Mobile	18	Mobile	17	Fraud	15	Risk Management	16
13th	Cybersecurity	12	Internet of Things	13	Risk Management	14	Cybersecurity	13
14th	Fraud	10	Fraud	9	Cybersecurity	11	Fraud	11
15th	Investment Management	4	Investment Management	9	Investment Management	8	Investment Management	4

> "The highest single priority for insurers – Digital Innovation – is a direct reflection that this is the widest capability gap between insurers' expertise and what are now marketing "table stakes". Time is not on the side of those who fail to close this gap.

STEPHEN APPLEBAUM

Managing Partner at Insurance Solutions Group

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Moving on from challenges, we now look at insurer priorities. To do this, we drew up a shortlist of fifteen priority areas and asked our Reinsurer & Insurer respondents to rank them in terms of where they are investing money, time, staff and training resources over the next 12-18 months.

Using a points system similar to the one we employed when scoring our internal/external challenges, we combined these four measures into one to create a composite 'priority score' (15 points for ranking something 1st, 14 points for 12nd … 1 point for ranking something last, meaning there is a top score of 60, representing 4 top ranks, and a bottom score of 4, representing 4 bottom ranks). This allowed us to rank the priorities attracting the greatest focus both globally and in our three key regions.

Digital Innovation tops the list internationally as well as in our three key regions. This result complements what we saw with the challenges – if 'Technological advancement' and 'Changing customer expectations' were perceived as the key external challenges in the industry, then it makes sense for Digital Innovation to be respondents' key priority, with Customer Centricity not far behind. Investment Management is the lowest-ranked priority across the board – most likely an indication of enduring low interest rates.

Additional Insurer Priorities

To supplement our priorities shortlist, we also asked respondents for any priorities that we might have missed. These included:

- Upgrading legacy systems
- Business transformation
- Robotics
- Marketing strategy
- Blockchain

Certainly the top three of these we could categorise as staples of any digital transformation initiative.

Overleaf, we have created a 'medals table' based on the regional priority rankings we have already looked at. Rather than showing the prominence of a priority within a given region, the aim here to draw attention to that priority's performance across regions i.e. demonstrating in which region that priority is most pronounced. The 'winning' regions have been awarded a medal denoting that priority area; for instance, Asia-Pacific achieved the highest priority score (60) for Digital Innovation and has therefore been credited with the Digital Innovation Medal on the medals table.

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LEADING REGIONS BY PRIORITY AREA: WHO IS APPLYING THE GREATEST FOCUS?
(INSURERS AND REINSURERS)

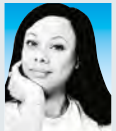
NORTH AMERICA
- Analytics
- Cybersecurity
- Investment Management
- Risk Management
- Underwriting
- Product Development

EUROPE
- Claims
- Customer Centricity
- Mobile
- Regulation

ASIA-PAC
- Analytics
- Distribution Diversification
- Digital Innovation
- Internet of Things
- Pricing
- Fraud

	North America	Europe	Asia-Pac
Analytics	★53	51	★53
Claims	46	★49	38
Customer Centricity	51	★56	55
Cybersecurity	★17	13	11
Digital Innovation	54	59	★60
Distribution	31	31	★43
Fraud	9	11	★15
Internet of Things	13	24	★29
Investment Management	★9	4	8
Mobile	17	★19	16
Pricing	26	35	★36
Product Development	★43	38	38
Regulation	29	★40	31
Risk Management	★29	16	14
Underwriting	★53	34	33

> Even though different markets seem to focus on a variety of distinct priorities, it's clear many insurers place the customer at the heart of their strategies, whether through analytics, digital processes, mobile-first platforms or enhanced distribution capabilities. In each situation, technology is at the core of such digital innovation. Culture and mind-set may be the two elements that slow success.



SABINE VANDERLINDEN

Managing Director at Startupbootcamp

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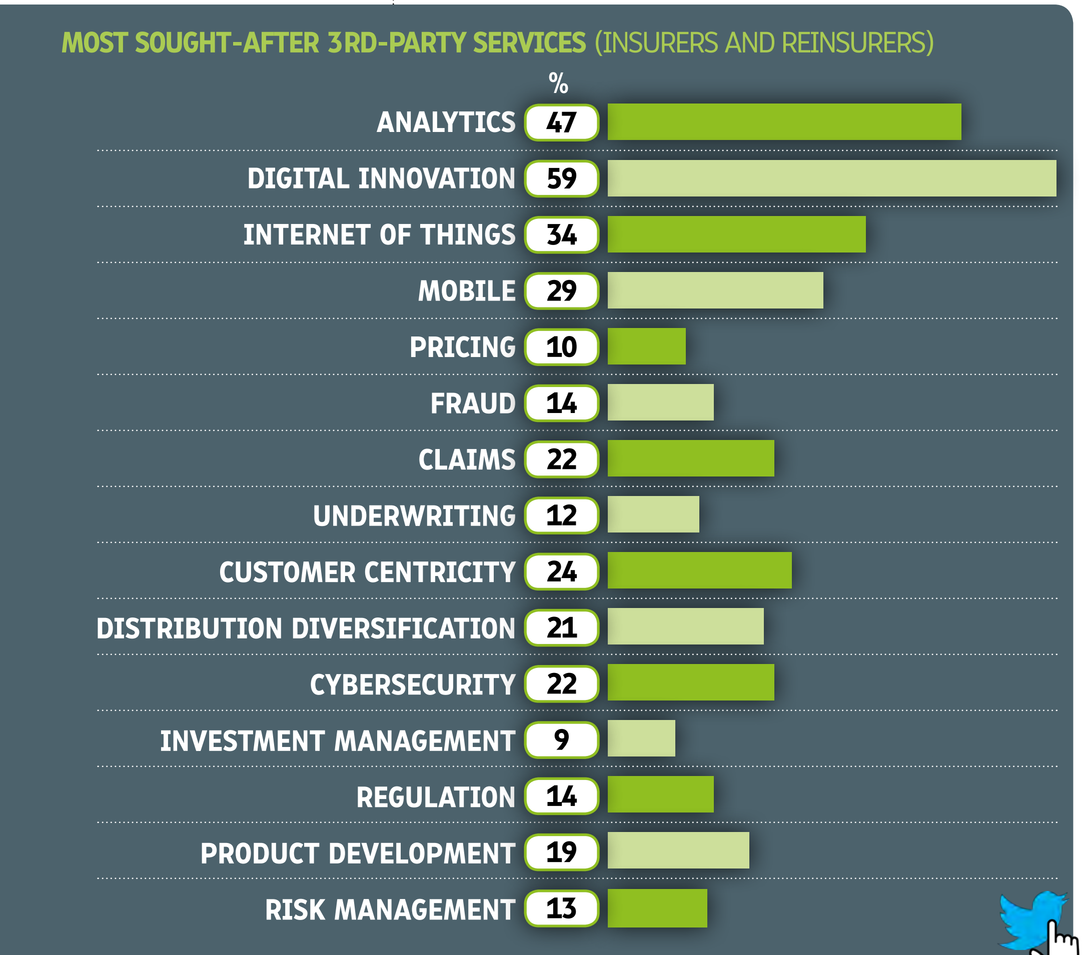
The medals-table approach makes it easier to appreciate the regional variations in how different priorities are treated: top of mind in one place may be bottom of mind in another. This way we can see the 'priorities constellation' reigning over each region, and we will be returning to these in our regional profiles (for North America, Europe and Asia-Pacific) at the back of this report. The grid to the right of the medals table displays the same scores that we saw in the first priorities chart (for reference purposes), except here ranked by region.

To round off our discussion of insurer priorities, a brief summary of the key regional trends we have pulled out of our two main tables:

- Analytics, Customer Centricity and Digital Innovation achieve similar scores across all our regions. Customer-Centricity trails marginally in North America.
- Noteworthy is the perfect score of 60 attained for Digital Innovation in Asia-Pacific, which indicates that this was the number-one priority here in all four measures underlying the priority score (money, time, staffing and training).
- Underwriting and Risk Management both score considerably higher in North America than they do elsewhere – as we saw in the first priorities table, Underwriting is 3rd in the list of priorities in North America, despite not getting above 7th place in any other regions, and its Risk Management score is more than 80% higher than the runner-up's (Europe).
- There is a step-up in focus on Claims in Europe and North America compared to Asia-Pacific.
- With Distribution Diversification, we have the exact inverse scenario, with Asia-Pacific leading the pack, possibly a reflection of the emerging markets within it necessitating high-scale low-cost distribution, which traditional models cannot provide.
- Fraud is also a marginally higher priority in Asia-Pacific.
- Europe and Asia-Pacific lead North America with their focus on Internet of Things.
- Cybersecurity and Mobile achieve similar (lowish) scores for all regions; Product Development is relatively high across the board.
- Regulation is the biggest deal in Europe, where respondents quoted in particular Solvency II and the Insurance Distribution Directive (IDD) as being causes for concern.

SERVICES, INVESTMENTS AND JOB ROLES



Service-Area Round-Up

Here we explore some key bellwethers for the general health and future direction of the insurance industry: namely, the areas in which services will be consumed over the coming 12-18 months, who is consuming them and how investment in these areas is set to change going forward, as well as key recent appointments.

It's one thing to talk about general industry challenges and priorities as we did earlier in this section, but it is often the case that people's money is not where their mouth is. To provide some clarity here, we asked Insurers & Reinsurers (who are the primary consumers of services within the insurance industry) where they were planning on using third-party services over the next 12-18 months, choosing from the same fifteen priority areas we used in the previous sub-section on Insurer Priorities.

The three most sought-after services among Insurers & Reinsurers globally were, respectively, Digital Innovation (cited by 59% of respondents), Analytics (47%) and Internet of Things (34%). The high percentage of respondents seeking digital and analytics services is hardly a surprise given that these were two of the top three global priorities for our Insurer & Reinsurer respondents.

The presence of Internet of Things here is more noteworthy – despite only being ranked eleventh on the global priority list, it appears to be one of the most sought-after areas for third-party services. Unsurprisingly, and consistent with the preceding sub-section, Investment Management is the least in-demand area for services.

Regional trends largely followed the overall global trend, except for Customer Centricity being relatively more significant in Asia-Pacific. The top three service areas followed the global trend for most individual insurance lines (Auto, Home, P&C/General, Commercial and Life) except for Health, where the top three categories were, in order, Digital Innovation, IoT and Mobile. This primacy of IoT and Mobile possibly reflects the growing trend towards the use of connected wearables in health insurance.

Section 1: Services, Investments and Job Roles

> The importance carriers are attaching to Analytics, Digital and IoT is demonstrated by the numbers that are seeking third-party services in these areas.

PAOLO CUOMO

Principal at The Boston Consulting Group (BCG) and Co-Founder at InsTech London

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Service-User Round-Up

We also established in which insurance departments certain service types were popular, and we have selected the six service types we think will most interest our readers for display here (see the table on the right).

We compared responses from across our different departments: Actuarial, Analytics, Broker Relations, Capital Management, Claims, Customer Services, Digital, Distribution, Fraud, Investment, IT, Marketing, Operations, Pricing, Risk, Sales, Senior Leadership, Strategy, Treasury and Underwriting. This is intended more as food for thought than as a rigorous ranking exercise — in some cases there are few surprises, Analytics services ranking highly with Analytics, Digital and IT staff.

Customer Centricity services appear to be especially sought-after in Broker Relations departments; this possibly reflects insurers' on-going efforts to keep brokers' offerings aligned with the direct channel so as to ensure seamless customer experience.

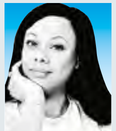
This fits in with the importance of Digital Innovation services within Distribution departments – digital technologies (such as apps and portals), whether they be part of the direct or the intermediated channel, are increasingly a part of insurers' distribution as they look to stay relevant with consumers in a world of web-first services.

The march of digital in distribution is also reflected in the fact that Mobile services are in high demand among Sales, Marketing and Distribution staff – in our world of smartphone and tablet growth, digital channels are increasingly mobile (rather than desktop)… Product-Development expertise is being sought primarily on the Pricing and Underwriting side, Internet of Things services in Distribution and Marketing.

IN WHICH DEPARTMENTS ARE DIFFERENT TECHNOLOGY SERVICES IN DEMAND?

SERVICE TYPE	INTERESTED DEPARTMENT
Analytics	Analytics
	Digital
	IT
Customer Centricity	Customer Services
	Broker Relations
	Operations
Digital Innovation	Distribution
	Actuarial
	Senior Leadership
Internet of Things	Distribution
	Marketing
	Sales
Mobile	Sales
	Marketing
	Distribution
Product Development	Pricing
	Underwriting
	Sales

> Insurers will invest in those areas that will support growth and differentiation or operational efficiency through innovation. These will range from delivering end-to-end innovative digital products to re-inventing the insurance value chain at the front end. A lot of these capabilities though rely on underwriting to achieve optimum results.



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HOW WILL INVESTMENT CHANGE IN THE FOLLOWING AREAS OVER THE NEXT 12-18 MONTHS?

INCREASING
- Digital Innovation
- Analytics
- Customer Centricity
- Product Development
- Mobile
- Risk Management
- Cybersecurity
- Pricing
- Fraud
- Claims
- Regulation
- Internet of Things
- Distribution Diversification

STAYING THE SAME
- Underwriting

DECREASING
- Investment Management

Investment Prognosis

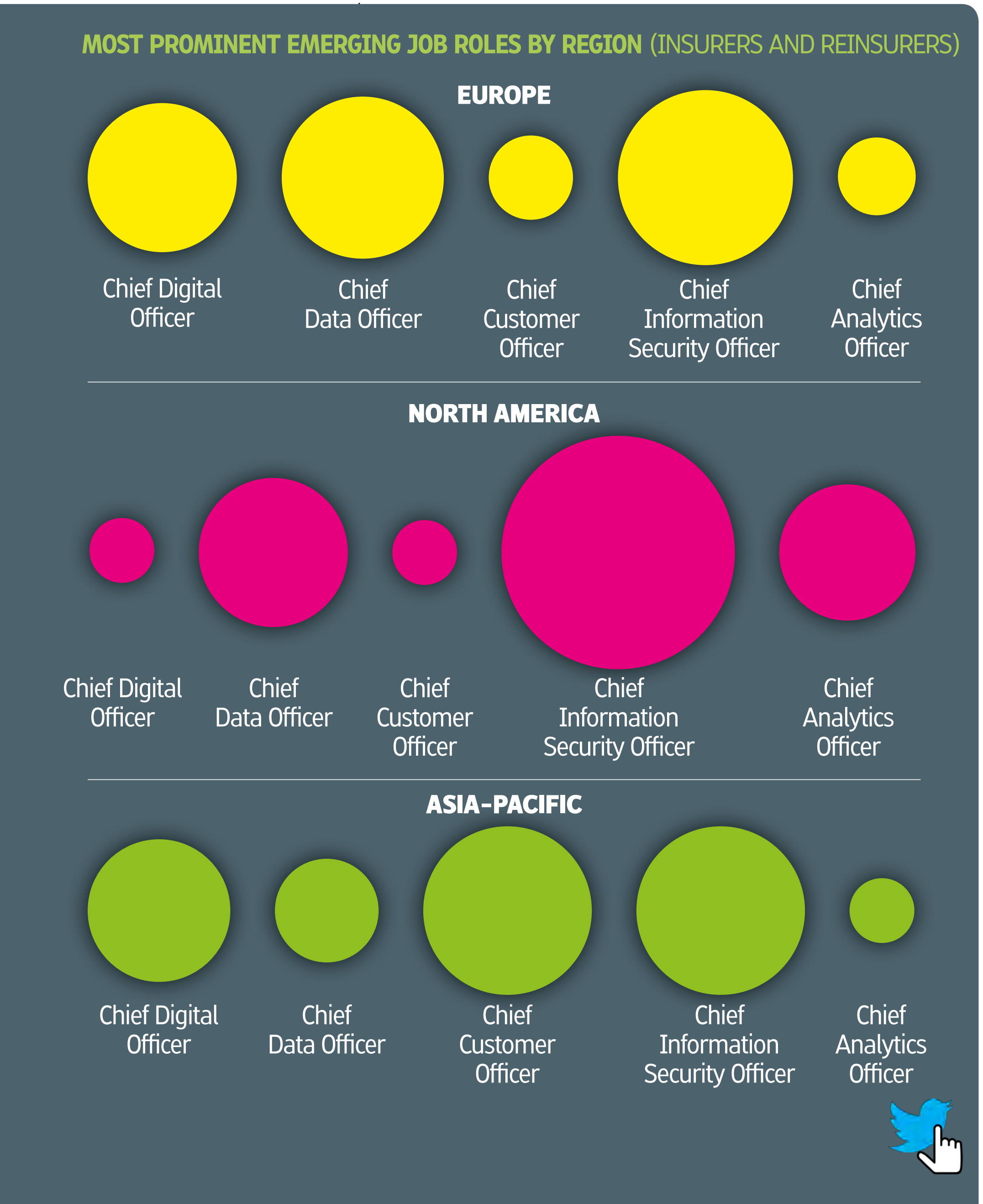
We asked our Insurer & Reinsurer respondents to indicate qualitatively, on a sliding scale, how much they expected investment to change in each of the priority/service areas we have been considering.

Respondents saw investment increasing in almost all areas, which may indicate a slight bias towards bullishness. That said, the order of the different service areas should be a fair indication of which ones are most likely to attract whatever additional budget is available over the coming 12-18 months.

In addition to being the key services sought over the next 12-18 months, Digital Innovation and Analytics are also seeing the largest increases in investment over this period. Investment in Internet of Things (which came in overall 3rd place among services sought) shows minimal increase. So, it would appear that Digital Innovation and Analytics are attracting large and increasing investment from Insurers & Reinsurers, whereas Internet of Things is attracting large and steady investment.

As we saw in the earlier chart, Product Development was a relatively unimportant category when considering global demand for third-party services, with only 19% of carriers seeking services in this area – nonetheless, it here displays one of the highest increases in investment (4th place), suggesting that it may become a more significant category in the future.

The declining importance of Investment Management is most likely a reflection of globally low interest rates – this side of the insurance business, having become less lucrative, looks set to attract less money.



Job-Role Creation

A key proxy for growth in any technology or business area is the creation of new job roles relating to it. This is a useful measure for determining – beyond idle talk – which areas are genuine priorities or concerns for an industry.

Based on our broader research, Insurance Nexus drew up a shortlist of emerging job roles within insurance companies, and asked Insurer and Reinsurer respondents to indicate whether these had recently been – or were soon due to be – created at their company. As with the foregoing sub-sections, we also gave respondents the chance to specify emerging roles missing from our shortlist.

The results reflect the recent spike in importance of information security, which has doubtless been fuelled by a series of high-profile cybersecurity incidents involving insurers, such as last summer's data breach at US-based Banner Health, in which as many as 3.7 million customers had personal data stolen.[2] Thus, Chief Information Security Officer scores the highest out of all the available roles in all the geographies we assessed (North America, Europe and Asia-Pac).

Comparing across regions we see that Chief Customer Officer assumes a higher relative importance in Asia-Pacific. As we noted in our Insurtech Perspectives section, the real or perceived threat from new market entrants and disruptors was highest in Asia-Pacific, and we speculated that this might be due to a larger proportion of the population being un- or under-insured, lacking ties to the traditional insurance model and thus representing an appetising target for dynamic new players aiming to cut traditional carriers out. If this is true, it makes perfect sense for insurers in Asia-Pacific

[2] cbronline.com/news/cybersecurity/business/massive-data-breach-hits-us-health-insurer-37m-customers-warned-4971230/

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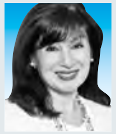
Section 1: Services, Investments and Job Roles

> Marketing/sales, human resources, underwriting, finance and claims are all being impacted by the growing focus on analytics. New roles are rapidly emerging — from a Chief Analytics Officer to Data Scientists and Engineers.



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to place a special emphasis – including a whole new job role – on the customer.

Sometimes the relative prominence of different job roles may reflect variations in naming conventions rather than real differences on the ground.

For example, we see that Chief Digital Officer is relatively insignificant in North America compared to Europe and Asia-Pacific. On the other hand though, these two regions both trail North America when it comes to the recent or forthcoming appointment of the Chief Analytics Officer role. We know from the stats we have already presented on challenges, priorities and investments that analytics and digital are both highly important in all three of these regions, so this disparity (with the job roles) is probably no more than apparent.

We asked our respondents to name any other significant roles of recent creation that we had missed. Our most significant omissions were, in no particular order:

- Chief Risk Officer
- Head of Transformation
- Titles around 'Customer Experience' and 'Customer Engagement'
- Chief Strategy Officer
- Chief Innovation Officer
- Head of Disruptive Innovation
- Head of Blockchain

Emerging job roles fall, it would appear, into one of two camps. We see that holistic strategy roles (also framed in terms of 'transformation' and 'customer-centricity') are becoming more and more important – indeed, one respondent lamented the lack of a 'Thought Leadership Officer' position. Then we have roles related to specific emerging technologies, such as Blockchain – and we can expect the same with machine learning and AI.

This spectrum reflects a major issue insurers are likely to face from a staffing and organisational-structure perspective: complex emerging technologies invite and often outright require specialisation, yet the dependencies between divisions, technologies and initiatives within insurers become larger and larger every year.

The ability to strike the right balance between these two camps – deep technical expertise on the one hand and a capacity to conceive and coordinate the 'big picture' on the other – will be one of the key factors that separate the insurance wheat from the insurance chaff over the coming years.

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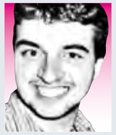
Key Themes

Section 2: Key Themes

"Insurance Nexus has chosen eleven key themes to explore in greater detail - these are by no means exhaustive but aim rather to capture perspectives from across the full lifecycle of insurance: from the initial distribution of policies through to the investment of premiums and pay-out of claims.



ALEXANDER CHERRY

Head of Research at Insurance Nexus

The preceding section on Global Trends gave a general 'big picture' of insurance both globally and in North America, Europe and Asia-Pacific. By contrast, this section is theme- rather than region-led, and examines eleven key technologies and activity areas, some vertical and some horizontal. These were chosen off the back off Insurance Nexus' broader research, guided by the desire to capture a snapshot of the full lifecycle of insurance without exceeding space constraints. Where we do make reference to regions, departments or lines, this is because we believe there is a comment-worthy trend; otherwise it can be assumed that there is no clear tendency. We develop many of these themes further in our closing Regional Profiles section.

Stand-out technologies are Analytics (under which we include AI and Machine Learning) and Internet of Things; in this year's edition of the Trend Map we do not have a dedicated section on Blockchain, although we do touch on it under our section of Fraud. Stand-out activity areas are Claims, Distribution and Product Development. Use the interactive menu on the right in order to jump to the topic you are most interested in!

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> Causing the greatest stir out of all today's analytics tools is AI, which stands to revolutionise the whole insurance industry over the next 2-5 years, from robo-advisors and chatbots through to claims automation and mitigating fraud. While analytics teams retain the greatest degree of oversight, AI capabilities are currently being embedded across the whole insurance organisation.

HELEN RAFF

Head of Content at Insurance Nexus

ANALYTICS

Insurance, relying as it does on predictions about complex future events, has always been a data-hungry, data-driven industry. The big-data explosion of the past decade is therefore something that insurers have followed with keen eyes: according to IBM, the world generates 2.5 quintillion bytes of data every day, with 90% of the world's data having been created in the last two years.[1]

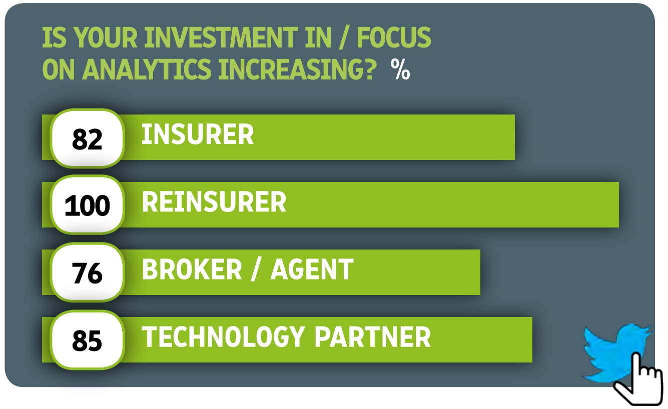
While insurers, and most companies for that matter, have for a fair while had more data than they've known what to do with, analytical and machine-learning models are now sufficiently mature and sophisticated for them to start reaping the much-heralded rewards of the big-data revolution. This is not without its challenges though, with silos and legacy systems in particular acting as a drag on innovation.

Analytics is being deployed at every point within the insurance ecosystem, so, in this section, we look at analytics & data usage among our various ecosystem players, their overall data strategy and their issues with silos and legacy systems. We round off by looking at the different flavours of analytics in use (descriptive, diagnostic, prescriptive, predictive, behavioural and AI) and where different parts of the insurance lifecycle fall on the analytics spectrum..

Interesting is the leadership on many measures provided by Reinsurers – this is evidence of their proactivity in driving the whole ecosystem forwards, and in this they often take the lead over Insurers. We also see this more generally; for example, the giants Swiss Re and Munich Re have been particularly active in accelerator-based innovation over the past two years.[2]

Is your investment in / focus on analytics increasing?
84% of all respondents are increasing their investment in analytics. This conforms to the stats we presented on investments in the Services, Investments and Job Roles section, whereby Analytics was second only to Digital Innovation for increased investment. Drilling down further into the responses of different company types, we see that similar proportions of Insurers (82%), Brokers & Agents (76%) and Technology Partners (85%) are increasing their investment. Of interest is the clean sweep by Reinsurers, exemplifying the leadership trend.

Analytics has applications across all the major lines. Health and Auto are two obvious examples given the ready availability of connected health devices and in-car sensors, which make data easier to capture and, as an extension of this, models easier to feed. This facilitates Usage Based Insurance (UBI), which we explore in more detail in our section on Internet of Things, whereby actual living/driving habits inform policy prices. Analytics also has obvious applications for predictive maintenance and security in Commercial, Auto and P&C/General lines, particularly where valuable assets (like property) are in play. Analytics is also growing in Home insurance thanks to the increasing prevalence of connected-home devices, with Berg Insight estimating that there were approximately 18 million smart homes in Europe and North America by the end of 2015.[3]



[1] ibm.com/software/data/bigdata/what-is-big-data.html
[2] cbinsights.com/blog/reinsurance-tech-startup-moves/
[3] iot-now.com/2016/05/31/47936-the-number-of-smart-homes-in-europe-and-north-america-tops-17-9-million-in-2015/

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> There will be much more data from structured and unstructured data sources in the future – a huge challenge! 'Past developments are a good representation of future uncertainty' will not be replaced but solutions with AI-tech (big data) in combination with smart data strategies will enable insurances to make decisions based on models and evidence.

ANDREAS STAUB

Managing Partner at FehrAdvice

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Is your analytics strategy coordinated across your organisation?

The uses and advantages of analytics have been obvious for a long time, and we have seen analytics initiatives sprouting up in nearly every corner of the insurance business, from underwriting through to counter-fraud. An ad-hoc approach, often inevitable in the early days of a technology, quickly becomes unwieldy, and the benefits from coordination are substantial.

It is encouraging therefore to see 57% of all respondents indicating that their analytics strategy is coordinated across their organisation. The trend across our different company types is similar to the one we saw in the investment/focus question above – unsurprisingly, as coordination is vital to gain maximum value from increasing investment and focus, and often represents a large investment in and of itself. We thus see 59% of Insurers coordinating, 54% of Brokers & Agents and 55% of Technology Partners, with Reinsurers once more taking the lead (77%).

Are you utilising external data sources?

Plenty of data is available for analytics use beyond that directly captured by insurance companies themselves, both publicly available (like social media) and for-purchase (from third-party aggregators). There is no clear trend across our ecosystem players on this measure, with 77% of Insurers, 67% of Brokers & Agents and 81% of Technology Partners affirming their use of external data sources (Reinsurers had a small though insignificant lead).

Segmenting by region, we can tentatively identify Asia-Pacific as trailing on this measure, and our broader research and industry engagement does indeed suggest that the third-party data culture is less well developed here than it is in North America and Europe. That said, public sources of data remain available, from unstructured social media through to data generated/collected by incipient smart-city infrastructure (like in Singapore).

Do you have a formal data-governance strategy?

Insurance companies are being borne along on an exponentially growing tide of customer data, which has brought data governance to the forefront of people's minds; yet, as of today, only 57% of Insurers, 51% of Brokers & Agents and 58% of Technology Partners possess a formal data-governance strategy. We expect this figure to rise sharply in the years to come. Reinsurers once again appeared to lead (with 77% affirming the existence of a data-governance strategy).

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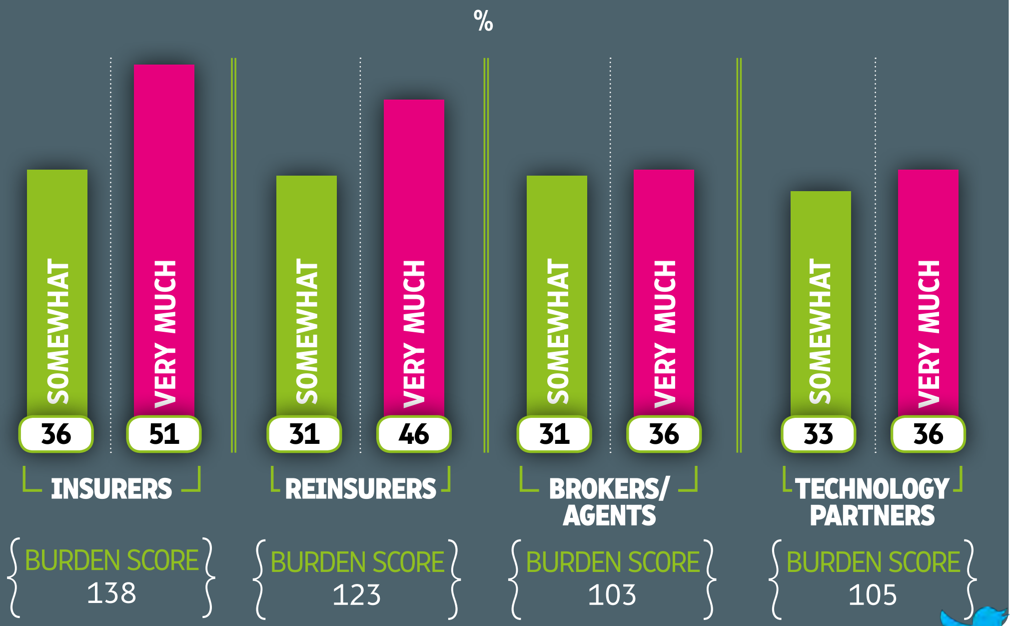
ARE LEGACY SYSTEMS AND SILOS A PROBLEM FOR YOUR BUSINESS?



Are legacy systems and silos a problem for your business?
Capturing data is only the first part of the story to building out an analytics-based business. In many cases, analytics and big-data projects within insurance companies come unstuck not because of a lack of investment or strategic focus but for reasons more prosaic in nature: silos and legacy systems. If infrastructural bottlenecks strangle rather than feed analytical models, preventing them from operating at scale across all the relevant data pools, then the output will be etiolated and limited in use.

We asked respondents whether legacy systems and silos represented 'somewhat' or 'very much' of a problem for their businesses, and then created a 'burden score' based on a weighted combination of these two figures. Insurers clocked up a burden score of 138, Brokers & Agents 103 and Technology Partners 105 (Reinsurers score 123).

There are two key takeaways from this. Firstly, that silos and legacy systems are a problem for the entire insurance ecosystem. And secondly, that carriers are generally harder-hit (comparing Insurers & Reinsurers to the Rest of the Industry), which may well reflect their position as the central node of the industry into which all the other players feed.

Which analytics forms are you using?
With all new technologies or methods, there is generally a gap or lag between what is theoretically possible and what finds its way into commercial practice. We asked Insurers & Reinsurers what forms of analytics they were deploying out of a possible six options:

% (RE)INSURERS USING EACH ANALYTICS TYPE

Predictive	74%
Descriptive	71%
Diagnostic	61%
Behavioural	39%
Prescriptive	31%
Machine Learning / Artificial Intelligence	28%

As we can see, every form of analytics has attained at least a modest level of penetration, and we can tentatively construe from this an adoption curve of different analytics formats running roughly from predictive, descriptive and diagnostic (high degree of current adoption) through to behavioural, prescriptive and machine learning / artificial intelligence. So, while most respondents have developed capabilities to describe

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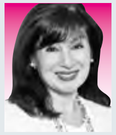
The rise of InsurTech, the analytics explosion and the new face of insurance has created a birth of new roles and impact points across the industry. No longer is analytics and data relegated to just information technology and actuarial — we are now seeing it being integrated into the business culture and DNA of insurance organisations.



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and predict, only a minority have advanced beyond this towards prescriptive and AI capabilities.

Analytics is a very broad category with applications across almost every part of insurance, from underwriting and marketing through to fraud and claims, as well as on the investment side of the business. For sake of clarity, we have chosen to focus in on two areas of insurance work, Underwriting and Claims, in order to capture a snapshot of analytics maturity at the start and at the end of the policy 'lifecycle'.

The donuts below indicate the share of analytics work (as a proportion of the whole) being undertaken by respondents working in the areas of Underwriting and Claims – this is an intuitive way to compare the prominence of different flavours both within, and between, these two areas.

A larger proportion of the analytics work undertaken by Underwriting respondents appears to fall at the early stage of the adoption curve (descriptive and predictive) and a smaller proportion at the later stage (moving towards machine learning and AI), when compared to respondents working in Claims. This implies that Claims either encourages more advanced analytics than Underwriting – which seems unlikely – or that, for whatever reason, it leads Underwriting on analytics maturity.

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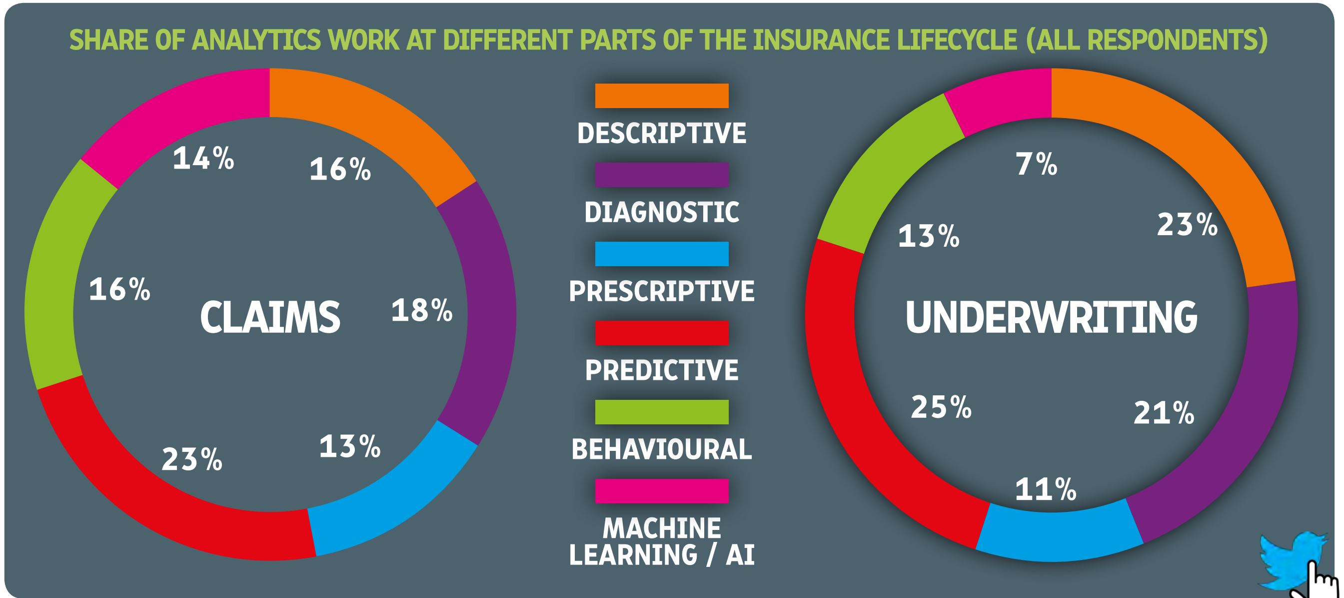

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Insurance AI & Analytics EU is the only pan-European event looking at how big data and artificial intelligence are beginning to impact the insurance community. We are putting together an event focusing on how advanced analytics, automation and AI can drive operational efficiency, greater profitability and improved customer loyalty.

HELEN RAFF

Head of Content at Insurance Nexus

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> Digital Innovation is not only about technologies and channels, Multi- or Omni-channel. Digital Innovation means you have to develop your insurance company to an open and digitally enabled platform which can interface with everybody every time in real-time - from customers to brokers, to other insurers, but also to Fintechs and Insurtechs.

OLIVER LAUER
Head of Architecture / Head of IT Innovation at Zurich

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DIGITAL INNOVATION

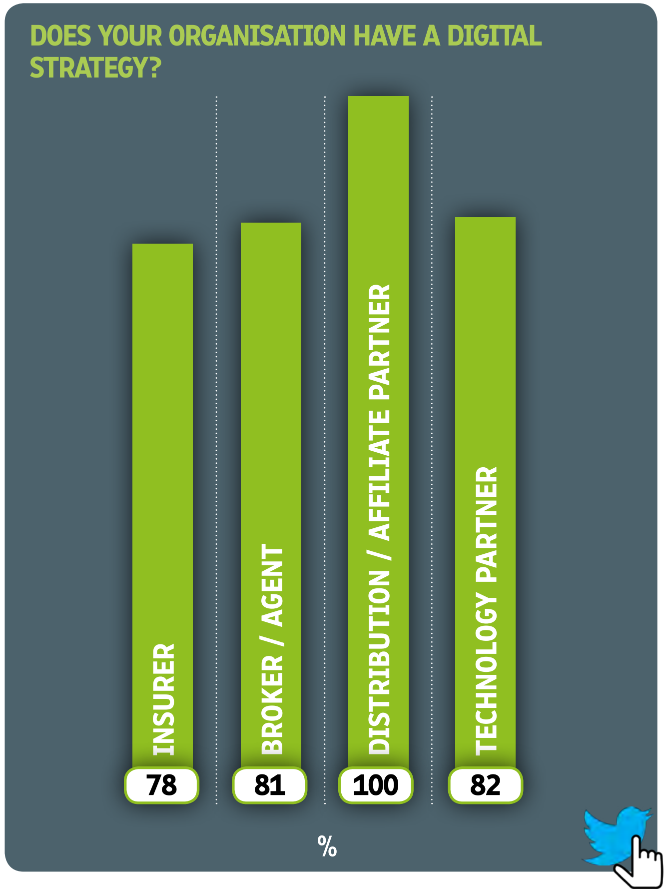
As we saw in the Global Trends section, Digital Innovation topped not just our global priorities chart but also our regional charts for North America, Europe and Asia-Pacific, as well as representing the service area in which investment from Insurers & Reinsurers was increasing the most.

In this section, we focus on the digital, mobile and cross-platform strategies of our different ecosystem players, before looking more qualitatively at the sorts of digital strategies being deployed by Insurers & Reinsurers. The way carriers approach digital and/or mobile has far-reaching implications not just for their marketing and distribution but also for customer experience more broadly (claims, renewals and complaints are three obvious areas that spring to mind) and, ultimately, the whole business.

In general, we see companies' digital, mobile and cross-platform focus increasing the closer they find themselves to end-consumers within the overall value chain, from Insurers up above to Distribution/Affiliate Partners on the ground (the capabilities under consideration in this section are predominantly B2C, so we generally exclude Reinsurers from our analysis). The overriding trend we encounter – and this is reflected in many other sections of this report – is of insurers trying to get closer to their customers, moving from the back room to the front.

Does your organisation have a digital strategy?
The rise of digital channels and experiences has transformed many an industry already (just think retail), and insurance is not going to be an exception. Lacking a formal digital strategy is not the same as lacking digital capabilities, but it would appear a prerequisite for any company wanting to do more than just react to industry changes.

As we see from the graph on the right, digital strategies are evenly prevalent across much of the ecosystem, with 78% of Insurers, 81% of Brokers & Agents and 82% of Technology Partners indicating the presence of a strategy. Every respondent in the Distribution/Affiliate Partner category, which we include here owing to the strong trend of which it forms a part, indicated that they have a digital strategy.



> Whenever you switch on a device or use an app, huge amounts of data are generated about your behaviour and lifestyle. These insights are critical because they can drive the overall business strategy and help companies design products to better meet the needs of our customers.

DENNIS NILSSON

Assistant Vice President, Head of Advanced Analytics, Insurance, at TD Insurance

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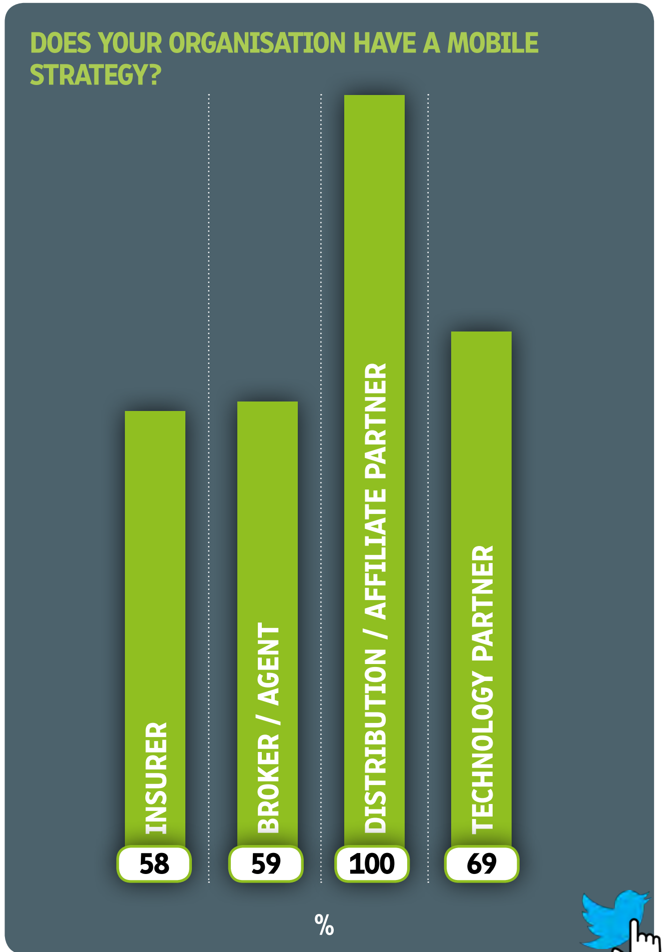
Does your organisation have a mobile strategy?
Most industries had barely begun to adapt to the strictures and opportunities of a desktop future, when the shift to mobile announced itself with a bang. We see this triumph of mobile reflected in many different measures; for example, eMarketer recently announced that the majority of Google's ad revenue in the USA now comes through mobile, not desktop.[1] While this new change has given rise to many mobile-specific functions within organisations, it is true that many have subsumed 'mobile' within 'digital' so as to avoid unnecessary silos in personnel and strategy.

As we can see, formal mobile strategies are for the most part less well established than formal digital strategies. Their prevalence is fairly even across much of the ecosystem, with 58% of Insurers, 59% of Brokers & Agents and 69% of Technology Partners indicating the presence of a strategy. Once again, every Distribution/ Affiliate Partner respondent acknowledged having a mobile strategy, likely a consequence of their proximity to the mobile-touting end consumer.



Does your organisation have a cross-platform strategy?
As we mentioned, organisations can approach desktop and mobile either with dedicated teams and strategies or under one broad 'digital' umbrella, and neither approach necessarily reveals much about that all-

[1] emarketer.com/Article/Mobile-Moves-Majority-Share-of-Googles-Worldwide-Ad-Revenues/1014633

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"Whether it's filing a claim through an app on their phone or receiving a claim payment electronically to an app or to their bank account, or even just exchanging information like adding another vehicle to the policy, today's consumers don't want to have to make phone calls and they don't want to send emails. They basically just want to exchange digital information as quickly and efficiently as possible.

STEPHEN APPLEBAUM

Managing Partner at Insurance Solutions Group

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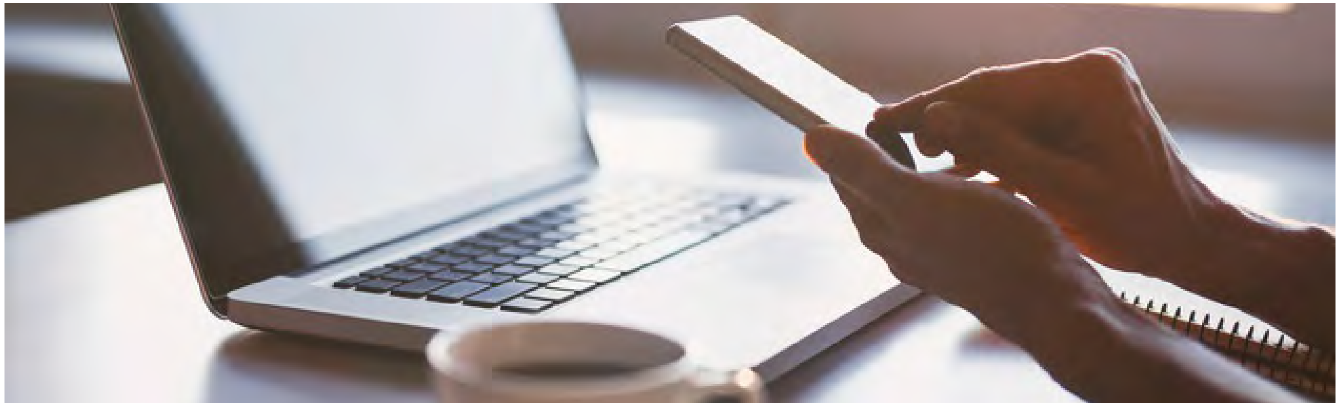
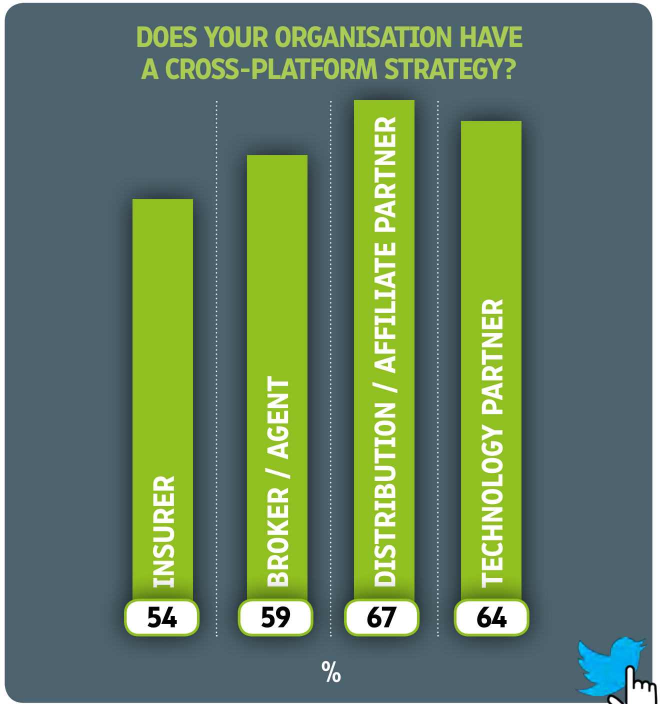


important factor: how well these digital channels are coordinated on the ground.

Whichever strategy they have chosen ('digital' and 'mobile' separate or combined), companies will live or die in today's multi-device world by their cross-platform capabilities. The world's best digital experience optimised for desktop stands to be wrong-footed by the on-going swing towards mobile; yet, at the same time, there are consumer segments and lines where 'digital' genuinely still does mean desktop. The optimum approach, we believe, involves catering for both, led ideally by market segmentation.

Cross-platform strategies appear similarly prevalent to mobile strategies, with no clear trends across the ecosystem: 54% of Insurers, 59% of Brokers & Agents and 64% of Technology Providers indicate the presence of a strategy (and 67% of Distribution/Affiliate Partners).

This solid result is certainly encouraging for traditional industry players encouraging for traditional industry players.



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> Both public and commercial consumers are increasingly digital, with many living their entire lives in cyber-space (commercial examples: Air BnB and Uber). Failing to address this with an equally agile proposition will result in the insurance sector's client base seeking alternative ways to transfer their risk. The market simply cannot live by the cliché 'it's worked this way for over 300 years...' if it hopes to retain relevance.

GARETH EGGLE

Head of Insurance at Flint Hyde

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While 'digital', 'mobile' and 'cross-platform' are useful concepts, they are too crude to capture the full spectrum of digital strategy, which is spilling out into every operational nook and cranny (albeit at different rates) as insurers look to transform the way they do business. So while, as we pointed out, digital strategies are currently more prevalent at the front end of the value chain (affiliate partners) than at the back (carriers), 'digital' will ultimately touch or subsume all aspects of the business.

In the past, the back end (the product) largely constrained the front end, but now that situation is reversed, with the digital needs of the front (the customer) driving transformation all the way through to the back. The distinction between front and back is therefore becoming increasingly superfluous (and often outright unhelpful) for insurers. Or, in other terms: if you treat your front-end digital, mobile or cross-platform strategy as somehow separate from your back-end systems and processes, then you are heading for disaster.

In order to fill in our picture of the broader ramifications of 'digital' for (re)insurers, we spoke to our influencer Denise Garth, SVP of Strategic Marketing, Industry Relations and Innovation at Majesco. Garth points out the many facets of the insurance business that must feed, and be fed by, the overarching digital strategy –

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> The value you hope to extract out of data will be stalled if you don't have infrastructure. Many of us struggle because it's hard to attach ROI to core infrastructure. You need a compelling vision for the future and some examples of current success to have the leadership fortitude to invest.

CATHERINE BISHOP

Head of Insurance Strategy and Data at RBC Insurance

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and believes that the future of insurance is not 'digital' or 'mobile' per se but ultimately an all-encompassing 'Amazon-like' experience:

'Today's digital shift for insurance is moving from product-driven to customer-driven strategies; from limited distribution channels (such as agents) to an array of channels based on customer choice; from line-of-business silos to customer-centricity and customer experience for all products across all lines; from simply containing risk to proactively providing personal risk management; and from siloed solutions focused on transactions to a platform portfolio that bridges together real-time interaction for all products and services for a customer, giving them an Amazon-like experience.

To create this new customer experience, as noted in Majesco's Insurance in the Digital Age thought leadership, insurers' digital strategy must be more than a digital front-end, website or portal.

First, it must be customer-driven. Second, it must be influenced from outside insurance. It must focus on the customer journey, across channels, products and processes that leverage behavioural data for different personas, whether agents, customers or others. The journey is refined and adjusted based on the behavioural data and insights, creating a compelling, consistent and personalised journey via a high level of digital sophistication.'

What is clear is that digital strategy is about much more than just channels, necessitating a transformation of the back end as well as a fundamental change in company mind-set. To explore this further, we identified seven qualitative categories of digital strategy: 'consumer', 'efficiencies', 're-platforming', 'product', 'customer journeys', 'agent integration' and 'innovation', each one with a slightly different emphasis and different implications for the business as a whole. Overleaf, we explain these flavours in a bit more detail and look at which ones are currently finding favour with carriers and the industry more broadly.

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We think it's very important for insurers to exist in three timelines at the same time. They have to mitigate the limitations of their legacy systems, they have to address current business needs – short-term, tactical business needs – and then they have to keep an eye on the future in terms of how technology is going to change their business tomorrow.

MATTHEW JOSEFOWICZ
CEO at Novarica

What flavour is your digital strategy?
We asked Insurers & Reinsurers from around the world to say which out of our seven qualitative statements (detailed below) best applied to their digital strategies. This allows us to see where the industry is currently focusing, as well as to construe how this may evolve going forwards.

The two stand-out flavours we see here are Consumer (first place) and Agent Integration (second). Efficiencies, Product, Customer Journeys and Innovation all find themselves in a similar range, with Re-Platforming lagging behind.

THE MANY FLAVOURS OF DIGITAL STRATEGY

WHICH BEST CHARACTERISES YOUR DIGITAL STRATEGY?	(Re)Insurers	Rest of Industry
CONSUMER – Engaging with new consumer expectations and demands	79%	82%
Creating **EFFICIENCIES** across the business	50%	52%
RE-PLATFORMING – Moving away from legacy systems	40%	38%
PRODUCT – Delivering more personalised products	54%	54%
Understanding **CUSTOMER JOURNEYS**	45%	44%
AGENT INTEGRATION – Delivering fast information access for agents	64%	63%
INNOVATION – Promoting an internal innovation culture	55%	52%

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Section 2: Digital Innovation

> Sometimes we benefit from a ‘burning platform’ scenario, whereby a specific business problem accelerates the need for us to invest in technology. But normally, we find ourselves challenged in moving our data capabilities forward when the infrastructure costs are large and the benefits are uncertain or longer-term. It helps if you have a good strategy, and a good organisational culture around innovation.

CATHERINE BISHOP

Head of Insurance Strategy and Data at RBC Insurance

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Given that we have categorised the current disruption of the insurance industry as being fundamentally consumer-led, it is no surprise at all to see the overwhelming majority of Insurers and Reinsurers emphasizing the consumer. This is totally in keeping with the overall priority allocated to Customer Centricity (2nd-ranked priority globally), the volume of third-party services being sought in the area of Customer Centricity and the prominence of the Chief Customer Officer role, all of which we saw in the preceding section on Global Trends.

More unexpected perhaps is the second highest-ranked digital flavour, Agent Integration. What this tells us is that brokered channels are an integral part of being customer-centric and that, at least for now, customer-centricity is not all about the direct-to-customer channel. Many consumers in both personal and business lines continue to value indirect channels as part of their overall buying process – whether that be for researching the product, receiving expert advice or for sealing the deal.

The insurer who wins out will be the insurer who is able to adapt their channel blend to their market – not the other way round – and here we are talking not just about mobile versus desktop but the full range of physical channels as well. Encouragingly in this regard, we can see that the whole industry is broadly aligned in terms of the tilt it is giving to digital strategy, with the same flavours being favoured by the Rest of the Industry as by Insurers & Reinsurers.

Another point of interest is the relatively small focus on Re-platforming. When the subject of digital transformation comes up, it is easy to think about mega-projects and wholesale system replacements. In reality though, these are more often than not prohibitively expensive and high-risk, and carriers must proceed to a large extent via increments: there is plenty of low-hanging fruit to be had from rendering existing systems and processes more efficient and customer-centric.

"There is a big shift from today's protection to tomorrow's prevention. New technologies using sensors and devices are becoming more widespread and can prevent incidents from happening. Broadly speaking from an industry perspective, it has potential for better risk understanding and creates happier customers.

DENNIS NILSSON

Assistant Vice President, Head of Advanced Analytics, Insurance, at TD Insurance

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INTERNET OF THINGS

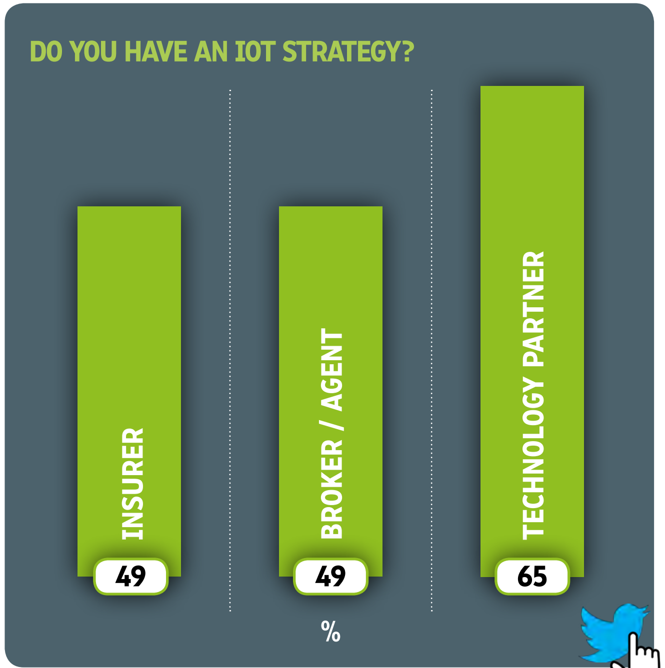
The possibilities of the Internet of Things for insurance are boundless, from turbocharging underwriting models and using sensor data for preventative messaging to usage-based products and dynamic pricing. While other technological advances often represent the optimisation of an established insurer capability (as with many applications of analytics, for instance), IoT is fundamentally enabling insurers to rewrite the rules of the game by moving from risk protection to risk prevention.

In this section, we firstly explore where IoT technologies stand to produce the greatest benefit, both across the insurance lifecycle and across different insurance lines. As part of this, we review the new models IoT enables, such as usage-based and on-demand insurance.

Secondly, we look at IoT platform implementation across different lines and regions. The trend we see emerging is of Europe as the front-runner from an implementation perspective - but this is a technology rapidly gaining in profile the world over. Line-wise, Commercial currently trails from an impact and an implementation perspective - but the potential for innovation in the line is undoubted.

Do you have an IoT strategy?

54% of All Respondents have an IoT strategy, and we see that this is fairly uniform across the ecosystem, Insurers and Brokers & Agents scoring 49% apiece, and Technology Partners 65%. This solid showing by Technology Partners is not surprising - in many cases, insurers' IoT platforms are being developed by third-party service providers. Given the upwards trend in platform implementation that we observe over the coming 12-24 months (and which we explore later in this section), we expect that the proportion of insurers with formal IoT strategies will sharply rise in this time-frame as well.



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> Drones, which are also IoT devices, are being used by property and casualty companies to examine property damage after catastrophes and storms, saving them a lot of time and money, so people don't have to climb up on the roofs, which is dangerous and time-consuming.

STEPHEN APPLEBAUM
Managing Partner at Insurance Solutions Group

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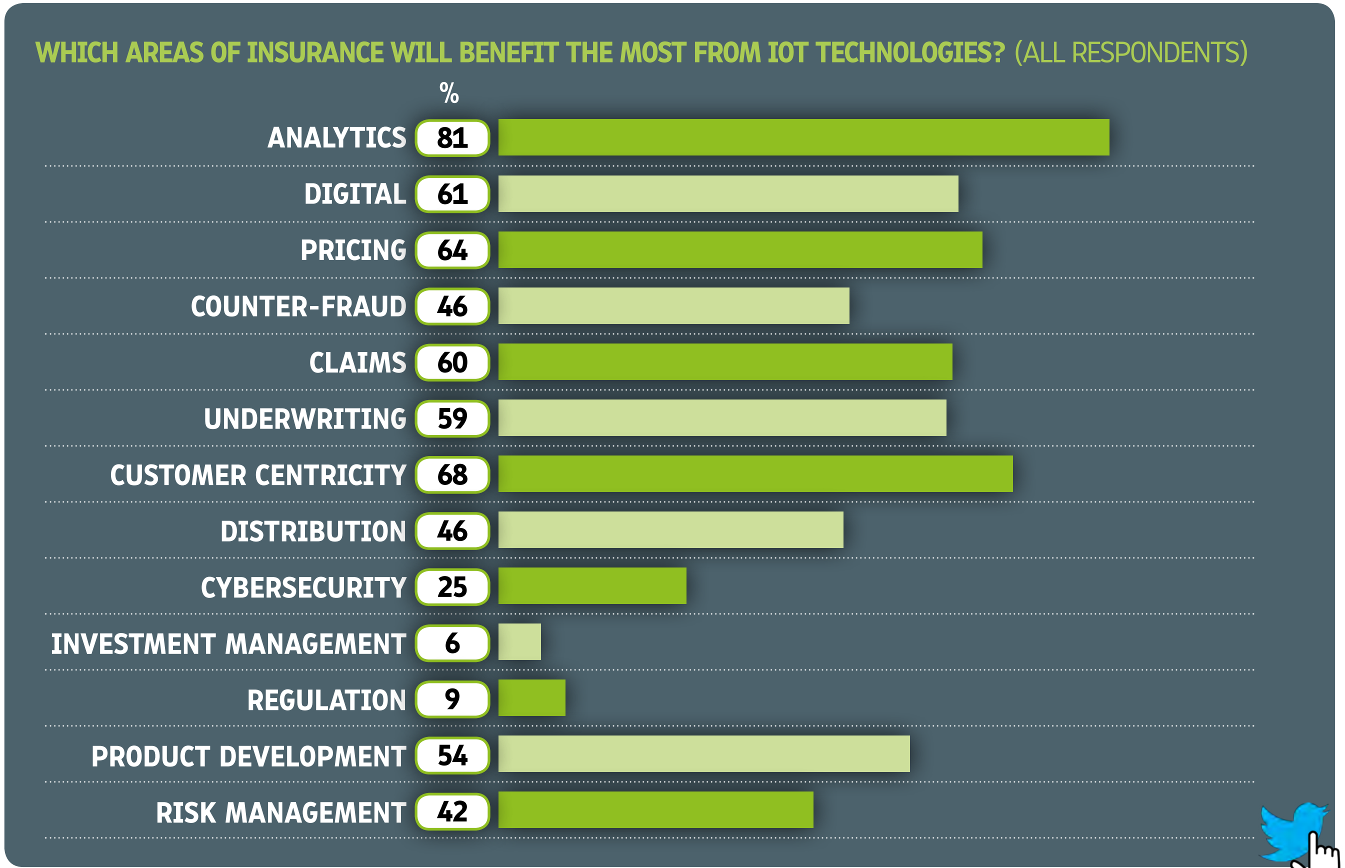
Assessing the Impact of IoT: Insurance Lifecycle



IoT is such an open-ended technology that we further asked All Respondents to specify those areas of insurance they thought would benefit the most. The areas that come out on top are Analytics (81%), Customer-Centricity (68%), Pricing (64%), Digital (61%), Claims (60%) and Underwriting (59%). The clear lead for Analytics is understandable given the symbiosis in which these two technologies stand. No IoT means limited data for analytical models; no analytics substantially weakens the business case for IoT.

Overleaf, we explore some of these key IoT beneficiaries in a bit more depth and observe how they mesh together as part of today's emerging Usage-Based Insurance (UBI) model.

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Technology used well can change the current customer proposition. The traditional insurance model has the opportunity to move from post-loss reactive reimbursement to proactively managing down customers' risks. The latter model is significantly more valuable to the customer and can change insurance from the grudge transaction that many view it as today into an ongoing value-enhancing relationship. Incumbents working with Insurtech start-ups can accelerate this evolution.

NICK MARTIN

Fund Manager at Polar Capital Global Insurance Fund

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Key Impact Areas: from Underwriting to Claims, and Beyond

Before checking out the impact of IoT on different insurance lines, let's quickly explore the constellation of impact areas we pulled out of the previous chart: Analytics, Customer-Centricity, Pricing, Digital, Claims and Underwriting.

IoT does not affect all these areas separately; rather they are all co-beneficiaries of the paradigm IoT enables, in which the underwriting and claims components of the insurance lifecycle are increasingly fused together.

On the one hand, the massive volume of data being generated by connected devices is feeding analytics and algorithmic models, increasing (re)insurers' understanding of risk and the accuracy of initial underwriting models. On the other, this data is not a static mountain, it is accessible in real time. This means that underwriting models can be continuously updated by way of dynamic pricing.

This new model, often called Usage-Based Insurance (UBI), means that policyholders can be judged on their actual behaviour – which they can feel motivated to change – instead of being subjected to the Tyranny of Averages. So instead of charging high premiums for bad risk and then being hit with the claims bill, insurers can incentivise less risky behaviour on the part of their policyholders through the prospect of lower premium prices and thereby reduce the burden of their claims pay-outs.

IoT does not just enable insurers to tailor policies to actual behaviour, it also allows them to offer flexible policy spans (essentially insurance as an on-demand service). So rather than taking out an annual policy, which may overshoot the mark, customers can take out insurance in real time on a case-by-case basis, precisely when they need it the

most (for example, insuring their car against theft for the duration of a trip into town or their airport luggage against loss at the point of check-in).

This ability to sustainably offer lower premiums – which relies on reducing claims costs or premium spans – opens up to carriers segments of the customer base that were hitherto under- or un-insured, expanding the scale at which they can operate.

As we have indicated, IoT innovation can be particularly significant for claims departments, and this is not just by reducing pay-outs but also by allowing insurers to work out exactly what has happened when a claim event does occur (for instance with car crashes). To further investigate the impact of IoT on claims (which we also cover in our dedicated Claims section), we spoke to our influencer Minh Q Tran, General Partner at AXA Strategic Ventures.

'IoT could have a huge impact on claims by preventing accidents from happening or warning so that the damage doesn't get worse,' explains Tran.

'In the car industry, the development of connected and autonomous cars should prevent accidents and decrease dramatically linked damages, changing at the same time

"Technology is having an impact. In the P&C space we are seeing a real focus on IoT and how devices can give better information and be part of an insurance programme. Wearables are going to make even more inroads into health and wellness products.

CINDY FORBES

EVP & Chief Analytics Officer, Manulife Financial

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insurance intervention. Car insurance start-ups are using auto-tracking devices to teach newer drivers how to stay safe (Marmalade Insurance) and help locate cars if they are stolen (Insure The Box).

Many InsurTechs are being created to more accurately analyse drivers' attitudes and data, so that insurers can adapt their offer to customers and new ways of driving.'

This model requires more than just IoT devices and back-end analytics to be effective, however: insurers also need to radically re-evaluate the relationship with the customer. In the past, policies were renewed infrequently (in many cases as rarely as once a year); the dynamic pricing inherent in UBI requires more frequent interactions and a larger number of (digital) touchpoints.

Insurance needs to change its perception in the eyes of consumers if it is going to gain firstly their trust and secondly their data, by becoming fundamentally more customer-centric and making its value proposition clearer (we go into these themes in more detail in our later sections on Marketing and Customer-Centricity and Distribution). We can see then that IoT is not, and cannot be, a siloed technology for the new-age insurer; it directly impacts, and is impacted by, all work being done in analytics, customer-centricity, pricing, digital, underwriting and claims.

Assessing the Impact of IoT: Insurance Lines

We didn't just ask respondents to indicate which aspects of insurance they saw benefiting the most but also which insurance lines. Auto, Home and Health came out on top, while P&C/General, Commercial and Life were relatively behind.

The new UBI model enabled by IoT has clear implications for our three leading lines (and for personal lines in general). In Health, we can point to connected wearables to monitor an individual's health and to price accordingly; in Auto, to in-car telematics that monitor driving behaviour; and in Home, to smart security devices. We see a whole host of commercialised solutions in these areas already.

Our influencer Sam Evans, Managing Director at Eos Venture Partners, goes into some more detail on the impact of IoT in Home insurance:

'There are a multitude of applications ranging across motor, home and health. One key application where we have seen significant progress in insurance is combining smart home technology with a traditional home insurance policy.

There are multiple benefits for both the insurer and the policyholder. The technology, including smart cameras, motion sensors and water-leak devices has the potential to significantly reduce claims experience by providing early warning and notification. As an example: in the UK, where the largest cause of damage is water leakage, a device that allows the water to be shut off when a leak is detected will therefore significantly reduce claims costs and ensure a happy homeowner.

One of the leaders in this area is a UK InsurTech called Neos, which is pioneering the move to preventative home insurance leveraging the latest IoT devices.'

Connected insurance is a big opportunity in commercial insurance but it won't come overnight. It's the less mature use case today because it's more difficult to figure out the commercial or industrial process, how to put sensors on that process and how to get at the data. But the opportunity to change the product's structure, the paradigm you are using to insure that kind of risk is really large, it's impressive.

MATTEO CARBONE

Founder & Director at Connected Insurance Observatory

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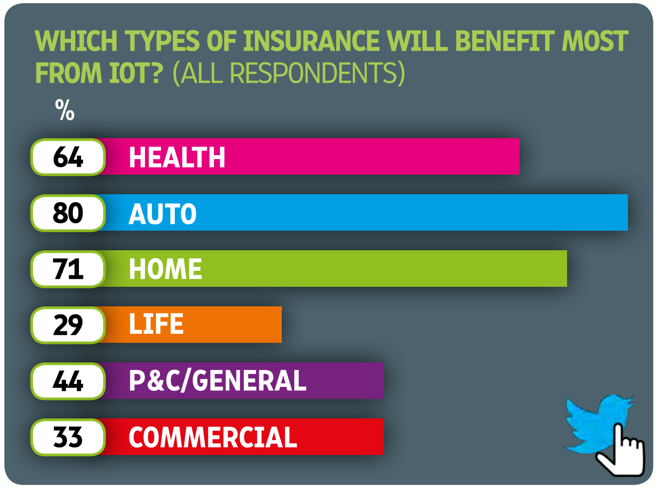

As we see above, there is a substantial gap between our leaders, Auto (80%), Home (71%) and Health (64%), and our stragglers, P&C/General (44%), Commercial (33%) and Life (29%). However, the current primacy of the personal lines should in no way blind us to the potential of IoT for commercial lines, which, despite not attracting quite the same media attention to date, remains huge.

IoT can transform the insurance proposition attaching to any kind of valuable commercial asset – provided that it can be monitored. For example, opening up data streams from industrial equipment for algorithmic modelling enables preventative maintenance, reducing the burden of failure for both equipment owners and insurers alike, and the same applies to sensitive cargoes in transit. As with UBI for the personal lines, the carrier is transformed from insurer to assurer.

Our stats on implementation (a question we examine overleaf) show that Commercial & P&C/General currently exhibit a level of platform implementation lower than

our other lines. However, in line with the strong all-round potential we have indicated here, we find that there is minimal difference between our different lines when we look forwards to anticipated levels of implementation over the next 12-24 months.

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While carriers in Europe have taken an early interest in IoT, the winner of this race will be the region where IoT is implemented most widely. APAC has recently surged ahead with IoT adoption, especially in manufacturing, so we predict a bright future for IoT-savvy insurers in this region – indeed, IoT was an area APAC led on in our Insurer Priorities section.

HELEN RAFF

Head of Content at Insurance Nexus

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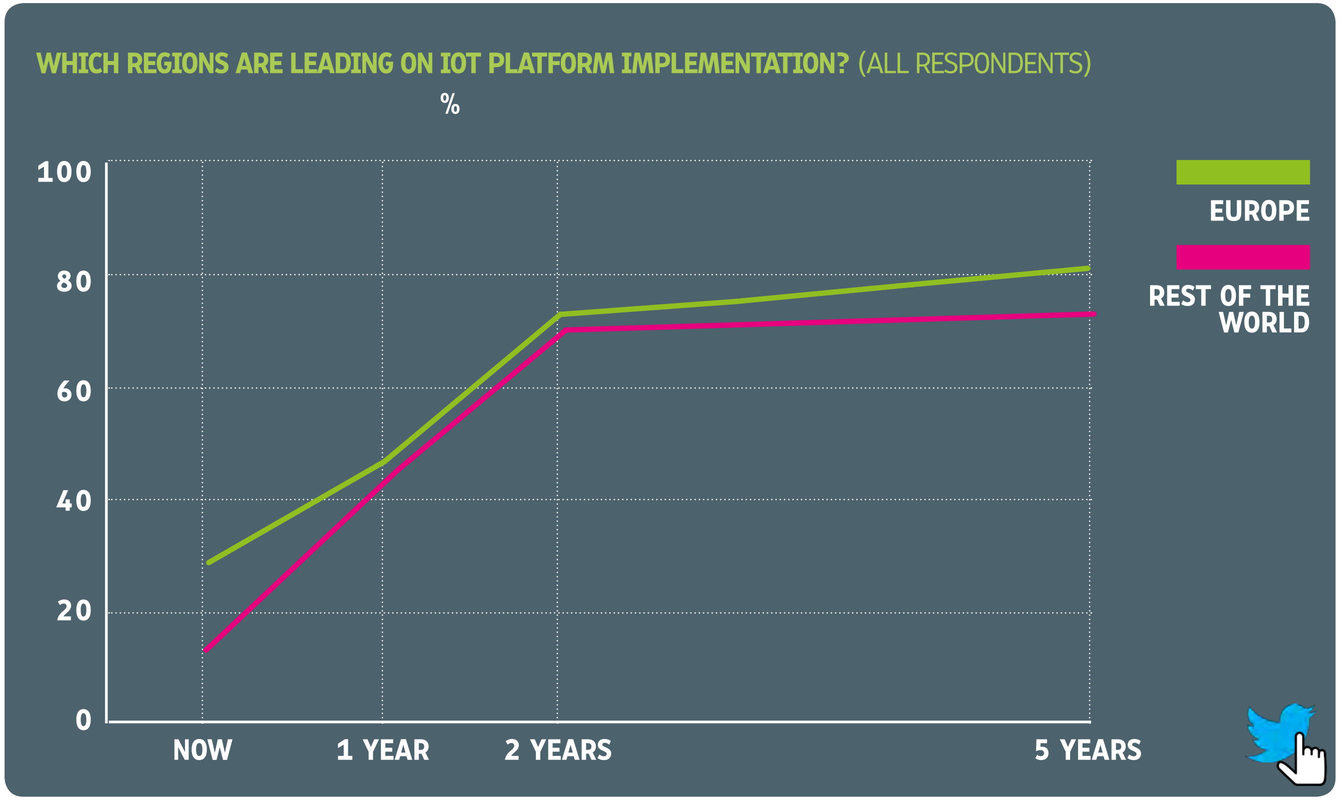
IoT Adoption by Region



It is one thing to establish in which lines and areas of insurance the potential impact of IoT is greater – but where are we on the adoption curve?

22% of All Respondents have already implemented IoT platforms; within 12 months this is set to rise to 47%; and within 24 months we will be at 72% implementation. What this tells us is that we are currently in the midst of an IoT 'rush', which will see it go from a minority to a majority phenomenon over the next two years. Regionally, we detected a relative lead in implementation for Europe versus the rest of the world, with 30% of respondents having already implemented. However, the scores for these two groups are largely aligned after 12 months. We explore the notion of Europe as an 'early adopter' in our dedicated Regional Profile.

> The 3rd Annual Insurance IoT USA Summit is dedicated to exploring the significant impact IoT is having on the insurance industry, through the lens of an insurance carrier executive. Over 500 executives will be covering the essential ingredients for IoT success, including business models to balance cost and value, engaging customers, demonstrating ROI, building partnerships, driving actionable insights from IoT data and more.

EMMA SHEARD

Head of Strategy at Insurance Nexus

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Insurance IoT USA Summit

November 30–December 1, 2017 | Radisson Blu Aqua Hotel | Chicago, USA

Join 500+ Insurance and IoT Professionals – In 2016 We Had Attendees From:

For full information about the event, go to **events.insurancenexus.com/insuranceiotusa**

> Fraud concern is no newcomer to the insurance industry, especially in the healthcare and motor lines of business. The fact that the internet is not attributable has made the fraud situation even worse as digitisation proceeds at a pace.

DAVID PIESSE

Chairman of IIS Ambassadors and Ambassador Asia Pacific at International Insurance Society (IIS)

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FRAUD

Fraud is the dark matter of the insurance universe. Discovered cases cost insurers (and ultimately policyholders too) millions every year, and its full hidden extent can only be guessed at – it is in some sense the gap between how risk models should work and how they appear to work on the ground, with undiscovered fraud ultimately getting priced into premium costs.

Derek Brink, VP and Research Fellow in Information Security and IT GRC at Aberdeen Group, recently estimated the cost of fraud at between 5% and 10% of insurers' annual revenue, noting also that it takes firms a median time of 20 months to detect on-going fraud.[1] Every penny saved on fraud is an additional penny back onto insurers' bottom lines, and what defeating fraud would ultimately mean is that they could offer their policyholders more competitive prices.

People most readily associate insurance counter-fraud with the claims department – because this is where fraudsters cash in and has historically been the point in the cycle where most frauds get unmasked. However, there is a limit to how far reactive approaches to fraud can take insurers, and stopping fraud closer to its roots is certainly preferable to focusing exclusively on the 'final mile' (namely claims) for its interception.

[1] ibmbigdatahub.com/blog/thinking-insurance-fraud-cost-doing-business-needs-end

> If you stop fraudsters coming into the business in the first place then you have to spend less from the beginning, enabling you to improve the journey for other, genuine customers. But it's difficult to get that balance in a competitive marketplace as the investment isn't so obvious. It requires a change of mind-set.

JOHN BEADLE
Head of Counter Fraud and Financial Crime, RSA

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WHICH DEPARTMENTS ARE ACTIVELY INVOLVED IN COMBATTING FRAUD INSIDE YOUR ORGANISATION?
(INSURERS AND REINSURERS)

UNDERWRITING	71%
CLAIMS	92%
PRICING	19%
ACTUARIAL	25%
MARKETING	15%
IT	33%
OPERATIONS	46%
ANALYTICS	54%
FRAUD	75%
STRATEGY	23%
SENIOR LEADERSHIP	54%
SALES	19%
CUSTOMER SERVICES	23%
DIGITAL	17%
DISTRIBUTION	23%
RISK	42%

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Who Wields the Sword in the Battle with Fraud?

It's clear that the next generation of counter-fraud will be proactive and cross-functional, tracking potential fraud indicators across the entire insurance lifecycle. We therefore asked Insurers & Reinsurers to indicate which departments were currently involved in combatting fraud within their organisations.

Understandably, we see a large role attributed to dedicated Fraud departments as well as to Claims departments, and this is unlikely to change moving forwards; the less-than-100% figure for Fraud departments may be due to the counter-fraud function sometimes being subsumed elsewhere. Other departments that stand out as having central roles are Senior Leadership, Operations, Analytics, Underwriting and Risk. The roles of Broker Relations, Investment, Treasury and Capital Management were negligible, so we left them out of the table.

The fight against fraud is by no means limited just to carriers. Indeed, with the shift towards more proactive counter-fraud approaches, greater attention is being brought to bear on indirect channels. Historically, brokers and affiliate partners have been incentivised primarily on a volume basis and have directed plenty of bad business towards insurers. Insurers can therefore make substantial savings by educating their brokers and affiliates on best practice, so as to root out fraud at the application stage before it ever enters their wheelhouse – although they obviously need to tread a fine line between on-boarding bad business and turning away good customers.

- An overwhelming majority (92%) of our Insurer & Reinsurer respondents indicated that they believe fraud is increasing, and we saw a similar level of concern from the rest of the industry.

- 29% of Insurers & Reinsurers believe that the majority of insurance fraud goes undetected and 59% believe that some insurance fraud goes undetected (12% don't know). The rest of the industry are in line with this assessment.

> "Part of the problem is the appetite for fraud detection in the broker channel. We've had to convince brokers to protect us against fraud because by sending us that business, they ultimately end up suffering too. Brokers see sales as a volume and growth business rather than one built on quality and as a company, we are always interested in quality.

STEVE JACKSON

Head of Financial Crime at Covéa Insurance

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> We can look at using smart technologies that look at probability and profiles of individuals' past behaviours. If someone fits a certain profile there is a higher probability they will be a fraudster. It's an interesting area but also dangerous.

STEVE JACKSON

Head of Financial Crime at Covéa Insurance

#insurancemap

Slaying the Dragon: Approaches for Defeating Fraud

We cannot explore specific counter-fraud solutions in detail here due to obvious space constraints. However, we did ask our respondents and influencers about different high-level approaches. These include before-the-claim strategies, data-sharing coalitions and Blockchain technologies.

By identifying policies intended to facilitate fraud at the time of underwriting, insurers can prevent fraud advancing to the point of a claim being made; as a general rule, the more relevant data that can be pre-populated, the fewer opportunities there are for opportunistic fraudsters at the application stage. This directly reduces the amount of fraud that gets through the lines and helps also to unburden the claims department. Encouragingly:

Two thirds of Insurers & Reinsurers indicated that they had a before-the-claim fraud strategy…

Fraudsters do not just recycle specific items of (fraudulent) data but also deploy the same distinctive methodologies against multiple targets. Effective data-sharing in counterfraud means that, once unmasked, a fraud tactic is truly disarmed. Reassuringly then, we registered universal approval for this sort of initiative from the entire industry.

94% of Insurers & Reinsurers in favour of a data-sharing coalition to prevent fraud…

One multi-facetted technology generating a huge amount of buzz at the minute, and which has clear applications for counter-fraud, is Blockchain: a distributed ledger for recording transactions between different parties without relying on a trusted (though oftentimes untrustworthy) central authority for verification.

We spoke briefly to our influencer David Piesse, Chairman of IIS Ambassadors and Ambassador Asia Pacific at the International Insurance Society (IIS), to find out more:

'The emergence of the new Internet, commonly called the Blockchain, means we no longer have to trust the internet but in fact can make sure it tells the truth. In Estonia, they wrapped the internet with a Blockchain technology that has removed digital fraud from the healthcare sector in that country, and this is now being applied elsewhere.

It's possible to map the Blockchain protocol over the Insurance Combined Ratio, with fraud and expense reduction on the top line and an increase in Earned Premium on the bottom line via new product and operational efficiency. This can give the c-suite an opportunity to see the effect of the new technology on their profitability before investment income.'

Blockchain continues its march into insurance apace. Indeed, Munich Re and Swiss Re last October founded the B3i Consortium with the express intention to 'explore the potential of distributed ledger technologies to better serve clients through faster, more convenient and secure services.'[2]

Clearly, Blockchain will have applications wider than just preventing fraud, with implications for all forms of data and monetary interchange; but what is encouraging and sets it apart from other recent innovations (such as IoT) is that progress is being wrought not at the expense of security but rather by baking it in – and to a near-infallible degree.

[2] munichre.com/en/media-relations/publications/company-news/2016/2016-10-19-company-news/index.html

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Claims is a significant part of the insurance value chain and, in our view, offers the largest potential for innovation. Many insurers are struggling with the dynamic of reducing costs whilst providing a positive customer experience. Recently in the US and the UK, many of the large insurers have experienced significant underwriting losses, for core products like motor, due to poor claims experience, deteriorating driving behaviour, and rising repair and medical costs.

SAM EVANS

Managing Director at Eos Venture Partners

#insurancemap

CLAIMS

Nothing affects (re)insurers' bottom lines like claims; too many of them are not just capable of wiping out company margins but can jeopardise company survival full stop. And it's not as if customers like claims either… If insurers could magically prevent the underlying events from happening, customers – fraudsters aside! – would always prefer this.

The thing is, insurers are genuinely starting to develop this magic touch, with the scope for claims mitigation having been radically widened thanks to the Internet of Things. IoT does not just allow for better underwriting (by netting more data and feeding predictive models), it also empowers insurers to intervene when a claim event might be about to occur and prevent it through direct preventative messaging. Yet another claims benefit from IoT is the insight sensor data can provide into what has actually gone on with a claims event, which can be life-saving in an accident-and-emergency context and also identify potential fraud cases.

Claims, in the sense of claims prevention, is fast coming under the strategic spotlight as a means of sheltering exposed policyholders, rescuing broken policy portfolios and shoring up insurers stricken by low interest rates and bad risk.

While prevention does continue to get better, accidents and unforeseen incidents are always going to occur, so

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> Will claims call centres evolve from the current model of large numbers of people predominantly performing standard operations and having scripted conversations to a much smaller number of 'problem solvers' being available to support customers when something out-of-the-ordinary creates an exception in the automated processes?

IAN THOMPSON

EMEA Chief Claims Officer at Zurich

#insurancemap

claims certainly aren't going away anytime soon. It is here as well that claims can be a strategic differentiator for insurance companies. When a claim occurs, insurers have the opportunity to impress their customers at that precise moment when those customers need their insurance the most.

We have noted throughout this report the growing importance of customer-centricity to insurers, and claims – being the key, and in some cases only, consumer touchpoint – has become a key avenue of engagement. If insurers can provide excellent customer service throughout the claims process, then the chances are that they will retain their policyholders' custom and even open up cross-selling opportunities.

In this section, we question Insurers & Reinsurers on their attitudes both towards customer experience in claims and towards risk prevention.

Is customer experience (CX) a core focus for claims departments?

We asked Insurers & Reinsurers whether customer experience (CX) was a key factor within their claims departments, and in total 69% replied 'yes' and 26% 'somewhat'. The trend we indicated above – of the growing importance of customer-centricity within every insurance function – is therefore borne out handsomely by the statistics.

Looking across our lines, we see a consistently high focus on CX in claims except for in Life, which trails somewhat. This is likely due to the historic lack of touchpoints in Life (often just policy renewals and death!) and, as an extension of this, the more limited new business and cross-selling opportunities. We encounter a similar lag in the next section, on Marketing and Customer-Centricity.

CUSTOMER EXPERIENCE (CX) WITHIN CLAIMS DEPARTMENTS

IS 'VERY IMPORTANT' FOR

69%

OF (RE)INSURERS

AND 'SOMEWHAT IMPORTANT' FOR

26%

OF (RE)INSURERS

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> There is no doubt that insurance in general, and claims in particular, will see significant changes through the automation of knowledge work. Customer choice and the importance to the customer of the claims service will mean that human involvement in the process will always be necessary. However, as claims leaders, we will need to rethink our operating models in the light of emerging technology.

IAN THOMPSON

EMEA Chief Claims Officer at Zurich

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46%

OF (RE)INSURERS HAVE AN AUTOMATED CLAIMS-HANDLING PROCESS

Does automation play a role in the claims-handling process?

Customers want frictionless experiences when making a claim. Certainly most young claimants (digital natives) would prefer to do everything through an app or portal rather than filling out paper forms, and this has seen some insurers embrace non-traditional channels such as WhatsApp for submitting claims materials. In addition to slickness, customers also want speed, or, where speed is not possible, clarity as to the status of their claim.

This level of service can only be provided effectively through recourse to automation in some degree – so that a large portion of uncomplicated claims can be processed straight-through and the customer either notified of the outcome or given a resolution date, all at the click of a button. 46% of Insurers & Reinsurers indicated that they have an automated claims-handling process, a figure we expect to become a majority in the near future.

This is a complex domain and certainly cannot be fully apprehended through a straight yes-no question. There are many different workflows for claims management (depending on the type and complexity of the claim, as well as its value), and claims automation generally only means automating some of these. And while automation generally has connotations of cost-cutting (and this is definitely still a factor), we should point out that less staff time spent on routine claims means more staff time for high-stakes claims, meaning claims management can become customer-driven rather than process-driven.

How much focus do (re)insurers have on claims loss mitigation?

We asked Insurers & Reinsurers about their level of focus on claims loss mitigation, and in total 57% replied that they had 'a lot' and 39% 'some' focus. We noted that North America leads our other regions in terms of having 'a lot' of focus.

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> Connected claims represents one of the biggest opportunities to transform insurance in the future, to create a seamless customer experience, reduce costs and ultimately shift from claims to risk prevention. At our recent Connected Claims USA Summit, 350 executives came together to discuss strategies to achieve efficient, customer-centric claims, covering technology, innovation and a dedication to the customer.

EMMA SHEARD

Head of Strategy at Insurance Nexus

#insurancemap

Will IoT impact the claims department?
IoT fundamentally allows carriers to move from risk management to risk prevention by providing them with the insights they need to actively bring down policyholder risk. In this sense, the overriding impact of IoT on claims is the reduction - or even outright elimination - of claims.

This end goal is perfectly aligned with customer wishes, and there are many more ways in which IoT can boost customer-centricity in claims. If event data can be captured automatically, then this doesn't just help eliminate fraudulent claims (which ultimately cost law-abiding customers), it also removes a lot of friction from the process of filing claims. An example of this would be a temperature-sensitive cargo insured against temperature rises above a certain point, whereby a temperature sensor – in conjunction with Blockchain and smart contracts – can trigger claims automatically if the limit is exceeded. This way, mitigation can begin as early as possible with minimal head-scratching; in this example, that might involve the immediate re-ordering of the compromised cargo.

In our earlier section on Internet of Things, 60% of our total respondents indicated that Claims was one of the departments that would benefit the most from IoT technologies, and we see this largely borne out in the responses of Insurers & Reinsurers here.

53% of insurers and reinsurers believe that IoT will impact their claims department...

Among our lines, IoT impact on claims appears to trail in Life, which is not surprising given that interventions in lifestyle will generally happen via connected health devices, falling within the ambit of Health insurance.

As the cost of sensors and connected devices continues to fall, we expect to see further growth in the connected-claims universe to the benefit of customers and carriers alike, across all lines.

Share on LinkedIn | Share on Twitter

"

The Connected Claims Europe Summit (October 24th & 25th, London) is an unmissable opportunity to leverage technology, such as AI, Machine Learning, Chatbots, Advanced Analytics, IoT and more, to drive business efficiencies and exceed customer expectations. Join claims visionaries and insurance leaders to gain inspiration and tools for immediate implementation.

MARIANA DUMONT

Head of New Projects at Insurance Nexus

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Connected Claims Europe Summit

October 24-25, 2017 | London Marriott Hotel Regents Park | London, UK

Claims Visionaries and Insurance Leaders Take the Stage:

Saad Mered, *Group Chief Claims Officer,* **Zurich**

Alexander Schmidt, *Global Chief Claims Officer,* **AXA Direct**

Mario Riccò, *Global Chief Claims Officer,* **Generali**

Travis Bowles, *Global Head of Claims Property & Casualty,* **MS Amlin**

Klaus Vogel, *SVP Head of Claims,* **If P&C**

Automated and Seamless Claims:

- **Connect and Digitise Your Supply Chain for an Effortless Customer Experience:** enable greater data sharing amongst different parts of your business to gain speed, reduce costs and the need for different customer touch-points
- **Use Data Insights to Deliver More with Less:** listen to practical examples of how insurers are using their data capabilities to drive costs down and enhance productivity and accuracy in claims handling
- **Exceed the High Expectations of the Digitally Empowered Customer:** deliver hyper-personalisation and enable multiconnected engagement in a fast and accurate manner with AI and Robotics
- **Drive Efficiency to Positively Impact your Bottom Line:** design strategies and implement technology and systems that streamline the claims process, from removing duplication to achieving greater accuracy at each stage
- **Ensure Your Team Has the Right Profile and Skills for The Claims Handlers of Tomorrow:** get your workforce on board by building human-automation combinations that are more efficient, effective and impactful

This conference was designed with a unique format to allow you to take full advantage of the onsite networking opportunities. From round table discussions to interactive polling and practical workshops, this conference is a must-attend event for those charged with transforming claims, including executives responsible for customer experience, operational efficiency, technology and claims processing

Go here to download the brochure with full information

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> Listening to the 'voice of our customer' is traditionally not a strength of insurance companies. It's almost as if customers are speaking a foreign language. Increasing competition and transparency together with changing expectations, especially of a younger generation, will force us to learn our customer´s language quickly.

MONIKA SCHULZE

Global Head of Marketing at Zurich Insurance

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MARKETING AND CUSTOMER-CENTRICITY

The current disruption of the insurance industry is fundamentally customer-driven, with the ability of incumbents to survive and thrive dependent on how well they can keep up with the ever-evolving needs of today's consumers.

And what's more: today's consumer expectations are being set outside of insurance, in particular by retail and consumer electronics, so here are a couple of quotes from the big guns to get us started.

***'We see our customers as invited guests to a party, and we are the hosts. It's our job every day to make every important aspect of the customer experience a little bit better.'* Jeff Bezos, Amazon**

***'You've got to start with the customer experience and work back toward the technology – not the other way around.'* Steve Jobs, Apple**

It was no surprise then to see Customer Centricity identified as a major priority by Insurers & Reinsurers worldwide in our Insurer Priorities section. However, despite this high priority level, the general trend among (re)insurers is of dissatisfaction with current customer performance.

Measures of customer priority and measures of customer performance therefore stand in stark contrast to each another, and there is in fact nothing surprising in this: if (re)insurers were already meeting their customer-centricity aims, then they certainly wouldn't be focusing on it as such a problem.

In this section, we compare and contrast measures of customer performance and customer priority (from meeting customer expectations to driving customer loyalty), and explore the relationship between the two in a bit more detail.

Measuring Customer Performance

Only 45% of insurers and reinsurers believe their organisations are truly customer-centric…

While this stat is an indictment of current levels of performance at carriers, it does indicate a strong will to change. It is better to admit that you have a problem than it is to falsely believe your customer relationship will take care of itself!

Our different insurance lines are similar in terms of how many respondents believe they are customer-centric, except for Life, which lags somewhat. The reason for this may well be the historic lack of touchpoints in Life insurance, something we pointed out in the previous section when assessing customer experience in claims.

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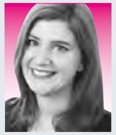
> The consumer is used to a really personal experience now, and that is exactly the same as when they're buying a pair of shoes online. They're used to being able to get something if they want it, where they want it and at the cost they want, including complete information like the exact half hour it's going to turn up in their house and what colour it is.



CHARLOTTE HALKETT

General Manager of Communications at Insure The Box

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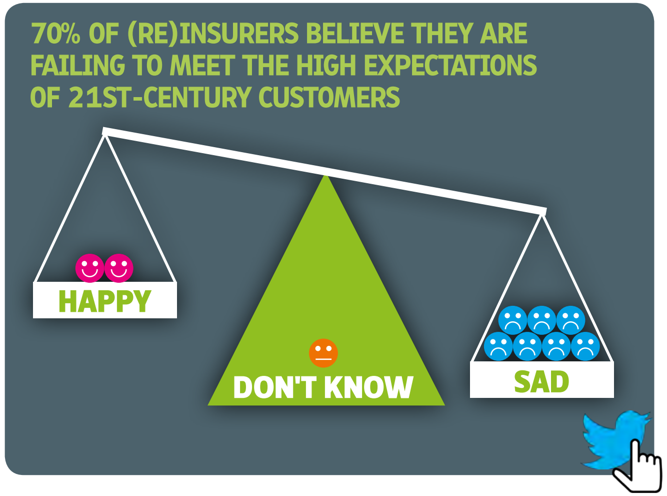

As we see in the infographic above, only 20% of Insurers & Reinsurers believe they are meeting today's high customer expectations. We note that this proportion is lower than the 45% claiming to be customer-centric; this implies that, while a customer-centric approach is necessary for strong performance, it is by no means sufficient and that there are plenty of customer-centric (re)insurers who are nonetheless falling short of expectations.

70% of insurers and reinsurers are unhappy with their level of customer engagement…

Insurance has, rightly or wrongly, always been an industry with infrequent customer touch-points. However, in today's always-on world, the possibilities for customer engagement are boundless. The widespread dissatisfaction with current levels of engagement, while obviously showing up shortcomings, bodes well for the future of the industry.

A Note on Customer Priority

We are unable to discern any conclusive regional trends across our measures of customer performance; however, we can say tentatively that Europe and Asia-Pacific have a slight lead over North America on customer priority. This is based on our direct engagement with correspondents in the region (see our Regional Profiles at the back of the report) and the following stats we provided earlier:

- In the Insurer Priorities section, Europe led our regions in its focus on Customer Centricity (Europe's score was 56/60, compared to North America's 51)
- The Chief Customer Officer role was very important in Asia-Pacific but relatively insignificant in North America in our section on Services, Investments and Job Roles
- Asia-Pacific had a greater share of (re)insurers seeking services related to customer-centricity

We suggested at the start of this section that customer performance and customer priority stand in an inverse relationship to each other, hypothesising that the prioritisation of the customer is driven by poor performance. If European and APAC carriers are indeed trying harder – albeit only marginally – to raise their customer game than their North American counterparts, then we might conclude that, for whatever reason, the customer relationship in the former two regions is more 'problematic' than in the latter. We explore some possible reasons for this overleaf.

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> The insurance business hasn't changed significantly over the last 100 years – however, in the last 10 years, the digitisation of sales and servicing has led to a significant shift towards customer centricity. There are new and dynamic ways to sell, new market entrants and advanced ways to service customers who provide instant feedback.

ASH SHAH

Regional CIO and Chief of Staff Property and Casualty at AXA Asia

#insurancemap

Customer Disruption = Distribution Disruption

Insurers worldwide are chasing consumers via new channels and with new products, and the fundamental reason they are having to do this is that emerging (digital) channels have given incumbents and newcomers alike access to their traditional client base. This customer access is the fundamental enabler of disruption: what was once a relatively captive market is now in flux.

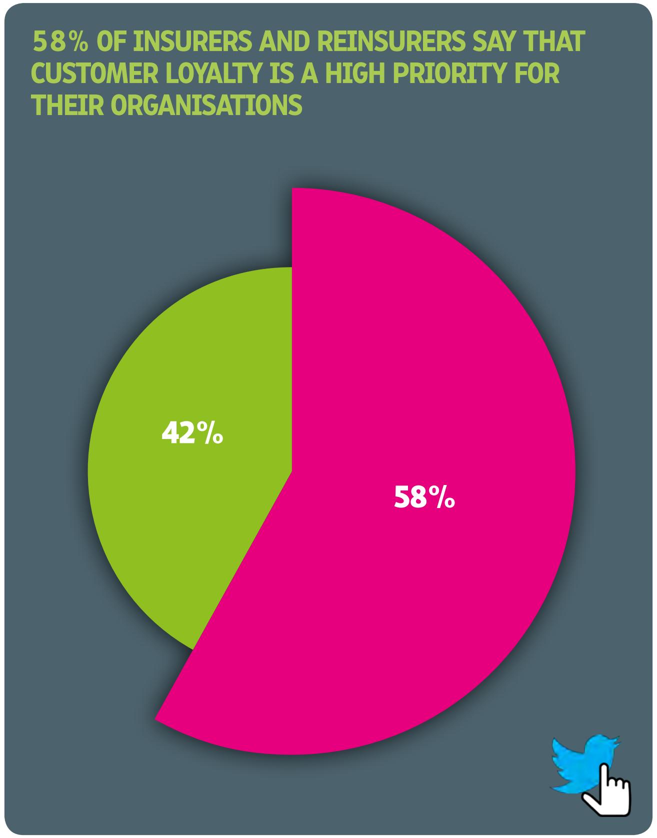
The less stable traditional distribution channels are, the more (unwanted) competition insurers must deal with and the harder they must fight to boost customer performance; at the end of the day, 'poor performance' is really only poor performance relative to one's competition.

Off the back of this, we predict that channel disruption will be marginally greater in Europe and Asia-Pacific - who are prioritising the customer most forcefully - with traditional models remaining relatively more intact in North America. We explore the distribution landscapes in our different regions in our dedicated Regional Profiles section, along with the question of disruption.

While we have tentatively grouped Europe and Asia-Pacific together with respect to their 'problematic' customer relationship, we should point out one very obvious respect in which this varies greatly between them.

Europe is, like North America, a developed, relatively saturated market, where the retention and optimum conversion of existing customers is vital not just for growth but for survival. In Asia-Pacific on the other hand, (re) insurers are not just concerned about keeping existing customers but also accessing, for the first time, millions of consumers new to insurance.

Considering this, it is still better on balance to group Europe and North America together, and their shared focus on existing customers is borne out in our stats on loyalty. As we see in the graph below, this is of high importance globally, but we can reveal that North America and Europe lead Asia-Pacific on this measure. In Asia-Pacific, loyalty and retention are certainly not unimportant; but, with lots of market share up for grabs (in particular from tapping the enormously populous emerging-market segments), too much focus on loyalty may result, down the line, in insurers finishing with a smaller slice of the pie.



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> In an age of intense competition and high customer expectations, insurance carriers, brokers and agents have a significant battle ahead for the hearts, minds and wallets of customers. The Insurance Nexus Customer Engagement Summit is the leading Insurance event, giving you the tools to increase customer engagement, drive acquisition and retention, and build world-class customer experience.

MARIANA DUMONT

Head of New Projects at Insurance Nexus

3rd Annual

Customer Engagement Summit

November 30 – December 1, 2017 · Radisson Blu Aqua Hotel · Chicago, USA

Reimagining Insurance Marketing, Acquisition & Retention Cycle to Build Lifetime Customer Engagement

Join 150+ CMOs and Chief Customer Officers – In 2016 We Had Attendees from:

AIG · Aite · Allied World · Allstate · American Integrity · Apollo Seguro · Beazley · Berkshire Hathaway Travel Protection · Bolt · CNA · Erie Mutual · Foremost Insurance Group · OneBeacon Insurance Group · Prudential · Sagicor · Swiss Re · the co-operators · The Hanover Insurance Group · Tokio Marine Insurance Group · Wawanesa Insurance

For full information about the event, go to **events.insurancenexus.com/customerengagement**

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Technology is changing more rapidly today than ever, which is changing the nature of risk. The distribution of insurance products and services is poised for rapid change. Agents and Brokers will have a role to play as the distribution model changes. Those agents and brokers that are willing to adapt will thrive, those that rely on the old methods will continue to be successful until they wake up one day and they are not.

STEVE ANDERSON

President at The Anderson Network

#insurancemap

DISTRIBUTION

While current market opportunities for insurers – and for Insurtechs – require a good product to sell, a large part of the story is about accessing customers via their preferred channels.

The pre-digital era was characterised by more of a captive, sellers' market, in which customers had little choice but to seek insurance via their agent of choice, who in turn would funnel work to a small number of large incumbents, generally ignoring new entrants.

Over the past years though, we have seen either the outright emergence or the rapid expansion of a number of non-traditional channels, encompassing direct-to-customer channels offered by insurers themselves, P2P, aggregator sites and affinity partnerships with major brands and retailers.

Our influencer Denise Garth, SVP of Strategic Marketing, Industry Relations and Innovation at Majesco, explains how this sea-change in distribution has changed the game:

'Since the start of the Internet, the insurance industry has invested in and expanded its digital channels from company websites to comparison sites, aggregators, social media and more — all in an effort to capture new business.

Yet, insurance remains a complex product that is hard to research, buy and use, as reflected in Majesco's primary research on the rise of the new consumer and SMB insurance customers. It is an enormous problem for the insurance industry because every gap and point of complexity is a giant bull's-eye for alternative channels and Insurtech startup channel solutions or new MGAs.'

The emergence of new channels means that incumbent insurers, nimble newcomers and players outside of insurance alike all have an opportunity to capitalise.

'Those who can make insurance easier for customers to understand and buy stand a good chance of capturing business from companies whose processes remain complex,' explains Garth. *'In today's new digital world, it is not about any single channel but rather about a multichannel approach that is based on consumer choice.'*

We look at multi-channel performance and strategy later in this section. Firstly though, a few facts about insurers' use of two key non-traditional distribution channels: direct-to-customer and affiliate partnerships.

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> We're looking into partnerships with companies from different sectors: how we can plug in, bringing the insurance dimension and being the insurance carrier, while the partner does all the front-end customer-facing stuff. And as I like to call it, we're just a third-party API.

JOÃO NEIVA

Head of Innovation, IT and Business Change at Zurich Topas Life

#insurancemap

Going Direct-To-Customer

72% of insurers sell to customers directly…

We can see that the direct channel has become a totally mainstream concern for insurers. Interestingly, North America appears to trail on this measure compared to our other regions, in conformity with our prediction from the previous section (that channel disruption potentially trails in North America).

The strong showing for direct channels in Asia-Pacific is interesting as, from our broader research with contacts in the region, we know the market there to be heavily intermediated, with a strong reliance on agencies and, in particular, bancassurance. For example, recent research from Swiss Re and LIMRA indicated that the direct channel does not exceed 10% of total share in any APAC national market apart from China.[1]

For this reason, we should bear in mind that the stat above indicates the existence of the direct channel rather than its volume. Nevertheless, for a healthy number of APAC insurers to have established a direct channel, despite what remain for now relatively low volumes of business, indicates how strategic this channel is perceived to be. We may remember as well that Asia-Pacific led our other regions on Distribution Diversification (see Insurer Priorities section), which adds weight to this trend.

While many customers in many circumstances may prefer the direct channel to the agency path, insurers should not necessarily place all their strategic eggs in this one basket. Insurance has always been sold, as they say, and never bought, so any portal for buying insurance, however slick, is at a disadvantage by its very nature.

The way to get insurance products into customers' hands may in fact be to integrate them into other products that are bought, whereby the insurance becomes part of a bundle or an add-on.

This philosophy has boosted the popularity of affiliate channels, which, in addition to taking even more friction out of the process, also bypass any issues that may exist with consumer trust, by tying the insurance to a trusted brand that consumers know, respect and perhaps already interact with daily or weekly.

Expanding Affiliate Channels

89% of insurer respondents are increasing their distribution through affiliate partners…

Current examples of affiliate channels are major retailers, such as Tesco in the United Kingdom and Falabella in South America, but theoretically the affiliate channel could include just about anything, with the insurer effectively becoming an API that other consumer applications can plug into, like for instance ride-sharing and taxi apps for travel insurance.

The scale that incumbent insurers can offer in this channel may put them in good stead against their Insurtech competitors; large affiliates can benefit themselves from the brand equity of household-name insurers (in comparison to the unknown quantities of new players) and the resultant selling partnership will likely prove more successful for all involved.

Another important indirect channel – but one on which we have not gathered stats – is bancassurance. While the concept is making headway in emerging markets, it has been out of fashion in Western markets over the past decade. The interest expressed this January by Italian bank Intesa Sanpaolo in a tie-up with Assicurazioni Generali[2] shows the concept is not dead – but this deal was nonetheless scrapped the following month.

[1] swissre.com/reinsurance/insurers/life_health/Distribution_in_Asia_life_and_health_insurance_channel_and_product_preferences.html

[2] uk.reuters.com/article/us-generali-m-a-intesa-sp-idUKKBN1580T2

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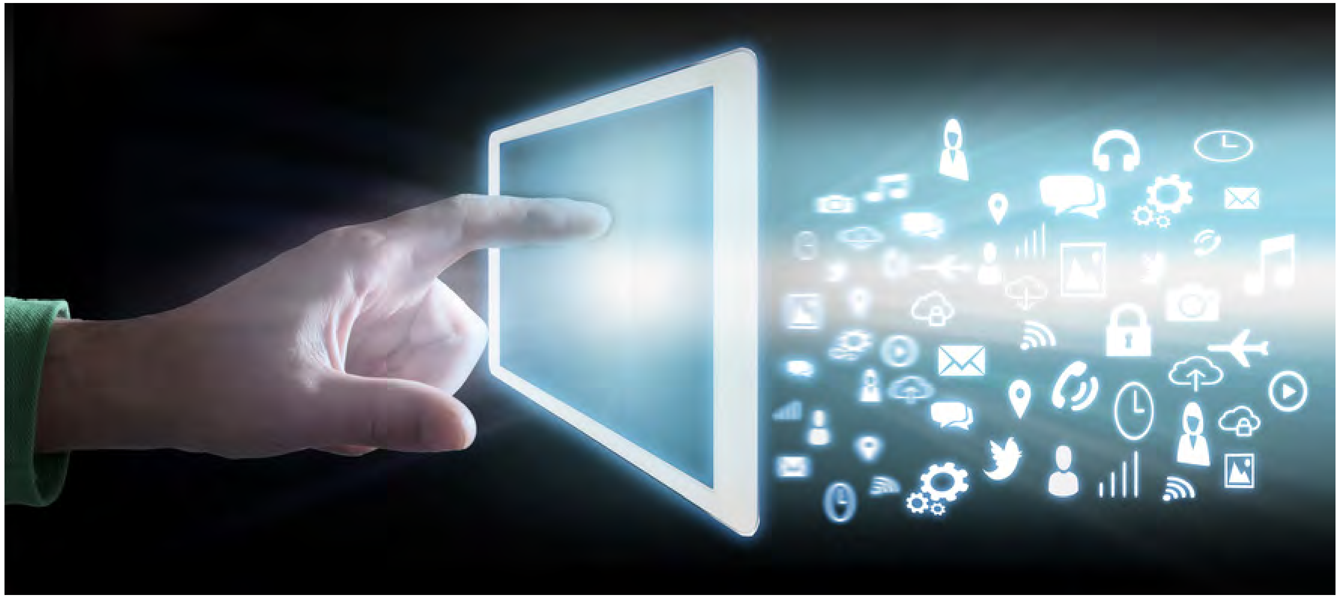
> We believe that this is an opportunity for brokers and intermediaries to innovate and continue to create new sources of value for their B2C and B2B segments. For instance, identifying and carving out new and emerging B2C (micro-insurance, flood, non-standard risks, risk pools/ schemes, older generation/ retirees) and B2B (IP based start-ups, cyber, supply chain, cross-border liability, terrorism) needs, and creating innovative channels to access them.

SAM EVANS

Managing Director at Eos Venture Partners

#insurancemap



The Omnichannel Grail: Consistent Multi-Channel Experiences

As of today, many insurers operate both direct-to-customer and affiliate channels alongside their traditional agency channels. Whatever the blend of channels that customers ultimately come through, it is important for insurers to offer a consistent experience across all of them (a consistent experience need not necessarily entail an identical one).

It's bad enough if one channel offers a comparatively poor or irregular service, this is then compounded by the fact that consumers are increasingly – as in retail and e-commerce – using multiple channels as part of their research and decision-making process, and an inconsistent (or in any way confusing) experience will lead valuable customers to bounce or churn.

In certain segments, a majority of customers may well come through an agency channel for the foreseeable future, but it would be unwise to ignore the role of the direct channel in 'prepping' them and to neglect obvious reengagement points during the agency process that can recall, reinforce and build on the online experience.

While much of insurers' backroom tech can be aligned across channels, the face-to-face element in brokered channels can prove more challenging to coordinate, especially as we are here dealing with a multitude of different selling organisations with a multitude of different working cultures.

This is not to say that the face-to-face element is a tale of lost opportunities and inefficiencies – if it's put to work effectively, there's seldom a better way to create lasting customer engagement and upselling opportunities.

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> "The reach of this digital transformation goes way beyond the elimination of 'the middle man' from a distribution point of view. The direct digital channel dominates very few markets and deals only with compulsory insurance. In the vast majority of markets, a multichannel-oriented customer continues—with variations from country to country — to choose at least some point of the customer journey to interact with an intermediary.

MATTEO CARBONE

Founder & Director at Connected Insurance Observatory

#insurancemap

Is Your Customer Experience Consistent Across Channels?

Customer experience (CX) professionals in insurance are chasing the same 'omnichannel' grail as their analogues in other digitally disrupted industries, like retail/e-commerce, that is: to ensure that customers enjoy the same product and service experience regardless of which channel they come through. Let's start by seeing how well Insurers currently perform in this regard:

Only 23% of insurers believe their customer experience is consistent across channels…

There is clearly still a long way to go before omnichannel is the norm in insurance, and the steady addition of new channels will further complicate matters for insurers chasing channel consistency.

We can reveal that Asia-Pacific trails our other regions on this measure. This is likely a consequence of the pursuit of new channels in the region (as we noted with the prevalence of the direct-to-customer channel): it is more difficult to maintain consistency across a multitude of emerging channels than across a core of traditional ones.

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> Most insurers are still focused on e-commerce but the leaders are developing longer-lasting relationships by using their digital capabilities to gain enhanced customer knowledge and harnessing that information to profile customers more effectively, fine-tune underwriting and deliver customised solutions.

MICHAEL QUINDAZZI
Business Development Leader and Management Consultant at PwC

#insurancemap

Do You Have an Omnichannel Strategy?
The creation of an explicit omnichannel strategy is the first step of many towards being able to offer a consistent customer experience (CX) across channels.

62% of insurers have an omnichannel strategy…

It is encouraging to see that the majority of insurers have formal omnichannel strategies, and this should go a long way towards raising the low percentage of insurers currently able to offer a consistent customer experience across channels.

It will likely be a number of years before today's omnichannel strategies yield concrete results and, as we pointed out, the continuing complication of the distribution landscape through the addition of new channels will mean insurers must run just to stay where they are.

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> The process of buying insurance can be simple – go online, compare the relevant information, select an insurer and pay. But three days later you get a 22-page printed policy at home, written by a lawyer. As a layman, you're totally lost. What customers really want are simpler and easy-to-understand products so that they regain trust in this industry. Get that trust and it will drive revenues.

ANDRE HESSELINK
CEO at GoBear

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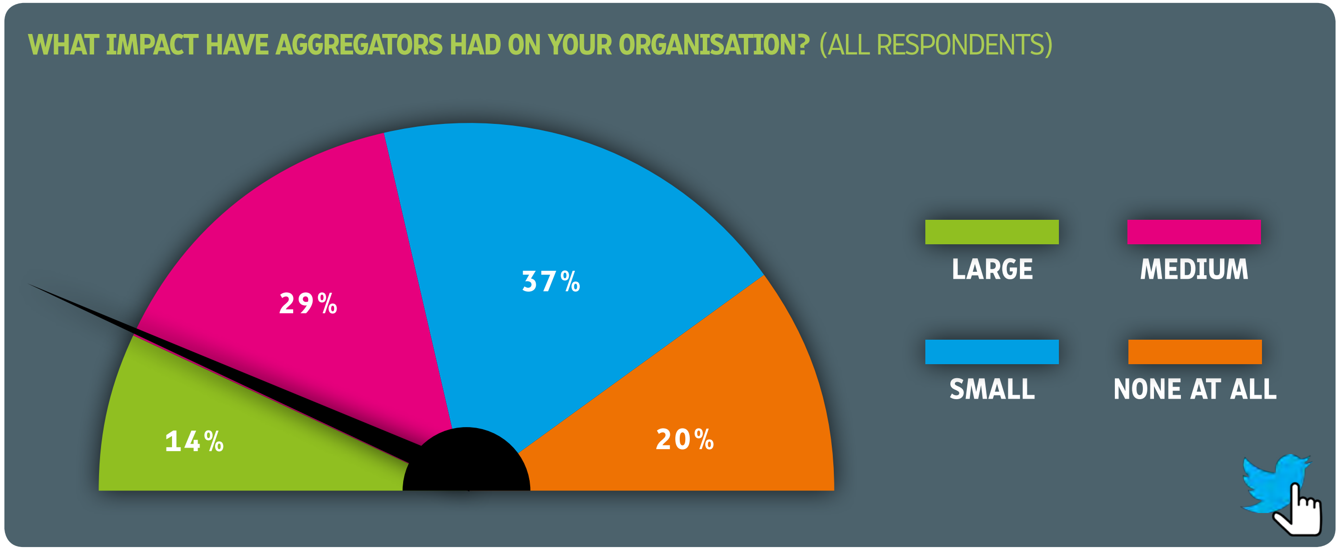
Attack of the Aggregators!



Our final question on distribution relates to the role of aggregators like UK-based comparethemarket.com, US-based comparenow.com and Singapore-based GoBear. These have burgeoned since the millennium, inserting an extra distributional step between insurers and their prospective clients, and have had a major impact on the market (just like comparison sites in other industries) both in terms of the overall business model and from a branding and customer-relationship perspective. By allowing, and encouraging, customers to pit insurers against each other on a price-by-price basis, these sites have further commoditised insurance lines and driven down premium prices and margins.

Thanks to a variety of factors, including marketing budgets and regulation, the effects of aggregators are neither uniform across lines nor across geographies. For example, according to a recent survey of consumers by consultancy Finaccord, over 40% of respondents in the UK had taken out car insurance via an aggregator, compared to only 5% in the US and Canada.[3]

The impact of aggregators can be felt across the whole ecosystem, so we asked all our respondents to specify how big an impact they are having on their organisations. Overall 14% indicated a large impact, 29% a medium one, 37% a small one and 20% none at all. As we can see from the infographic above, a relatively small proportion of the ecosystem is heavily affected, although the impact is being widely felt (more than three quarters of respondents citing some impact).

Considering our regional trends, we can reveal that Asia-Pacific trails on this measure. As we have pointed out, while

[3] insurancebusinessmag.com/uk/news/breaking-news/uk-insurance-aggregators-hit-peak-levels--study-38777.aspx

> The most important driver of success for Insurtech start-ups has been distribution. Distribution in insurance (more specifically in personal lines, but increasingly so in commercial lines) is getting dis-intermediated as data becomes increasingly transparent between the buyer and seller.

SAM EVANS

Managing Director at Eos Venture Partners

#insurancemap

many insurers in this region do have digital channels, the overall volume of business being done this way is still quite low - and this is potentially reflected in a lower regional score. However, as insurers in the region actively build out and promote their direct capabilities, we expect aggregator impact there to quickly catch up.

Distribution: The Fulcrum of Market Disruption?

In our previous section on Marketing and Customer-Centricity, we suggested that traditional channels might be marginally more intact in North America than elsewhere, positing this as an explanation for this region's marginally lesser prioritisation of the customer. Our reasoning was that, if new channels are the fundamental enablers of disruption, the more stable the traditional channels are, the less disruption insurers will face and therefore the less forcefully they will have to prioritise the customer. So, what do our stats on distribution reveal?

We have noted that the direct-to-customer channel is less prevalent in North America than elsewhere, so it would indeed appear that traditional distribution is – marginally – more intact here. We explore this question further, with insights from in-region commentators, in our dedicated Regional Profile on North America.

This strength of traditional channels translates into lower levels of lost business for North American carriers. We recall the 'disruption score' from the Insurtech Perspectives section, whereby only a quarter of Insurers & Reinsurers in North America believed they were losing market share to new entrants (compare 47% in Asia-Pacific).

The model we have applied above is one in which distribution disruption leads to customer disruption and thereby to a complete re-evaluation of the customer relationship. So, what can this tell us about Europe and Asia-Pacific?

Let us start with Asia-Pacific: on the distribution level, we encounter a high incidence of direct channels, low channel consistency and a high priority allocated to Distribution Diversification. And following this through, we find a corresponding degree of disruption on the customer level, with APAC respondents scoring high on measures of customer priority (as we saw in the previous section on Marketing and Customer-Centricity).

It is clear therefore that APAC insurers know they are in trouble and that they are trying proactively to meet the 21st-century consumer head on. This is very much in line with our 'disruption score' for the region, whereby 47% of Insurers & Reinsurers in Asia-Pacific stated that they were

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Chatbots and guided conversations – in the not-too-distant future — will significantly change the role of agents and brokers when providing insurance knowledge and resources to policyholders. Expert advice will still be needed, but chat bots and guided conversations will provide much of the basic information to the digital-savvy consumer anytime and anywhere.

STEVE ANDERSON

President at The Anderson Network

losing market share to new entrants, a high score in which fear may well play a considerable role.

Europe is an interesting case. Distribution-wise, we note solid adoption of direct-to-customer channels, and the continent has in many ways been a pioneer in its use of affiliate channels and aggregators (we explore these themes in more depth in our dedicated Regional Profile). In our Marketing and Customer-Centricity section, we characterised the customer relationship here (along with Asia-Pacific) as being marginally more 'problematic' than in North America, based on the forceful prioritisation of the customer we found here. Does this mean that Europe finds itself in the relatively more 'disrupted' camp, along with Asia-Pacific? Not necessarily.

We cannot help but notice Europe's low disruption score of 23% (much lower than Asia-Pacific's, in line with North America), meaning that, at least in carriers' perceptions, relatively little market share is currently being lost. One way to square this with our foregoing observations on the distribution and customer situation in Europe would be if European insurers were rising better to the challenge of serving customers across a complex distribution landscape than their counterparts in Asia-Pacific.

This would imply that Europe is perhaps slightly ahead of the curve and has had some time to adjust. In line with this hypothesis is the low prominence of the Chief Customer Officer role among recent or forthcoming appointments at European insurers (contrasting with its importance in Asia-Pacific). Our inference from this is not that customer-related roles do not exist in Europe (after all, Europe allocated the highest overall priority to Customer Centricity out of all our regions) but that they are not of such recent creation.

So, we can tentatively conclude that, while Europe and Asia-Pacific are both undergoing distribution- and customer-

> Insurers' infrastructure, which has been built over literally hundreds of years, never anticipated having multiple channels of communication to support, so insurers are scrambling to learn how to do that.

STEPHEN APPLEBAUM

Managing Partner at Insurance Solutions Group

#insurancemap

driven disruption, Europe has entered deeper into this - there is, as such, no wholesale panic regarding lost market share through new entrants. In this sense, Europe would be not so much the most disrupted as the longest-disrupted of our key regions.

It will be interesting to observe how the sense of disruption in our three key regions waxes and wanes as the market develops. The characterisation we have attempted here is based on fine gradations and, with the global market fluctuating as it is, there is no reason to believe development in any region will be linear. We return to these issues – and to the perennial question of disruption – in the Regional Profiles section with which we close the report.

As insurers around the world become more proactive in their pursuit of the customer, we are left with the question of the brokers and agents who hitherto have been the face of the insurance industry. Intermediaries still hold the cards in many customer segments and business lines – especially for complex high-value products in Life and Commercial – and can play an important role more broadly as part of the omnichannel 'mix'. And, before we write them off too hastily, we should remember one thing: while intermediaries no longer own distribution in the strictest sense, it is debatable whether carriers will want to take all aspects of customer-servicing in house just because they can.

> Insurers just don't have the capability or the skillset to produce things that customers want to buy, particularly with so-called cyber products that mostly don't cover the specific risks that the clients are concerned about. There's a total disconnect there between the reality of business for all the Fortune 500 companies in the world and what insurers think they're going to provide them by way of services and products.

STEVE TUNSTALL

CEO & Co-Founder at Inzsure.com

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CYBERSECURITY

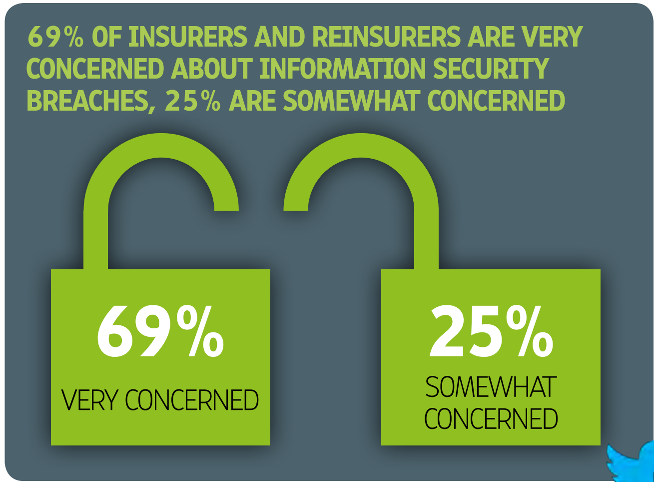
As web-first rapidly becomes the norm for today's businesses, a new bogeyman is lurking: cybersecurity. With IT systems no longer an adjunct but the central pillar of most organisations, cyberattacks have come to represent an existential threat. No less serious is the risk to the vast repositories of customer data that today's businesses sit on top of, which have grown at a far faster rate than security architectures can keep pace with. According to PwC's 19th annual CEO survey in 2016, 61% of CEOs are concerned about cybersecurity, with everything from phishing to Denial-Of-Service attacks on the rise.

For the insurance industry, cybersecurity represents both an opportunity and a threat: an opportunity in that enterprises are crying out for coverage against the cyber risks they face, a threat because (re)insurers of course hold large amounts of customer data and are hence targets for cyberattacks and hacks themselves.

A theme across this report has been the imperative for insurers to better engage with customers' needs – before customers start taking those needs elsewhere. On the commercial side, cyber risk is therefore an enticing opportunity for insurers, as their clients' businesses are only going to get more online, not less, and security risks abound (especially with anything IoT-related).

However, cyber events are particularly challenging to insure against due firstly to their manifold knock-on effects, which range from barely-quantifiable reputational damage to share-price collapse, and secondly to the lack of historical data. For this reason, a substantial focus will be required before insurers can fully realise the cyber-coverage opportunity.

Cybersecurity is a sprawling area, so this section is primarily aimed at cybersecurity as threat, as opposed to cybersecurity as opportunity: what are (re)insurers doing to protect their customers' data and to mitigate against the threat of data breaches?



Assessing the Scale of the Cyber Threat

While (re)insurers are open to the same sorts of attack as other large enterprises, the event we choose to focus on here is data breach. There is nothing that strikes so much at the core of the business, which has been a data business since the very beginning; at the same time, (re)insurers – as professional data stewards – ought to be relatively well placed to defend themselves.

The harm that could come from a cyber breach at a carrier is multifaceted: stolen data could cause customers direct commercial damage, whereas tampered-with data could render (re)insurers' models worthless, affecting both them and their customers further down the line. It is no surprise then to see the overwhelming majority of (re)insurers registering concern with information security breaches.

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“Digitisation is leapfrogging in Asia and so are industrial parks with smart devices and machine learning running the processing. Because of global supply-chain issues, this make the need to mitigate and protect data integrity an urgency even without regulation where best practice risk management must be implemented.

DAVID PIESSE

Chairman of IIS Ambassadors and Ambassador Asia Pacific at International Insurance Society (IIS)

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Cyber-attacks affect other players in the insurance ecosystem as well, and there are plenty of weak points in the ‘water cycle’ of customer and company data; so we also encounter a majority concern among our other ecosystem players.

Our broader research indicates that data breaches are particularly high up the agenda in Asia-Pacific. We reached out to our influencer David Piesse, Chairman of IIS Ambassadors and Ambassador Asia Pacific at the International Insurance Society (IIS), based in Hong Kong, to understand more about what is happening in the region:

‘Asia Pacific is only starting to look at regulations for data breach as opposed to data privacy laws, which have been around for some time. This leads us into the debate of the difference between privacy (encryption) and data integrity, which are two different arms of the cybersecurity triangle that must be embedded in all cyber risk management approaches.

The time from compromise to discovery in Asia is now on average 580 days according to statistics. Therefore, we must assume compromise of data across time, as there have been no notification laws and hence no catalyst to mitigate. This is why there is concern in Asia Pacific. The take up of cyber insurance in Asia is fairly low as compared with USA and UK for this reason.’

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"Insurers have been very early adapters of computer technology. Given this maturity one might think they should be able to control technology security on all layers, but the opposite is usually the case."

OLIVER LAUER

Head of Architecture / Head of IT Innovation at Zurich

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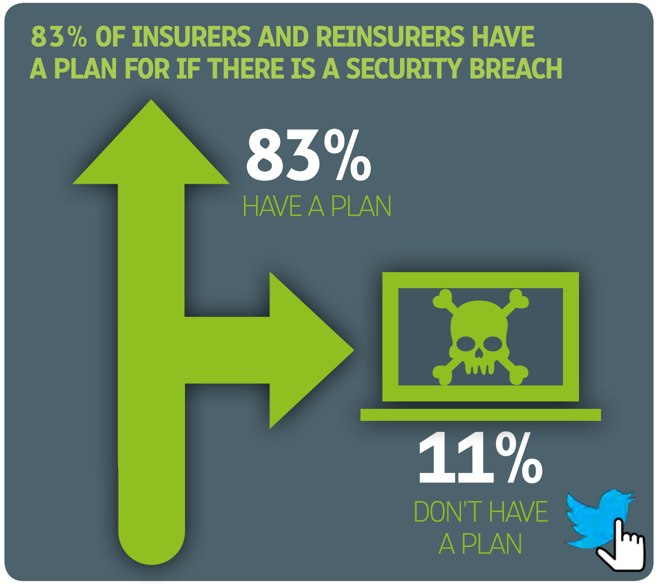
Filling the Breach

Our respondents' data-breach concerns are matched by high confidence that data security is adequate, and this probably has a lot to do with mitigation planning across their organisations.

As we see from our graphic, three quarters of carriers are confident in their security, and we find a similar level of confidence among respondents from the broader ecosystem. While these figures are encouraging, a quarter of respondents lacking confidence on this important measure is still cause for concern when we consider the number of customers that any one company can have. Even just a few percentage points of the ecosystem still represents rich pickings for online criminals and massive disruption for thousands, and potentially millions, of customers.

When we turn to look at concrete mitigation plans, we observe that these are relatively commonplace. However, 11% of carriers having no plan is concerning as per our sentiment above, given the absolute amount of business interruption this potentially represents (6% answered 'don't know').



Another factor to bear in mind is the potential fallibility of mitigation plans, so the proportion of carriers who are actually safe from security breaches will certainly be less than the 83% quoted here. We should also remember that data breach is just one type of cyber-attack and consequently just one aspect of (re)insurers' overall cybersecurity strategy, which needs to be comprehensive.

We expect carriers - and all businesses for that matter - to continue ramping up their cyber defenses over the coming months and years, especially given recent high-profile incidents like the Wanna Decryptor attack in May 2017, which hit nearly 100 countries around the world.[1]

[1] nbcnews.com/news/world/national-health-service-cyberattack-hits-english-hospitals-hackers-demand-bitcoin-n758516

"Insurers are very late in the game of opening their systems for the digital age and most of their software systems are 25 years old and older, and are 'secure by nature' due to their legacy walled garden architectures. And now they are modernising their systems at the speed of light and their security architectures and capabilities can hardly follow.

OLIVER LAUER

Head of Architecture / Head of IT Innovation at Zurich

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When assessing the full spectrum of cybersecurity risks, it can be difficult to know where to start and what to prioritise, so we asked our influencer Michael Quindazzi, Business Development Leader and Management Consultant at PwC, for five key questions that every insurer should be asking themselves, from the board down:

1) *Who are our adversaries, what are their targets, and what would be the impact of an attack?*

2) *What are the most important assets we need to protect?*

3) *How effective are our processes, assignment of responsibilities, and systems safeguards?*

4) *Are we integrating threat intelligence and assessments into proactive cyber-defence programmes?*

5) *Are we assessing vulnerabilities against emerging threat vectors?*

As with building on unstable foundations, the risks from getting one's approach to security wrong at the outset only get bigger the further down the road you go. We spoke to our influencer Oliver Lauer, Head of Architecture / Head of IT Innovation at Zurich, who frames the security conundrum in the following terms:

'Insurers are implementing digital cores with full connectivity to everything, Omni- and Multi-Channel and Open API Architectures, and usually they have no real idea what these new implementations mean for their security systems – they are still handling security like they did in the past with their 'closed shop' approaches.

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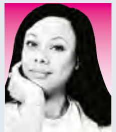
With customer data-protection and privacy rules becoming more scrutinised across Europe and the globe, it is not a surprise that the Chief Information Security Officer is taking such a prevalent position within enterprises. The role will need to ensure appropriate usage of customer data and overcome digital privacy and security issues.



SABINE VANDERLINDEN
Managing Director at Startupbootcamp

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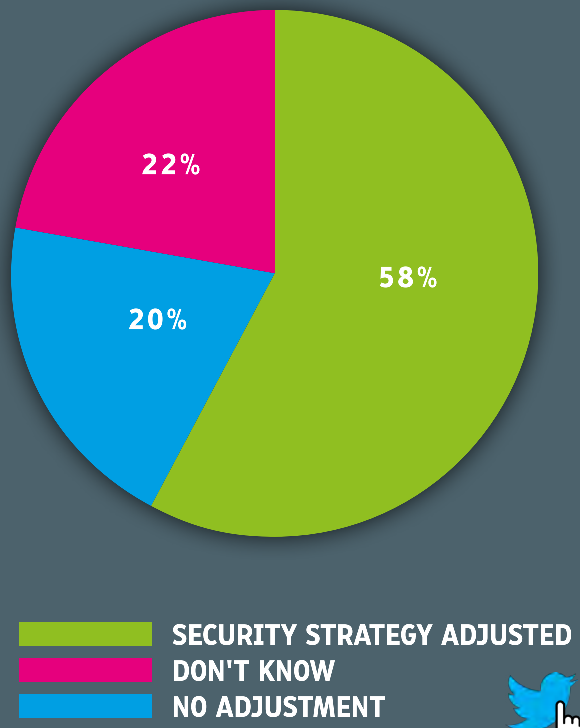
HAVE YOU UPDATED YOUR SECURITY STRATEGY TO REFLECT THE RISE OF NEW DIGITAL PLATFORMS?
(INSURERS & REINSURERS)



This will lead – in my eyes – to very dangerous threats in the future. And even if they have recognised these risks and have the money to invest, it's very difficult to hire the necessary resources. Everybody is looking for security experts at the moment …'

What is clear is that today's digital platforms introduce a fundamentally new security dynamic that demands a different way of thinking from security professionals within (re)insurers.

58% of carriers have updated their security strategies to reflect the rise of new digital platforms...

As we can see from the chart on the left, the majority of Insurers & Reinsurers have made adjustments to their security strategy to reflect the rise of digital platforms, and we get a similar figure when we consider our other ecosystem players. For now though, this is a small majority, less than the 83% who had mitigation plans for data breaches. As the industry gets more savvy about cybersecurity as a whole, we expect this figure to rise sharply.

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"Solvency II regulation is good, but in the kind of environment where we have low interest rates, it makes it much harder for insurers to find opportunities to make money.

SPIROS MARGARIS

VC (InsureScan.net, moneymeets & kapilendo)

#insurancemap

INVESTMENT MANAGEMENT

On the investments side of the business, (re)insurers are faced with the dual challenge of low interest rates and regulation.

Low interest rates have persisted on a global scale since the financial crash of 2007/8 and show no immediate signs of abating. This naturally diminishes the yields (re)insurers can make on their investments, which have historically been a palliative or even an incentive for marginal underwriting.

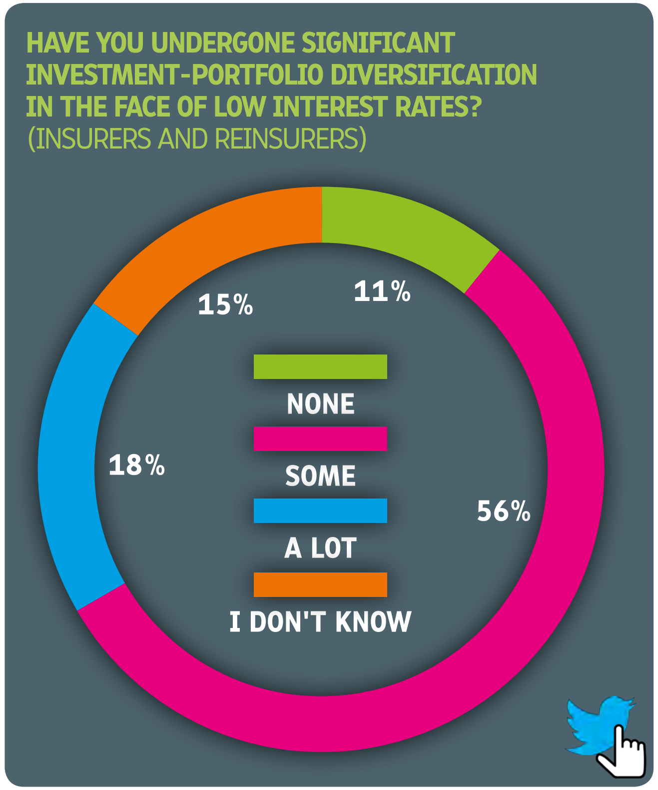
As though low yields weren't bad enough, (re)insurers' scope to invest can also find itself reduced through regulation, which may subject them to strict capital requirements (as is the case with the EU's Solvency II, effective since the start of 2016) or otherwise limit the range of products they can invest in.

This investments downturn is largely confirmed by our stats: we asked Insurers & Reinsurers whether their organisations' investment returns had risen or fallen over the previous 12 months, and 78% globally indicated that these had indeed fallen.

With the money under their management throwing off less profit, (re)insurers worldwide are being forced to shore up their primary business – underwriting – and to generate their profit there instead.

This is not to say that investment management ever stops being an important part of the insurance lifecycle; it is just that it is subject to periodic shifts. The pivot we are currently witnessing, away from investments and back towards the core business, is reflected in the universal low priority we saw allocated to Investment Management, with Insurers & Reinsurers both globally and in our key regions ranking it lowest out of their current priorities (see Insurer Priorities).

Similarly, as we saw in the Services, Investments and Job Roles section, it was the only service area in which Insurers & Reinsurers were on balance reducing their investment.



Today's low interest rates certainly make life harder for investment managers, but the show must go on – and there is no reason why carriers can't make the best of a bad situation by pursuing investment strategies tailored to the present adverse environment. One approach is portfolio diversification, which, as we see in the donut above, is being pursued by around three quarters of Insurers & Reinsurers worldwide.

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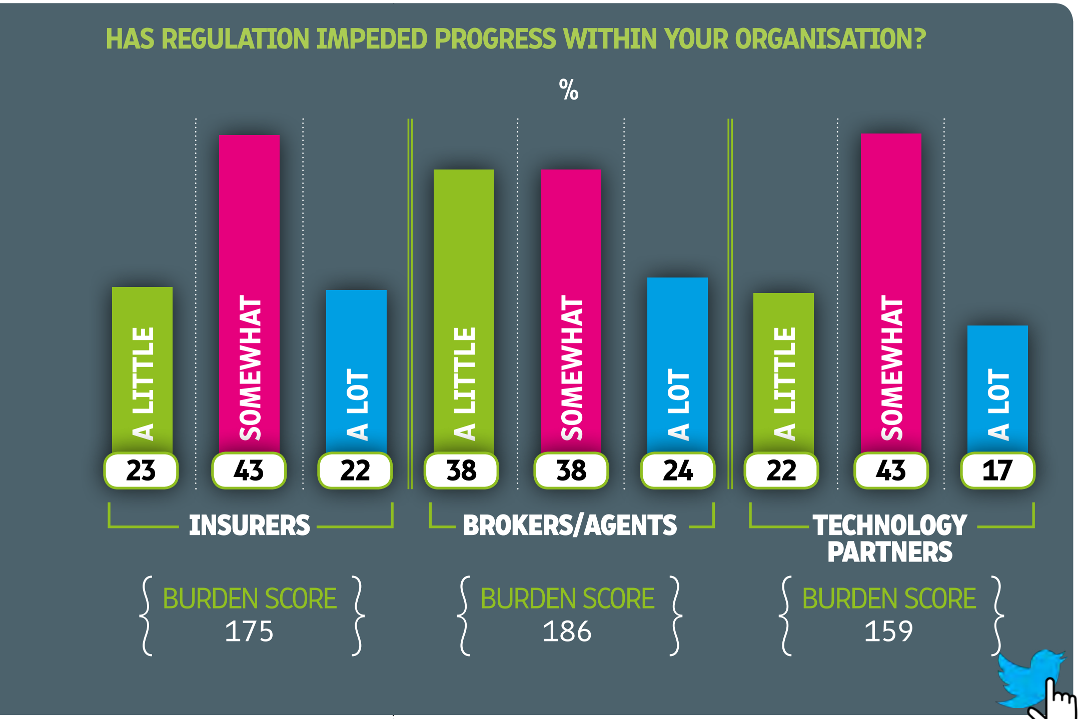

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REGULATION

Regulation affects absolutely every part of the insurance business, from how customer data is held and used to how insurers reinsure themselves and invest the premiums they gather.

The time and money cost of complying with regulation is often significant, with recent estimates suggesting that 10-15% of the total workforce in financial organisations is currently dedicated to governance, risk management and regulatory compliance.[1] The opportunity for greater efficiency here is so large that a whole new tech-powered industry – Regtech – has sprung up. And, with demand for regulatory, compliance and governance software expected to reach a massive 120 billion USD by 2020, this is a space to watch.[2]

Assessing the Impact of Regulation

Regulation is a serious issue not just for (re)insurers but for the insurance ecosystem more generally. Out of all our respondents, 20% indicated that it had impeded progress 'a lot'. As we see from our our burden chart on the left, the impact is evenly spread across our key players.

Here, 24% of Brokers & Agents state that regulation has impeded progress ‘a lot’ within their organisation, along with 17% of Technology Partners and 22% of Insurers. The trend is the same when we use a weighted score (1 point for ‘a little’, 2 points for ‘somewhat’ and 3 points for ‘a lot’), giving us an overall ‘burden score’ of 186 for Brokers/Agents, 159 for Technology Partners and 175 for Insurers.

While regulation is a concern for insurance companies across the whole globe, it manifests itself differently in different regions. Our stats suggest that regulatory burden is above trend in Europe and below trend in Asia-Pacific (in terms of respondents answering that

[1] bbvaresearch.com/wp-content/uploads/2016/02/DEO_Feb16-EN_Cap1.pdf
[2] letstalkpayments.com/a-report-on-global-regtech-a-100-billion-opportunity-market-overview-analysis-of-incumbents-and-startups/

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> Currently the focus is on protecting personally identifiable information, personal health information and personal credit information. Regulations in the future may evolve, requiring companies to ensure that they are using information in a fair and just fashion. For example, much can be inferred from the data from an individual's smartphone but it may not be fair and just to act on those inferences.

CINDY FORBES

EVP & Chief Analytics Officer, Manulife Financial

regulation is impeding progress 'a lot'). Regulatory compliance certainly remains a daily issue in APAC but may, for structural reasons, be easier to deal with there on a 'big picture' level.

In Asia-Pacific, industry participants have the advantage of dealing, in the main, with large national markets (bigger than any US state) but without the complexities of an overarching regional regulator (like we find in Europe with the EU and Solvency II). That said, carriers wishing to be active across the region still have a multitude of different regimes to comply with.

Additionally, we asked respondents to indicate via an open-text response which regulations were currently the greatest cause for concern. There were too many responses to list everything but some that stood out were Solvency II and the Insurance Distribution Directive (IDD) from respondents in Europe, and the DOL Fiduciary Rule from respondents in North America.

Regulatory Burden: A Growing Challenge

89% of insurers and reinsurers believed regulation was posing a greater challenge to their organisations than during the previous 12 months…

There is a marked trend towards rising regulatory burden, and we found this to be consistent across our different ecosystem players and regions.

'Increased regulation' was one of the external challenges we explored in our Industry Challenges section, coming in 6th place out of 12 overall (all respondents). Drilling down into different (re)insurer departments reveals that its impact is not evenly distributed across the business. 'Increased regulation' featured among the top three external challenges for Insurers & Reinsurers working in Actuarial, Analytics, Capital Management (where it took the top slot), Investment, Risk, Senior Leadership, Strategy and Treasury.

The overall balance of these departments suggests that the greatest burden from increased regulation within Insurers & Reinsurers is falling on the investment and risk-modelling side of the business. Europe has certainly been a case in point over the past couple of years, with Solvency II subjecting (re)insurers to more rigorous capital requirements.

Regulation's growing prominence in the eyes of high-echelon staff (Senior Leadership) indicates just how seriously it is viewed by (re)insurers. This, along with the other measures we have presented in this section, creates a perfect storm for the rise of Regtech over the coming months and years.

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> The biggest problem these days is, although everybody is talking about Digitisation and Disruption and are modernising their core systems with huge investments in order to support these new trends, the underlying products are not yet 'digital ready' – even new ones.

OLIVER LAUER

Head of Architecture / Head of IT Innovation at Zurich

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PRODUCT DEVELOPMENT

Product development is the bread and butter of the insurance industry – the question is not whether to build products but rather which products will best serve the needs of today's increasingly demanding insurance customers.

What has also become clear across this report is that product development can no longer occur in silos, with one function creating products for another function to sell. Insurers are determined to make every moving part of their business serve the customer, and what this means in concrete terms is that every division of the business has a contribution to make towards the creation of customer-centric products.

The line between product developers and product salespeople, as in so many industries, is therefore becoming blurry. In this sense, Product Development is the central node into which feed all the other topics we have covered in this Key Themes section. And all the indicators suggest that insurers are only just beginning to tap the opportunities for technology-driven product creation.

In this section, we start by exploring where product innovation is currently coming from, before looking at some of the emerging development trends.

Which (re)insurer departments are having the biggest impact on product development?

The results to this question, based on Insurers & Reinsurers, are displayed in our full-page graphic overleaf (Capital Management, Investment, Fraud and Treasury do not feature on account of their negligible involvement).

The three highest-scoring departments were Underwriting (with 70% of respondents naming it), Pricing (55%) and

Marketing (54%). Other areas that warrant mention were Actuarial (51%) and Distribution (36%). We may remember from the Services, Investments and Job Roles section that Actuarial exhibited high demand for services in the Digital Innovation field. And we have also noted that the roots of today's consumer-led disruption are in the rise and ease-of-use of new distribution channels – so insurers that leave Distribution outside of their product discussions do so at their peril!

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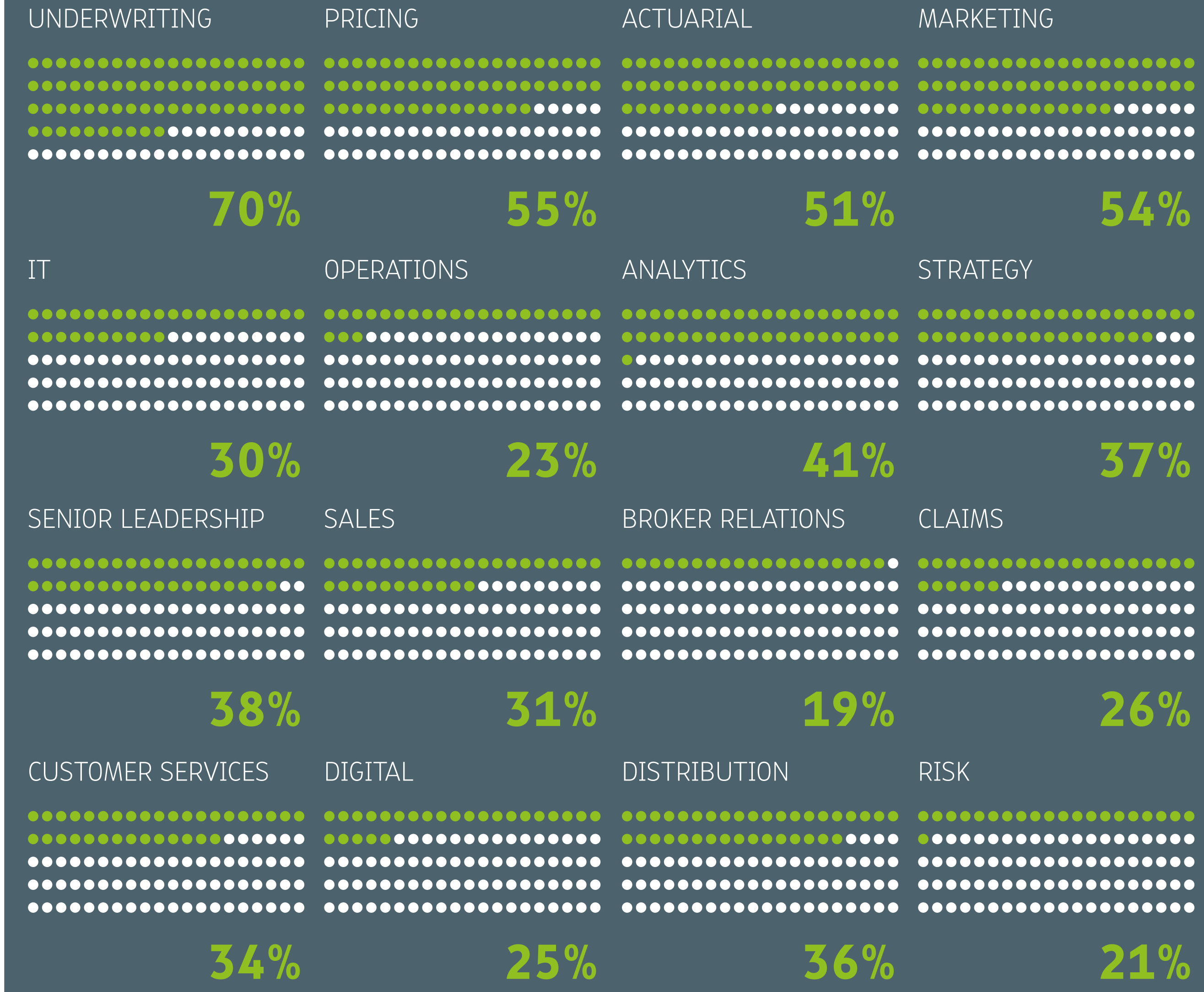
"The biggest risk the insurance industry faces when it comes to innovation is not taking enough risk. True innovation requires experimentation, which most of the time results in failure. Insurance organisations are built to eliminate failure from their culture. Without failure, you can have no innovation. CEOs demand a positive Return on Investment (ROI), they now need to seek out and understand what it means to have a positive Return on Risk (ROR).

STEVE ANDERSON

President at The Anderson Network

#insurancemap

WHICH DEPARTMENTS ARE HAVING THE GREATEST IMPACT ON PRODUCT DEVELOPMENT?
(INSURERS AND REINSURERS)



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"You don't really have to invent new products in my eyes, you just have to make the existing ones easier and more 'digital native'. Today's products have been and are still created for non-digitals. And this situation not only makes new customer-facing digital processes complicated, it also makes core replacements and automation more complicated and expensive than necessary.

OLIVER LAUER

Head of Architecture / Head of IT Innovation at Zurich

#insurancemap

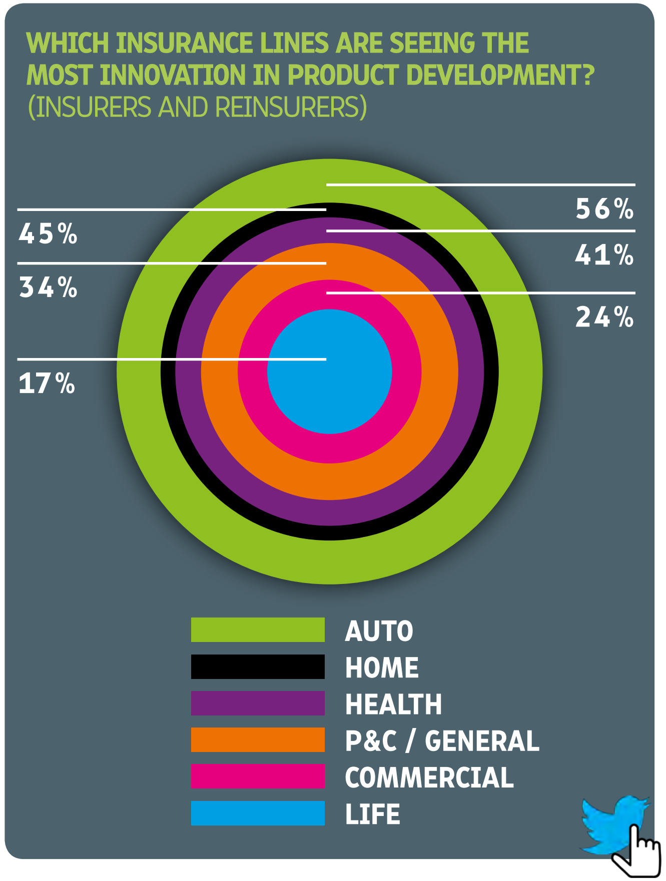
Which insurance lines are driving the greatest degree of product innovation?

In addition to seeing product as department-driven, we also investigated the extent to which it is line-driven. According to Insurers & Reinsurers (on the right), Auto (voted by 56% of respondents), Home (45%) and Health (41%) are the three lines experiencing the most product innovation. This is corroborated anecdotally by the sheer number of commercialised IoT products we see across these lines, from in-car telematics through to smart-home controllers and connected-health armbands.

Life and Commercial are relative laggards in this regard, although we do believe there is ample opportunity in both these areas. This may follow the same pattern we identified with IoT (itself an abundant source of product innovation), where we saw platform implementation in Commercial currently trailing but quickly drawing level with other lines. Regional trends for this question warrant some high-level comment:

- Health is a substantial driver of product development among (re)insurers in Asia-Pacific and Europe. In North America, however, it appears relatively insignificant.
- Life appears tagged to Health in terms of how it trends regionally and is consistently the least innovative of the lines.
- P&C/General, Commercial and Home insurance are relatively consistent across our different geographies.
- Auto is ahead among (re)insurers in Europe and Asia-Pacific compared to North America.

The relative prominence of the different lines, as well as the broad regional tendencies outlined above, remain intact



when we widen our scope beyond Insurers & Reinsurers to look at the industry as a whole.

Key trends in the development of new products

It's clear from this section so far that product development is a strategic priority for a diverse spread of departments and lines. But how are insurers actually going about product development on the ground? Let us now present our trends on a number of product approaches that we

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"Most of the innovation in product development will happen where smart connected devices drive new business models based on behavioural data. I particularly expect improvements in pricing. UBI is a bigger game changer than covering events that are not insured today. In any case, there will be a huge need to understand, measure and manage rational and irrational behaviour."

ANDREAS STAUB

Managing Partner at FehrAdvice

#insurancemap

identified among our (re)insurer respondents: product diversification, Usage-Based Insurance (UBI) and product bundling/upselling.

The pace of change in the insurance sector is picking up, and many ecosystem players are quickening their iterations both on new and existing products in a bid to stay relevant.

76% of (re)insurers are pursuing product diversification as part of their organisations' growth strategies…

This move towards diversification is not limited to any one kind of insurance market but is driving insurance growth all around the world.

It is naturally very important for insurers looking to break into totally new markets, as is the case in many developing economies, where traditional insurance products may be inappropriate for lower-income demographics (microinsurance being a case in point). In mature markets, growth will come primarily from addressing existing demographics with more tailored products to fill in under-penetrated lines and segments; there is also the perennial threat that existing customers, tired of products that are suboptimal, will churn to competitors and new entrants who can offer better-suited ones. Whatever the market conditions, by trialling multiple products, insurers can both broaden their appeal and arrive at optimal products more quickly.

The emerging generation of insurance products differ from those that have gone before in several key ways. One is the on-demand or usage-based component of new products – so that, rather than having idle and inflexible policies

that subject the policyholder to the Tyranny of Averages, consumers can enjoy insurance-as-a-service.

32% of insurer respondents have a Usage-Based Insurance (UBI) strategy…

This trend towards Usage-Based Insurance (UBI) is a global one, and there was no significant regional variation across our three key regions. More information about UBI models can be found in our earlier Internet of Things section and in our section on Europe in the upcoming Regional Profiles.

A key trend we have witnessed in other B2C industries, like Amazon and Netflix, is the rise of the recommendation engine. This is not just a core component of the customer experience but also an important enabler of new business, insofar as it lets companies push new products to customers

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"The cost of customer acquisition is a critical metric for marketing efforts. Lifetime customer value also helps us know how much we should be spending to acquire as well as how we should expand our share of wallet within the products we offer.

MICHAEL SHOSTAK

SVP and Chief Marketing Officer at Economical Insurance

#insurancemap

that they are actually likely to want and to find useful. We are also seeing this in insurance, in the form of data-driven product bundling and upselling.

47% of insurers have a strategy to bundle and upsell products based on customer lifestyle analytics…

Insurance has always had relatively few customer touchpoints, and even though insurers are now seeking to increase that number, insurance remains a product that is sold rather than bought. Taking full advantage of every selling interaction they have is therefore the surest way for insurers to increase their customers' lifetime value.

Bundling and upselling products is – like diversification – a strategy with strong applications regardless of what sort of insurance market you are operating in. Whether your focus is to chase new customers or to retain existing business, it is better to reap maximum reward on each customer from the outset than to re-engage them (perhaps unsuccessfully) later on.

There are obviously many aspects of product development beyond diversification, UBI and bundling/upselling which we were not able to investigate directly. For this reason, we asked our Insurers & Reinsurers to indicate additional product-development talking points via an open-text response. Two key points that emerged across their comments were:

- The need to increase the service element of products in order to keep up with evolving consumer needs and drive customer retention
- The problem of constrained development resources, especially in expert personnel and IT

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Regional Profiles

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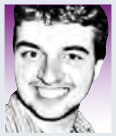
Section 3: Regional Profiles

Use the interactive world map overleaf to navigate to any one of our seven global regions: Europe, North America, Asia-Pacific, Latin America, the Middle East, Africa or Central Asia. Each profile presents an overview of the state of insurance in that region, based on a mixture of our stats (where available) and direct testimony from in-region correspondents.



ALEXANDER CHERRY

Head of Research at Insurance Nexus

This section presents an overview of the state of insurance around the world, developing on a regional basis the themes we have introduced in the report so far. As part of this, we draw on testimony from in-region correspondents in order to corroborate and qualify the market characterisations we have attempted.

- We introduce our profiles on Europe, North America and Asia-Pacific with a table of stand-out stats in the style of Top Trumps (this serves as a quick overview of each region before our more in-depth exploration). These measures should be self-explanatory but a key explaining exactly what each one refers to is included at the end of this section.
- For Europe, North America, Asia-Pacific and LatAm, we indicate how the external and internal industry challenges vary locally from the global trend we outlined at the beginning of this report in the Global Trends section. We explore any significant variations in the course of each profile.
- We provide a qualitative perspective on all our regions – Europe, North America, Asia-Pacific, LatAm, the Middle East, Africa and Central Asia – based on interviews with industry participants active locally.
- We conclude our profiles on Europe, North America and Asia-Pacific with a high-level look at how the key industry challenges and insurer priorities vary across local sub-regions.

These regional profiles are naturally not exhaustive summaries of everything insurance-related within each region, and we acknowledge that there is often massive variation across the large geographical areas under our consideration which we have not been able to do justice to.

However, we hope that what we have put together will at least give you a sense of the different dynamics at work in insurance markets around the world, as well as of the varied opportunities on offer.

The full-page world map overleaf serves as a visual contents page: jump to the Regional Profile that interests you the most by clicking on the relevant region (you can navigate back to the main map from each Regional Profile by selecting the compass in the corner of each regional map). The icons superimposed on the world map represent the leading regionally differentiated challenges based on the external and internal challenges we introduced in the Global Trends section (two from the external, and one from the internal, category per region[1]).

[1] To arrive at these regionally differentiated challenges, we removed 'Technological advancement', 'Lack of innovation capabilities' and 'Legacy systems' from contention since these challenges led in every region and would have defeated the object of a regional comparison

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INSURANCENEXUS

KEY EXTERNAL AND INTERNAL CHALLENGES FACING THE INSURANCE INDUSTRY

- CHANGING CUSTOMER EXPECTATIONS
- CHANGING ECONOMIC CONDITIONS
- SILOED OPERATIONS
- INCREASED REGULATION
- FINDING AND HIRING TALENT
- NEW EMERGING RISKS
- DIGITAL CHANNEL CAPABILITIES

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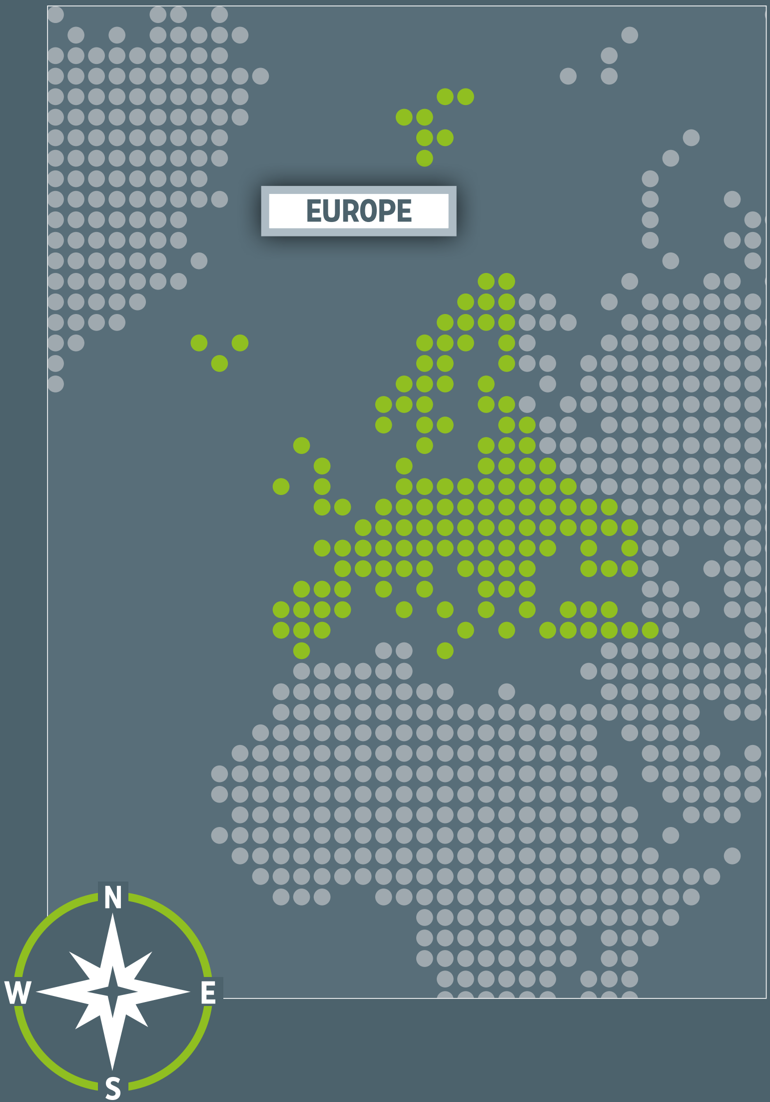
TURN OVERLEAF FOR THE FULL REGIONAL PROFILE...



MARKET CONDITIONS	Legacy Burden	43
	Regulatory Burden	69
	Disruption Score	23
STRATEGY	Digital Strategy	82
	Mobile Strategy	67
	Cross-Platform Strategy	53
	Omnichannel Strategy	68
CUSTOMER	Aggregator Impact	42
	Customer-Centricity Appraisal	38
	Customer Engagement	23
	Consistent Customer Experience	23
	Direct-to-Customer	76
	UBI Strategy	38
CLAIMS	Before-the-Claim Fraud Strategy	80
	Automated Claims Handling Process	44
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> Europe presents us with a potentially gloomy picture, with the on-going issues of low interest rates and weak growth prospects, to which we may add growing regulatory burdens and political uncertainty – especially in the wake of the UK's Brexit vote. However, we have nonetheless gathered plenty of evidence that incumbents have the tools in place both to come through and to hold their own against new entrants.

HELEN RAFF

Head of Content at Insurance Nexus

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We now present our overview of the state of insurance in Europe, building on the statistics we have presented in the course of the two preceding sections on Global Trends and Key Themes.

Firstly, we look at where Europe stands in relation to our global trends (internal challenges, external challenges and insurer priorities).

Secondly, we explore the profile within the region of the more specific themes we have covered in this report by drawing on direct contributions from two of our influencers in the region:

- Switzerland-based venture capitalist Spiros Margaris, VC (InsureScan.net, moneymeets & kapilendo), ranked Global #1 Fintech & #2 Insurtech Influencer by Onalytica
- Charlotte Halkett, General Manager of Communications at UK-based telematics provider Insure The Box

We close the write-up with a look at local variations across different sub-regions within Europe: United Kingdom & Ireland, the Nordics, Western Europe, Southern Europe and Eastern Europe.

The External Challenges: Europe

In Europe, the top three external challenges follow the global trend we outlined in our first section: 'Technological advancement', 'Changing customer expectations' and 'Digital channel capabilities'.

Looking further down the table, some points of note are the higher position attained by 'Increased regulation' and the lower positions of 'New emerging risks' and 'Catastrophe risk'. Compared to some of our other regions, like Africa and Asia-Pacific, Europe is relatively sheltered from natural catastrophes and the associated risks that they bring with them, which possibly explains the lower scores we find for 'New emerging risks' and 'Catastrophe risk'.

CHALLENGE	RANK	VS GLOBAL
Technological advancement	1	-
Changing customer expectations	2	-
Digital channel capabilities	3	-
Increased regulation	4	+2
Changing economic conditions	5	-
New emerging risks	6	-2
Increased competition	7	-
New entrants to the market	8	-
Absence of a clear strategy	9	+2
Climate change	10	-
Catastrophe risk	11	-2
Lack of company investment	12	-

+1 indicates that a challenge is one place higher in Europe than globally

As for the prominence of the regulatory challenge, we need look no further than the EU's Solvency II, which came into effect at the start of 2016 and represents the first major shake-up of the landscape since the 1970s.

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> Customer-centricity is an important issue because insurance is a 'trusted good'. To address social values and preferences is important. Customer-centricity means building trust, branding and a business model based on relational values. Not for nothing: Empirical evidence shows that identity is the strongest customer KPI.

ANDREAS STAUB

Managing Partner at FehrAdvice

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The Internal Challenges: Europe

Internally, the top challenges are close to the global trend: 'Lack of innovation capabilities' and 'Legacy systems' take first and second place respectively, with 'Siloed operations' edging out 'Finding and hiring talent' in third place.

CHALLENGE	RANK	VS GLOBAL
Lack of innovation capabilities	1	-
Legacy systems	2	-
Siloed operations	3	+1
Finding and hiring talent	4	-1
Lack of company-wide dedication to core priorities	5	-
Mergers & acquisitions activity	6	-

+1 indicates that a challenge is one place higher in Europe than globally

Insurer Priorities: Europe

Here are the priority areas on which European insurers lead, as detailed on our medals table in the Insurer Priorities section:

CLAIMS

CUSTOMER-CENTRICITY

MOBILE

REGULATION

We expand on these challenges and priority areas over the coming pages as part of our qualitative exploration of the European market, with additional insights from our two regional contributors, Spiros Margaris and Charlotte Halkett. Key focal points are:

- Growth opportunities in a relatively saturated market
- The European consumer and Europe's 'early adopter' status
- How European insurers are using new technologies to deliver on their customer promise
- Dynamic, real-time insurance and IoT
- Progress on developing connected insurance models across the continent as a whole

Old Problems — New Solutions

While Europe, with a population of 750 million people, is a larger market than North America, it is still less than a fifth of the size of what we estimate for our Asia-Pacific region (4 billion). We therefore expect Europe to be relatively well aligned with North America in terms of the range of market opportunities on offer.

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European carriers have a raft of incoming regulation to implement and prepare for… In addition to the implementation of Solvency II, we can also point to the IAIS's Insurance Capital Standard (ICS) slated for 2020, the introduction of International Financial Reporting Standards (IFRS) and the transposition into national law of the Insurance Distribution Directive (IDD) in time for 2018.

JAMES VINCENT

General Manager at Insurance Nexus

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That said, Europe does comprise a broader spectrum than North America, including some of the world's leading economies (United Kingdom, Germany, France) alongside more emerging markets (like much of the former Soviet Bloc), which are not as advanced per se but offer attractive growth opportunities.

As is the case globally, low interest rates are adversely affecting insurers' investment outlook and forcing them to refocus on their core underwriting business. In Europe, this situation is compounded by a stringent regulatory environment (Solvency II), which makes running a profitable investments business harder still.

'Solvency II regulation is good, but in the kind of environment where we have low interest rates, it makes it much harder for insurers to find opportunities to make money,' comments Spiros Margaris.

This is borne out in the stats we gathered on regulation:

- Among our key regions, Europe leads on Regulation as a priority area
- In our Regulation section, a relatively high proportion of European respondents indicated that regulation was impeding progress at their organisations 'a lot', with Solvency II and the Insurance Distribution Directive (IDD) being identified by European respondents as cause for concern
- Also, consistent with our other regions, a large majority of European respondents believed regulation was posing more of a challenge to their organisations presently than during the previous 12 months

Interest rates and regulation make it imperative for insurers to seek growth and profit opportunities elsewhere. While there does exist a low-end market opportunity in Europe, this is nowhere near on the scale we see in Asia-Pacific, Africa and LatAm. This means that, in the main, insurers must focus on established demographics and look either for entirely new risk categories or for ways to serve their clients' existing risks better and more extensively.

A key emerging risk area on the commercial side is cybersecurity, as we will see also in our write-ups on North America and Asia-Pacific. This isn't entirely new as a risk category but it is looming larger and larger for any company that operates using customer data (i.e. every company). Unfortunately, cyber risk is not an easy category of risk to insure, given the wide range of dependencies involved,

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Section 3: Europe

> There is an abundance of capital available in the global economy, and right now money is cheap. There is minimal value in continually driving down price and adding further competition to a saturated market place. Putting digital at the core of distribution strategies will allow previously untapped markets to be exploited for a relatively low cost, allowing that capital to be deployed more effectively.

GARETH EGGLE

Head of Insurance at Flint Hyde

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encompassing everything from reputational damage to share-price hits. It is partly for these reasons, Margaris notes, that many insurers have been reluctant to jump on the cyber bandwagon, at least for now.

Cybersecurity is also an issue that insurers are on the receiving end of, insofar as they steward vast quantities of customer data, all of which must be secured. Consistent with our other regions, a majority of European (re) insurers are very concerned about information security breaches; fortunately, a majority also have mitigation plans and have adjusted their security strategy in order to reflect the rise of new digital platforms.

Beyond exploring completely new risk categories, like cybersecurity, insurers in Europe will find fresh profits by focusing on what they have always done – only better.

Retention of existing business is therefore of primary importance, and we did indeed find a high focus on customer loyalty among European insurers. Part of this also involves increasing the lifetime value of customers already on the books, with around half of European respondents indicating that they have a strategy to bundle and upsell products based on customer lifestyle analytics, consistent with our other regions.

Additionally though, growth will come from going after new customers in the established demographics, and this will require insurers to better adapt their existing products to the sorts of risks people want to insure against and to offer them at an appropriate price. While this new drive towards customer-centricity will, generally speaking, result in lower premiums (insurance is not a designer item, and less is always more from a price perspective), it also allows greater scale and, ultimately, lower operating costs.

If we take the UK motor-insurance market as an example, we see that there is plenty of old business to be better served and new business to be won. Charlotte Halkett, speaking from her experience at telematics provider Insure The Box, mentions that the cost of motoring in the UK is a particular challenge and draws attention to unlimited liability as well as to various government-influenced changes, such as the Odgen Rate,[1] which disproportionately affects younger drivers less well-placed to front the cost of auto insurance.

It is this opportunity – not just to improve driver safety but to bring down the cost of motoring – that Insure The Box is taking full advantage of. By monitoring driver behaviour through telematics, the company is able to incentivise safer driving behaviours and ultimately guide motorists to lower premiums. We will explore their Usage-Based Insurance (UBI) model later on in this write-up.

[1] insurancebusinessmag.com/uk/news/auto-motor/direct-line-drives-up-prices-after-ogden-rate-cut-66735.aspx

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> Anyone who believes that business will stay as in the past, will face a so-called 'Kodak' moment and will not survive increasing competition. There is an urgent need to systematically deal with innovation and challenge the current offering or even business model.

MONIKA SCHULZE

Global Head of Marketing at Zurich Insurance

While Insure The Box forms part of an incumbent insurer's technology stack through its parent company Aioi Nissay Dowa Insurance Europe, it is unlikely that the new play for personalised, customer-centric insurance will work out solely for the benefit of incumbents. Indeed, the opportunity is already attracting many new market entrants (like Insurtechs), who represent a serious threat to legacy insurers' hitherto cosy models.

Margaris gives a high-level explanation as to why Insurtechs are such a threat to traditional players:

'Consumers will ask themselves why is it so much cheaper with an Insurtech company and why does it cost so much at the insurer's end? So there will increasingly be a margin pressure. The example I often present: if somebody gives the milk away for free, will you go to the deli and pay $1? You'll say, I get it free there. I want to stay with you, but I'm not going to pay you a dollar for it. And that's what Fintech/Insurtech does, it piles on margin pressure.'

Even if insurers can get the price of their products down, Margaris still believes Insurtechs have an edge due to their stronger customer credentials.
'If Insurtech companies provide solutions that feel very personalised, customised to the user's needs, people will feel like what their insurance company is offering is so old-fashioned,' he elaborates. *'So there will be dissatisfaction with the incumbent services that they're getting, and of course pressure not to pay up for that.'*

Much of the difference between old-fashioned and newfangled comes down to the user interface. In this regard, Margaris compares the old and the new in insurance to the old and the new in software:

'If we go back 15 years and look at the user experience with software then – nowadays, you're left asking, how did people use it? But at that point we thought it was cutting-edge. Now though, people don't want to think about what they've got to do, everything has to be seamless.'

Price and personalisation (the two Ps) are the two key areas that insurers have to work on as they square up to new market entrants. We will see later on in this write-up that insurers' ability to lower premium prices in fact goes hand-in-hand with improving personalisation – in the sense that more frequent customer touchpoints and interactions provide the very data insurers need to price accurately and to offer the incentive of lower prices still.

Europe as Early Adopter
The trends we have just outlined – falling investment returns and a renewed drive towards customer-centricity

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From IoT in the field to analytics and emerging AI solutions at the backend, European carriers are grasping with both hands everything the technology community has to offer in their bid to win the race for the customer. This promises to be a very exciting period for solution providers!

GUY KYNASTON

Commercial Director at Insurance Nexus

– all manifest themselves, in some way or another, in the other markets we examine in this report, as does the growing threat/opportunity of Insurtech. But how does Europe compare to other markets in this regard?

Throughout this report, we have characterised the current disruption sweeping through the insurance industry as being customer-driven. We further identified its roots in the growth of digital outreach and distribution channels, not just in insurance but in the online economy more generally (a case in point being online retail), in the sense that these open up formerly captive markets to fleet-footed digital competitors.

Based on the statistics we presented in the two preceding sections on Global Trends and Key Themes, we have reason to believe that Europe is not just a heavily disrupted market but one in which insurers are showing themselves relatively well-equipped to deal with this, compared to our other key regions (this comes of course with the caveat that the European market varies substantially from country to country in ways we can only explore here at a relatively high level).

In our Marketing and Customer-Centricity section, we characterised Europe and Asia-Pacific as exhibiting a marginally more 'problematic' insurer-customer relationship than North America. In Europe's case, we pointed to the high priority score (higher than our other key regions) that it achieved for Customer Centricity (56 compared to North America's 51). Our thesis was that higher customer expectations in the region were driving customer-centricity not just high up but to the very top of the European priority rankings.

In line with our view that changes to distribution are intimately tied up with disruption in insurance, we

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> In 2016, we saw Insurtech investments in the UK more than double to £15 million, ahead of next-placed Germany and France. Given the prevailing openness of UK consumers towards innovation in financial services, we expect to see continued adoption of Insurtech solutions over the next 12-18 months.

ANT GOULD

Director of Faculties at the Chartered Insurance Institute (CII)

#insurancemap

expected to find a relatively shaken-up distribution landscape in Europe. A few thoughts on this:

- The digital direct-to-customer channel is well-established in Europe (as we saw in our Distribution section, if any region is a laggard, it is North America)
- Affiliate partnerships have a long tradition in Europe, for instance with Tesco insurance in the UK, and a majority are increasing their distribution through these channels
- We know anecdotally that aggregator impact is high in Europe, likely a consequence of the volume of direct business and the plethora of digital channels

While distribution disruption is what fundamentally enables customer disruption, these two trends are ultimately bound together with consumers, once empowered, setting ever higher precedents for distribution. Halkett gives a brief overview, from a UK perspective, of this consumer/distribution complex:

'The UK consumer is a very early adopter of things like online retail purchasing, and that means that new entrants can get to their market much more easily than in other markets.'

She continues: *'The UK insurance market has been the most innovative for many years. They were the first to have direct insurance and the first to then start widescale adoption of aggregators, and now Insurtech leads in the UK as well.'*

Aggregators in particular allow new entrants to get in front of a vast number of consumers with minimal upfront cost. Halkett recalls how it was the aggregator route that first brought her start-up Insure The Box to prominence:

'We started with almost no brand, no marketing spend, we got onto our first aggregator and that meant that lots of consumers could see our proposition very, very quickly. That's how you find those early adopters and that's how the ball starts rolling. The UK consumers are very willing to try different financial products this way.'

Aggregators are particularly well-established in the motor-insurance sector, and Halkett estimates that the percentage of UK customers that use an aggregator before taking out a policy is in the 80% range and that this rises into the high nineties for young drivers.

Based on the two lines of enquiry we have pursued in this sub-section (high customer priority and a wide-open distribution landscape), we conclude that disruption has definitely arrived in Europe, and that the European market may in this respect be marginally ahead of the North American market.

We feel similarly about Asia-Pacific, although it appears that the disruption wave is only just breaking over this market. On the other hand, it is our conviction that European (re)insurers have already gone some way towards establishing a new normal and are relatively well-equipped to deal with disruption.

One key measure that speaks for this is the fact that it is Asia-Pacific, not Europe, that trails on cross-channel consistency (as we noted in our section on Distribution). If Europe is marginally ahead here, this would suggest that European insurers' omnichannel strategies – a reaction to disruption – have gone some way towards

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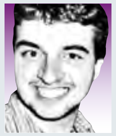
From the measures we have gathered – covering customer-centricity, distribution and market dynamics – it appears that carriers in Europe are marginally more mature than their North American and Asia-Pacific counterparts, as insurance prepares for its big, tech-powered turn. While Insurtech remains the ultimate challenger, European insurers' confidence in their own armoury is still intact.



ALEXANDER CHERRY

Head of Research at Insurance Nexus

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flattening out the fractured distribution landscape. Similarly, we can point to the lower prominence, compared to Asia-Pacific, of the Chief Customer Officer role in Europe among recent or imminent appointments (see the Services, Investments and Job Roles section).

The lower importance of the Chief Customer Officer appears at first glance hard to square with the high priority Europe currently accords to customer-centricity. However, rather than Chief Customer Officer and other customer-related job roles being unimportant in Europe, we might conclude instead that they are simply not of recent creation. In Asia-Pacific by comparison, which we have suggested is only now feeling the full force of customer-driven change, Chief Customer Officer is the stand-out new job title.

Intuitively, we expect new job roles to get created when the perception of a market threat is at its highest, in some sense as a knee-jerk reaction. If we infer from our job-role stats that Chief Customer Officer is currently all the rage in Asia-Pacific but was last year's role in Europe, the implication is that the wave currently breaking over Asia-Pacific broke over Europe a short time ago and that Europe is marginally further along with its journey towards tomorrow's new normal.

The key stat to bear in mind here is the 'disruption score' relating to lost market share from the Insurtech Perspectives section: only a small minority of (re) insurers in Europe (23%) reported that they are currently losing market share to new entrants. We have already emphasised the psychological component of this score, so – at least in terms of how European (re)insurers perceive their own market – Europe is in less deep trouble than Asia-Pacific, where 47% of (re)insurers believed they were losing market share.

'I think European insurers are not panicked yet that the Insurtech companies will destroy their business,' comments Margaris. *'We haven't seen much business deterioration through Insurtech companies yet, but it will happen, that's certain.'*

It would therefore appear that Europe is not so much the most disrupted of our key regions as the longest-disrupted. In line with this reasoning, it is Asia-Pacific that could be termed the most disrupted, in the sense that it is being hit by a storm that Europe has entered already, and North America the least disrupted, in the sense that the storm has not (quite) broken yet. We explore the nature of disruption in the APAC and North American markets in greater detail in our upcoming dedicated profiles on these regions.

> It is important to listen to your customers and speak their language in order to influence your top and bottom line. If you want to satisfy your customers, you have to know what they want and need, what they're saying about you, and how they feel about your products, services and brand.

MONIKA SCHULZE

Global Head of Marketing at Zurich Insurance

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None of this is to imply that the material level of disruption in Europe is declining or that the storm has been ridden – far from it – just that (re)insurers have gone further to take it on board. Indeed, as Margaris has pointed out, more business deterioration is likely on its way. There is also no reason for markets to develop in a linear fashion, with innovations (and threats) arriving onto the market in a constant stream, so relative confidence among insurers today could turn into (or back into) panic pretty much overnight. For the time being though, we believe we have discerned a slight innovation lead in Europe, which we explore further in the next sub-section.

Delivering on the Customer Promise

Embracing innovative distribution methods is only part of the story for European insurers seeking to engage digitally savvy and ever more demanding consumers; another key aspect is to incorporate a greater level of personalisation into the products they are offering.

'The consumer is used to a really personal experience now, and that is exactly the same as when they're buying a pair of shoes online,' comments Halkett. *'They're used to being able to get something if they want it, where they want it and at the cost they want, including complete information like the exact half hour it's going to turn up in their house and what colour it is.*

That's the same for the £1000 insurance they're going to buy, they want to have that real personalised experience to get the cover they want, how they want it, and to be able to influence the price that they're going to pay. The big, overwhelming message is that the insurance industry is going to need to be flexible and innovative, because consumers are becoming ever more demanding and the base level of their expectations is rising all the time.'

Personalisation in insurance extends from offering positive customer service across channels to customising policy prices on an individual basis (UBI). Halkett believes that the UK market in particular has been a leader in this sense:

'The complexity of pricing has always been at the cutting edge in the UK,' she explains. *'From developing general linearised modelling through to telematics, the initial development has occurred within the UK. And it's partly to do with this being a worldwide centre of insurance, that's true, but it's also to do with the consumer. It's very consumer-led: consumers are very willing to adopt, consumers are very willing to try new things.'*

Halkett believes the UK has served as a guinea pig for in-car telematics and that the models developed here can benefit a wide range of insurance markets. This impression fits in with our product-development stats for Europe overall: Auto was indeed one of the lines respondents identified as driving the most product innovation in the region (the other was Health). We explore UBI models, especially as they relate to the Auto line, in the next sub-section.

All these customer initiatives, if they are to be more than just good intentions, require far-reaching back-office transformation; investment is required in new technologies and solid digital capabilities (such as analytics), and these in turn need to be grounded in well-conceived strategies if they are to truly take root and flourish at an organisational level. Let's look now at what European insurers are doing practically to deliver on their customer promises.

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> The one who is doing similar business to you should be considered as a chance and not as a risk - being connected via Open APIs based on your Open Insurance Eco System. You will win because your processes and technologies are faster, cheaper and more customer oriented than others, because you are open.

OLIVER LAUER

Head of Architecture / Head of IT Innovation at Zurich

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Encouragingly, a large majority of European respondents acknowledged having formal digital, mobile and cross-platform strategies, so digitisation appears to be well underway among European (re)insurers (consistent with our other regions). We also found a strong increase in analytics focus/investment among our European respondents, as well as a reasonable level of coordination of analytics across their organisations.

Analytical and machine-learning models have plenty to get their teeth into with what customer data has been captured directly by insurers, but they can additionally be supplied with external data from third parties. We found this practice to be widespread in Europe, as indeed were formal data-governance strategies.

One major hurdle for the implementation of more data-driven, customer-centric systems is the presence of legacy, and this is just as present in Europe as anywhere else. 'Legacy systems' came in second place among the internal challenges (in line with the global trend), and was additionally identified by our European contributors as a serious challenge for the region. Margaris highlights a couple of particular pain points as far as legacy systems go:

'If you have legacy systems, it's difficult to put cutting edge technology on top of them,' he points out. *'Legacy systems make it so much harder for incumbents to innovate and to comply with regulations.'*

Taking Insurance into the Real World, Real-Time

Over the preceding sub-sections, we have tentatively identified Europe as an early adopter, and we saw this tendency manifested in the prevalence of new-age distribution channels and personalised, customer-centric products.

Here, we extend this line of enquiry by turning to the vanguard of personalisation in insurance, namely the Internet of Things, and exploring the progress it has made within European insurance. IoT is the final frontier of customer-centricity in the sense that it takes insurance

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> The IoT development (expected to reach 20.8bn by 2020, according to Gartner Inc forecast) should help a new insurance to emerge, increasing customer centricity and decreasing costs. An example of IoT impact on insurance is wearable tech, a passive way to monitor health and wellbeing, in real-time and for everything. By identifying those who seem to be looking after themselves, insurers can drive premiums down for them.

MINH Q TRAN

General Partner at AXA Strategic Ventures

into the real world on a real-time basis, placing the customer literally, and not just figuratively, at the centre.

If Europe is marginally further along the journey of customer-driven disruption than our other regions, as we have suggested, then we would expect IoT to be marginally ahead as well. And while the technology is making strides the world over, our stats do place Europe above trend on the IoT-for-insurance adoption curve, at least in terms of current platform implementation (see our Internet of Things section), and the pre-eminence of the continent in this field is borne out by much of our broader research.

While Internet of Things was not a priority area that Europe led on in our Insurer Priorities section (it came second behind Asia-Pacific), Europe did achieve top spot for 'Mobile', 'Customer-Centricity' and 'Claims' – which form a constellation very auspicious for IoT-enabled business models and innovation.

Margaris tends to agree on the importance of IoT for European insurers, and Halkett, as we have already mentioned, credits the UK market as having fostered the development of in-car telematics.

As we indicated in the previous sub-section, the real personalisation opportunity for insurers consists not just in personalised experience à la retail but in personalised pricing, so that the price customers pay reflects their real-world usage as captured by connected devices.

It is thus that personalisation and premium-price reductions actually go hand in hand; rather than requiring two strategic thrusts, they can be part of one IoT-enabled customer-centric approach. These two Ps – price and personalisation – are the two main advantages enjoyed by Insurtechs, so insurers looking to the future, and to future-proof themselves, should definitely be taking an interest in IoT.

While still only a minority of insurers in Europe have a strategy on Usage-Based Insurance (UBI), this is in line with our other key regions; we expect to see this percentage rise dramatically across the board over the coming years. Auto, Home and Health are the leading lines across all our regions in terms of the expected IoT benefits, though the benefits of sensor networks in other lines should not be ignored.

Auto is an example of a line that has already been extensively transformed by IoT in the form of telematics. This area is home to solutions of varying sophistication, from smartphone apps to 'black boxes' built into cars. Depending on the richness of data coming from in-car

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Automated data capture through IoT does not just help insurers pre-empt claims, it also helps mitigate losses and improve customer service when claim events do occur, by rooting out fraudulent or inflated claims and enabling faster turnaround of legitimate ones. Provided customer privacy concerns form part of the discussion, there is no reason why connected claims cannot be a win-win for everyone.

MARIANA DUMONT

Head of New Projects at Insurance Nexus

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sensors, a variety of insurance use cases and business models are enabled.

The one that most immediately jumps to mind is UBI, incorporating dynamic pricing and driving behaviour modifications. By making customers' premiums dependent on how they drive, insurers both incentivise better driving (which is good for everybody) and lower the cost of premiums, which helps to get more people, more affordably, on the road.

'The joy of all insurance is the same: the financial desire of the insurance company is completely aligned with customers' needs. So nobody wants to have crashes! The consumer doesn't want to have crashes and the insurance company would like to reduce the risk on their books,' explains Halkett. *'With telematics, you really get to do that, it's not only that you get to understand the risk of the individual consumer, it's that you get to influence that risk, so the risk that you write does not have to be the risk that you keep.'*

Even if premium prices remain the same, a premium with the potential for reduction is an infinitely more saleable proposition than the fixed-price alternative. And it is not solely up to drivers to educate themselves – insurers can take a much broader tutelary role by communicating tips and advice on an on-going basis. In this way, Halkett sees Insure The Box as being much more than just a provider of telematics.

'We take customers and then we make them safer drivers,' she says, *'and we do that via communications, online portals and via direct messages to the consumers, all the time rewarding safer driving behaviours.'*

From language courses to money-saving apps, gamification has proven itself time and time again to be a powerful force for bringing about positive outcomes, and the case with telematics is no different. The key is to engage the customer via whichever touchpoints are the most natural and offer the highest level of trust and engagement.

Insurers should not therefore conceive IoT solely in terms of inbound traffic (data traveling from customer devices to their back office) but also as a means of achieving higher engagement for their outbound messaging (from insurers to customers). Halkett points out the potential of connected home devices, such as the voice-enabled Amazon Alexa, for initiating contact with consumers in a world where 'mobile' refers to much more than portable telephones.

Beyond facilitating UBI models and continuous customer engagement, IoT solutions also give insurers detailed insight into what is actually happening on the ground on a second-by-second basis. Admittedly, this requires a lot of data and sophisticated models and, in telematics for example, it is certainly a lot more than just detecting high G-forces.

Indeed, Halkett recounts an example from the early days of Insure The Box, where a spike in G-forces triggered an accident alert but actually turned out to be nothing more than the forceful slamming of one of the car doors. Nowadays though, the company can reliably detect the tell-tale signs of accidents and other claim events from the incoming stream of black-box data in real time and react accordingly. With motor accidents, speed is of the essence, so being able to dispatch an ambulance instantaneously to the scene can be the difference between life and death: the ultimate in claims loss mitigation.

This data is also useful in the inverse case, where

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> Certainly, the personal lines space seems to lend itself to automation more readily because you can build rules more easily to deal with standard terms and conditions that allow the majority of those claims to be processed with exceptions being spat out for manual intervention. The Lloyd's market is a specialty property and casualty market so automation hasn't been considered to the same degree.

TIM WILLCOCK

Director of Operations, Lloyds Market Association

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insurers want to demonstrate that an accident has not in fact occurred (and that, therefore, an associated claim is fraudulent).

The business case for IoT in claims is self-evident; as we recall from our Internet of Things section, a majority of our respondents selected claims as one of the areas best-placed to benefit from IoT. Further still, in our stats on Claims, a majority of respondents believed that IoT would impact the claims department, and a majority also acknowledged having a high level of focus on claims loss mitigation.

The immediate access that IoT gives to data, which does not have to be sought out and gathered but simply ends up in insurers' back-end systems as a matter of course, is driving the development of automated or 'straight-through' claims-handling. We found a reasonable incidence of automated claims-handling among our European respondents, whose claims departments also expressed a strong focus on customer experience.

In the context of continually expanding horizons, we asked ourselves what the next stage of dynamic real-time insurance might be. Continuing this section's particular focus on the Auto line, we of course cannot ignore the amount of chatter around autonomous driving and what it means for the insurance industry.

While some believe that autonomous driving may eliminate the Auto line, the truth of the matter is that human error is not the sole source of catastrophic events on the road.

'You don't just eliminate all risks by making your vehicles autonomous,' Halkett points out.

'And that's before you even start to think about what you'd need to do to have an entirely autonomous ecosystem. The environment is going to have to have so many significant changes before it can support current autonomous functionality, and the journey between now and 100% autonomous – even if that does happen, and it's not certain it will – is not straightforward at all, and there will be lots of different forms of mobility between now and then.'

Halkett underlines rural and city driving as two key hurdles to be overcome on the way to full autonomy. For now and the immediate future, she believes there is food for thought enough in the intermediate stages between today's conventional cars and the putative point of total autonomy in the future:

> Italy is recognized as the most advanced auto insurance market at the global level for telematics. Leveraging the experience of the auto business, the country is affirming its position as a laboratory for the adoption of this new paradigm by other business lines.

MATTEO CARBONE

Founder & Director at Connected Insurance Observatory

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'We're going to have multiple different vehicles, some with ADAS systems, some with minor help for driving in there and some with barely more than a glorified cruise control, up to fully autonomous vehicles, all on the road at the same time with drivers behind the wheel with very differing levels of experience and expectations for that driving too.

And what they are going to want from their insurance is a seamless product that just covers them for whatever they're going to do – that is the reality of what the insurance industry is facing over the next 10-20 years.'

And instead of focusing exclusively on different degrees of autonomy within what is essentially a private ownership paradigm, Halkett believes insurers should also be looking laterally, at emerging mobility formats:

'I would be looking at things like ride-sharing, things like shared ownership and different forms of vehicles, before we ever got to the point of complete autonomy,' she concludes.

Driving Connected Insurance Models Across the Continent

Our write-up so far has leaned towards the UK. But what sort of progress have new-age insurance models made across the continent as a whole?

Another country that currently boasts plenty of IoT buzz is Italy. Our influencer Matteo Carbone, of the Connected Insurance Observatory, draws attention to the telematics leadership shown by the Italian market, citing the nation's 4.8 million connected cars (as of the start of 2016), compared to 3.3 million in the United States and 0.6 million in the UK.[2]

However, to compare IoT progress in blanket fashion across different national markets and insurance lines can be like comparing apples and oranges to pears and plums, given the uncategorizable variety of the problems IoT solves and the sheer number of different business models it enables.

In Italy for example, telematics boxes have been mandatory in all new cars for several years now, as a result of legislation aimed at reducing fraudulent whiplash claims. Such legislation does not currently exist in the UK but, as we have pointed out, the UK telematics market could be considered a frontrunner in other respects.

Leaving aside the question of who leads and who trails, one thing is certain: that IoT-based solutions for insurance, both within the Auto line and beyond, are only going to become more prevalent as the unit cost of

[2] insurtechnews.com/insight/connected-insurance-is-here-to-stayare-you-ready-for-this-new-insurance-paradigm.html

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> At some point in time, everyone is going to get connected. People will feel more empowered as they have a greater control on preventing risk events. This will be the origin of the new business model. In some countries, insurers don't have a high level of trust because they are establishing conditions, changing prices and the relationship is only one way. This is going to change, because in the future clients will have their data as an asset.

CECILIA SEVILLANO

Head of Partnerships, Smart Homes, at Swiss Re

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sensors comes down and the demonstrable savings from the technology rise further.

'The cost of technology is coming down all the time and customer understanding is going up,' explains Halkett. *'So the business model becomes easier and easier for a wider portion of the market. Consumers in other countries will more readily adopt these sorts of technology-led products, and insurance markets are becoming more sophisticated as well.'*

To continue with our Auto focus, we can see how the advantages of in-car telematics – whether we are talking road safety, lower premiums of counter-fraud – are advantages for people of every age in every market, so there is no fundamental limit on the applicability of the technology.

This is not to say that the specific use cases will be the same everywhere. Halkett believes that the technology will bring about a bigger quantum leap, from a road-safety and world-health point of view, in those countries where infrastructure currently lags.

'I think when you stand back and start looking at the benefits of telematics, there's an awful lot that could be used in different markets for very different reasons,' she says.

'For example, if you look at the accident alert service and it tells you when someone has had a serious road accident – that would be so useful in rural areas in poorer countries which perhaps do not have the same infrastructure or the same emergency services as we do in the UK. And to have that pinpointed alert would be even more valuable in countries where not everyone has a mobile phone and hospitals are perhaps less accessible.'

This is a classic case of high-end technology bringing the full benefits of insurance to the lower-end market, a recurring theme across our other regional profiles as well; underdeveloped markets, especially when they lack the burden of legacy systems, have a chance to catch-up with and even leapfrog more established markets.

Margaris believes that this will be the case, not just for IoT adoption but for innovation more generally, in those parts of Europe that are currently less developed.

'The truth of the matter is that in less affluent countries you will see a faster adoption of Insurtech because it's cheaper and more personalised than what the incumbent insurance players offer,' he observes. *'Furthermore, I believe that the richer the countries, the less there is a need by consumers to adopt the cheaper business models that are offered by Fintech and Insurtech start-ups. So, therefore, I would say, the more developed the country, the longer it will take for innovative technology and business models to be adopted.'*

Looking at our local trends (which we present in full in the next and final section of this write-up), we see that 'Legacy systems' is highly ranked in every sub-region apart from Eastern Europe, where it actually drops into

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> Insurtech will offer new ways to harness IoT potential, with use of AI and machine learning. Through partnerships with these startups, incumbents can definitely accelerate their modernisation. And this is a win-win situation as Insurtechs have technological expertise and, in return, insurance leaders can provide them the one resource which they lack: money.

MINH Q TRAN

General Partner at AXA Strategic Ventures

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the bottom half of the challenges table – confirming our suspicion that there is less legacy in Europe's most emerging market. If this is indeed the case, then we expect Eastern European insurers to be better placed than most to meet the Insurtech challenge.

Looking beyond Europe for other emerging markets with 'leapfrogging' potential, Margaris points to Africa as ready-made example, referring specifically to mobile technology (something we explore in further detail in our Africa section):

'Look at Africa, where with a normal phone – not even a smartphone – you can already transfer money, you can do anything,' he comments. *'Because with low incomes, you will find a greater need for innovation.'*

This forms an unfavourable contrast with some established markets, and Margaris sees his native Switzerland as a case in point:

'In Switzerland, where I live, there is a lesser need for innovative business models because people have enough money. Not everyone is well-off of course, but in general, there's such a comfort level that people say, the status quo works well, so we don't need to go for Fintech or Insurtech solutions that are or might be cheaper or better.'

Margaris picks out Insurtech and AI as two growth areas towards which sizeable investments are currently flowing, with London and Berlin being the premier European hubs. As for how the Insurer-Insurtech confrontation will play out, he points to the case of Fintech – which has a couple of years' lead on Insurtech – as a likely indicator of how things will go here as well.

'If we look at Fintech, which is in a more advanced phase than Insurtech, you see a clear trend of cooperation, meaning partnership or outright buying by incumbents. I think this will also happen to the Insurtech space,' he explains.

While this prognosis (cooperation winning out over competition) is generally positive for insurers, Margaris believes that in some ways insurers have it more difficult than banks:

'Banking has the same issues but banks are much more experienced with customer interaction on a daily basis. While, with insurance, usually you talk to an insurance agency once a year, like when you have a claim. So legacy technology and the Insurtech industry as a whole is worrisome for the insurance industry, but it's also an opportunity.'

This compromise between incumbents and new entrants, at least for now, stems from the fact that neither has all the ingredients to win outright. While we pointed out the two trump cards of Insurtechs in the opening sub-section of our write-up (price and personalisation), let's now examine the advantages of incumbent insurers.

'Insurers have the customers, they have the money and they have the brand,' explains Margaris. *'They can adapt quickly and say: OK, let's take the cutting-edge technology and we can make it happen.'*

He gives the pharma industry by way of an analogy:

'The pharma industry spends billions on R&D and innovation. At the end, most of them – the big pharma players – who have much more experience in this field of innovation, they buy biotech companies and

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"The Insurtech discussion all too often centres around the premise that shiny new start-ups will win at the expense of the tired old incumbents. Many see the battleground between them being at the distribution end of the customer journey. For me the Insurtech opportunity extends all the way along the value chain.

NICK MARTIN

Fund Manager at Polar Capital Global Insurance Fund

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integrate. Because what the big guys do well is selling and distribution. If you give an insurance company a great product, they know how to make the most out of the potential. Incumbents and Insurtech start-ups have to play to each other's strengths.'

Halkett agrees that traditional insurers have plenty to offer as part of any insurance model of the future, in particular the sheer volume of data, insights and expertise that they have at their disposal. However, she queries whether today's incumbents are structured in such a way as to make the most out of these assets.

This may involve moving away from a centralised model towards more of an ecosystem play, with the insurer overseeing different components of a technology stack. Insure The Box is itself an example of this, being owned as it is by Aioi Nissay Dowa Insurance Europe, which is the ultimate bearer of risk and also has a long-standing partnership with automotive OEM Toyota.

At the end of the day, it is not a case of either/or with the partnership and Insurtech-domination models, and we are likely to see some Insurtechs eventually make it big alongside Insurer-Insurtech tie-ups.

'It will happen. We've seen the Googles, Amazons, Facebooks of this world, and we'll see the same thing occur in Insurtech whereby some will become huge players. However, I believe we will see more partnerships or acquisitions because it's very hard to scale,' concludes Margaris.

Local Trends: Europe

Europe is a challenging region to segment, given the number of countries and their immense variety.

Following, as much as possible, historical and economic continuities, and avoiding over-segmentation, we have created five broad sub-regions:

- United Kingdom & Ireland
- the Nordics
- Western Europe (German-speaking countries, France, Benelux and Monaco)
- Southern Europe (Spain, Portugal, Italy, Andorra, Malta, San Marino)
- Eastern Europe (the former Soviet bloc + Greece, Turkey and Cyprus)

A comparison of external and internal challenges, as well as of insurer priorities, in these sub-regions reveals, alongside plenty of consistencies and noise, a number of tendencies in line with the foregoing discussion and certainly worthy of further exploration.

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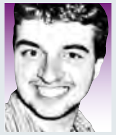
> The continent's most emerging market, Eastern Europe, seems on the one hand less out of sync with the customer and less burdened by legacy, while being, on the other, firmly focused on digital channels and sourcing talent. Whether insurance players in this region are able to drive accelerated adoption of new-age insurance models remains to be seen.



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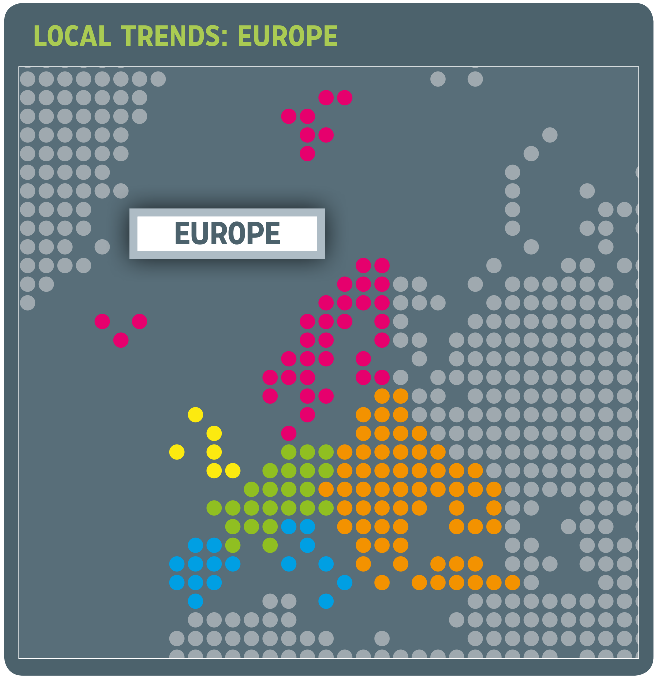

External Challenges: Local Variations
'Increased regulation' is a high-ranking challenge in Western Europe, the Nordics, and Eastern Europe, and a mid-ranking priority in the UK & Ireland and Southern Europe.

'Increased competition' is generally a mid-ranking challenge, scoring slightly higher nonetheless in the Nordics and Eastern Europe.

'New emerging risks' is a mid- to low-tier challenge, except in Southern Europe, where it almost tops the table.

'Digital channel capabilities' is generally a mid-ranking challenge, except in Eastern Europe where it tops the table.

Eastern Europe is the only place where 'Technological advancement' falls from first to second place, in addition to 'Changing customer expectations' falling out of the top three.

Internal Challenges: Local Variations
Internally, 'Legacy systems' is the dominant challenge in the UK & Ireland and the Nordics, whereas elsewhere it is 'Lack of innovation capabilities'.

'Legacy systems' remains a high-ranking challenge everywhere else apart from in Eastern Europe, the only place where it features in the bottom half of the table.

'Finding and hiring talent' is generally not a high-ranking challenge but makes it into the top half of the draw in Southern Europe and Eastern Europe.

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LOCAL TRENDS: EUROPE

INSURER PRIORITIES: LOCAL VARIATIONS
The insurer priorities opposite are in the same rank order as in our Insurer Priorities section (as voted by European insurers). In each case, we give an indication of how these priorities trend across our subregions.

DIGITAL INNOVATION	leads in Western Europe & Southern Europe, coming second in Eastern Europe; in the UK & Ireland and the Nordics it is middling
CUSTOMER CENTRICITY	is a high-ranking priority across the board, taking the top spot in both the Nordics and Eastern Europe
ANALYTICS	is everywhere a high-ranking priority, highest in the UK & Ireland and the Nordics, lowest in Eastern Europe
CLAIMS	is mostly mid-ranking, edging towards top-table in the UK & Ireland (where it makes first place) and the Nordics
REGULATION	is top-tier in Eastern Europe, mid-tier in the UK & Ireland, Western Europe and the Nordics, but trails in Southern Europe
PRODUCT DEVELOPMENT	is a mid-to-low-ranking priority for most regions, coming in slightly higher in Southern Europe and Eastern Europe
PRICING	is high up on the agenda in the UK & Ireland and the Nordics relative to our other sub-regions
UNDERWRITING	is generally a mid-ranking priority, coming out slightly lower in Southern Europe and Eastern Europe
DISTRIBUTION DIVERSIFICATION	is on balance a low-ranked priority, except in Southern Europe and Eastern Europe, where it edges into the middle of the table
INTERNET OF THINGS	is a low-ranking priority, except in Southern Europe, where it enters the middle of the table
MOBILE	is generally a mid-ranking priority; in the UK & Ireland and the Nordics though, it drops towards the bottom of the table
RISK MANAGEMENT	is a relatively low-ranking priority across the board, through it reaches the middle of the table in Eastern Europe
CYBERSECURITY	is generally towards the bottom of insurers' priority lists throughout Europe, except in the UK & Ireland, where it is a mid-ranking priority
FRAUD	is generally low-ranked (last in Western Europe) but scores slightly higher in the UK & Ireland than elsewhere
INVESTMENT MANAGEMENT	comes in last or second-to-last position across the board.

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Section 3: North America

TURN OVERLEAF FOR THE FULL REGIONAL PROFILE...

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> Rising claims costs – both attritional and catastrophic – against a backdrop of low interest rates calls for a new approach to insurance in North America. That the lion's share of Insurtech deal money has been going to US companies suggests that this change of approach may not be long in coming.

MARSHA IRVING

Head of Innovation / Commercial Director at Insurance Nexus

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The following pages contain our overview of the state of insurance in North America, based upon our statistics from the two preceding sections on Global Trends and Key Themes.

We begin with a look at where North America stands in relation to our global trends (internal challenges, external challenges and insurer priorities).

Secondly, we examine where the region stands on the more specific themes we cover in this report, with direct contributions from two of our influencers in the region:

- Chicago-based Stephen Applebaum, Managing Partner at Insurance Solutions Group
- Boston-based Matthew Josefowicz, CEO at Novarica

We bring the write-up to a close with a high-level comparison of how these trends vary between the USA and Canada.

The External Challenges: North America

In North America, the top external challenges follow the global trend, with 'Technological advancement' and 'Changing customer expectations' taking first and second place respectively, except that in third place we find 'New emerging risks'. By way of comparison, this comes in at 4th place globally and only makes it to 6th place in Europe – which, as we suggested in our Europe section, is likely a reflection of some parts of the world being more exposed to disasters (and hence to concomitant risks) than others. Further down the table, 'Increased competition' moves up one place, knocking 'Increased regulation' down one spot to 7th.

CHALLENGE	RANK	VS GLOBAL
Technological advancement	1	-
Changing customer expectations	2	-
New emerging risks	3	+1
Digital channel capabilities	4	-1
Changing economic conditions	5	-
Increased competition	6	+1
Increased regulation	7	-1
New entrants to the market	8	-
Catastrophe risk	9	-
Climate change	10	-
Absence of a clear strategy	11	-
Lack of company investment	12	-

+1 indicates that a challenge is one place higher in North America than globally

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> Legacy systems has long been a core challenge for executives across functions within insurance carriers who are focused on innovation, customer experience and efficiency. Impacting product development, applying analytics, claims modernization, marketing optimization and more, it's no surprise this is such a top priority for insurers. In the future, I think we'll see more legacy system upgrades across insurers looking to digitize and streamline operations.

EMMA SHEARD

Head of Strategy at Insurance Nexus

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We explore the regulatory challenge, which is certainly significant in North America, later on; whether it is increasing as a challenge is another question.

The Internal Challenges: North America
Looking internally, the top challenges are the same as in the global trend outlined in the first section, except that 'Legacy systems' wrests the top slot from 'Lack of innovation capabilities' (which, by way of comparison, comes first in Europe, Asia-Pacific and LatAm).

CHALLENGE	RANK	VS GLOBAL
Legacy systems	1	+1
Lack of innovation capabilities	2	-1
Finding and hiring talent	3	-
Siloed operations	4	-
Mergers & acquisitions activity	5	+1
Lack of company-wide dedication to core priorities	6	-1

+1 indicates that a challenge is one place higher in North America than globally

Innovation is, at its heart, customer-driven, and we will later be comparing the insurer-customer relationship in North America with what we find in our other key regions – and this may well explain the different positions ascribed to 'Lack of innovation capabilities' in their respective challenge tables. The parallel suggestion is that 'Legacy systems' play more of a role in North America, which is another theme we investigate further.

Insurer Priorities: North America
These are the priority areas on which North American insurers lead, as detailed on our medals table in the Insurer Priorities section:

- **ANALYTICS**
- **CYBERSECURITY**
- **INVESTMENT MANAGEMENT**
- **RISK MANAGEMENT**
- **UNDERWRITING**
- **PRODUCT DEVELOPMENT**

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> Innovative products and the market segments they support are underpinning the design of new Insurtech business models with companies like Lemonade, Slice, TROV, Cuvva, Surify and others who are establishing new model footholds in the market.

DENISE GARTH

SVP of Strategic Marketing, Industry Relations and Innovation at Majesco

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Over the coming pages, we expand on these challenges and priority areas, and present a qualitative market overview with additional insights from our two regional contributors, Stephen Applebaum and Matthew Josefowicz. Some of our key points of interest are:

- Insurers' renewed focus on their primary underwriting business in the face of low interest rates and impending market disruption
- The rise of the 'new consumer' and how this is changing the insurer-customer relationship
- Customer-centricity as the prime mover of distribution and product
- The impact of legacy systems and regulation on (re)insurers' innovation and transformation efforts
- How insurers are to unlock new sources of growth in a mature market

In the Eye of the Insurtech Storm

North America, as we have defined it (that is, the USA and Canada), has a total population of around 350 million people, making it one of our smaller markets at less than 10% the size of Asia-Pacific. Not only are we looking at a smaller population, but it also has the biggest middle-class skew of any of the regions we deal with in this report.

This is predominantly a market of existing customers, and the low-end market opportunity is much less substantial than in Asia-Pacific, Africa and LatAm for instance. So, while insurers in the developing world have to juggle the needs of an emerging middle class and those of the uninsured millions (often microinsurance candidates), in North America they can focus more single-mindedly on retaining and growing the custom of their existing policyholder demographics. It is therefore no surprise at all that North American respondents exhibited the greatest focus on customer loyalty out of all our regions.

This focus on the existing business has become paramount with the continued pressure (re)insurers are facing from low interest rates (admittedly, a global phenomenon), which is limiting the returns they can make on their investments and shining a spotlight on the profitability and sustainability of underwriting practices.

'The real challenge is focusing on the underwriting itself and using data, analytics and market segmentation in order to really maximise underwriting profitability,' comments Matthew Josefowicz.

Insurance has always been a cyclical industry in this sense, moving with interest rates, so insurers – at least looking at the big picture – are used to periodic readjustments. However, this time is shaping up to be different in the sense that their underwriting market is no longer being served to them on a plate in quite the same way as before. Insurers the world over must now contend with new market entrants, such as Insurtechs, who are raising the bar for customer service and lowering it for price.

While insurers are already having to up their game in order to keep their underwriting customers, the overall turn towards Insurtech is still in its infancy and also varies considerably from region to region. So, at what stage is this customer-led disruption in North America?

The indicators we have gathered across this report lead us to believe that North America is late – though only marginally – compared to Europe and Asia-Pacific, and

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> You have to change your culture and embrace experimentation. We've set up labs around the world where we incubate innovation. It's about embedding it through the employee base and being attuned to the customer. And it has to be top down to be effective.

CINDY FORBES

EVP & Chief Analytics Officer, Manulife Financial

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we will explore this perspective more fully in due course.

Looking at things at the highest level, our most telling stat is the 'disruption score' for North America, from the Insurtech Perspectives section. Only a quarter of (re)insurers in North America indicated that they were losing market share to new entrants, whereas this figure rose to nearly half of (re)insurers in Asia-Pacific. Whether interpreted literally or as an indication of (re) insurers' current mood, this implies that disruption – while certainly present – has not yet reached the fever pitch in North America that it has elsewhere, and potentially explains the lower prominence assigned to 'Lack of innovation capabilities' among the internal challenges for the region.

Speaking primarily from a P&C/General perspective, Stephen Applebaum acknowledges that the USA market at least may be somewhat of a laggard, although he is careful to distinguish it from Canada. He places the Canadian market ahead of the USA in terms of innovation and technology adoption. Applebaum ascribes the leadership shown by the Canadian market to a mixture of culture, infrastructure and population size (Canada having approximately 10% of the population of the USA). We also call attention to Canada's different approach to the broker market, its different regulatory regime and its different methodologies for data exchange. All of this said though, the sorts of consumer needs insurers in each market are trying to serve are fundamentally the same.

In any case, regardless of where the North American market stands today, Applebaum believes that a huge amount will change over the coming 18 months and beyond. This is due partly to the steady globalisation of technology (Applebaum cites as an example of this the recent push by Italian Octo Telematics into the US market), partly to the size of the prize inevitably attracting takers.

This prize would appear to be more tantalisingly poised in the US than elsewhere, if indeed there is a slight lag in that market, as this makes it easier still for light-footed new entrants to outflank incumbents and capture market share. We have seen the rise of several high-profile Insurtechs in the USA, such as Lemonade on the home-owner and Insureon on the small-business side, and we note also the recent estimate that nearly half of investment money for Insurtech in 2016 went to US companies.[1]

If this gives the impression of a silently massing army waiting to storm the sleepy, unguarded border forts of insurance, then that is certainly a long way from the truth. Incumbent insurers in the USA are waking up to the threat of disruption in a big way. Applebaum, once again talking primarily from a P&C/ General perspective, explains the twofold consideration going through insurers' minds:

'The first point to remember is that, while disruptors may still represent less than 5% of the P&C insurance market today, 5% of $200billion is a significant amount of revenue lost from the traditional carriers,' he states. *'And the second point is that the rate of growth seems to be accelerating fairly rapidly, so that what is 5% today could very well be 25% five years from now, and that suddenly represents a material challenge to the industry. Nobody is ignoring it because they know that the adoption curve is going to look like a hockey stick.'*

This recognition on the part of incumbents is finding expression in their recent Insurtech investments – so it

[1] letstalkpayments.com/insurtech-industry-has-grown-by-25/

The Insurtech space got crowded in the last 18 months, with significant funding for new entrants. Now the rubber's hitting the road as startups bring products to market. It should be interesting in the coming year to see who's able to navigate the world of regulations and carrier relationships, and whether they're able to do it at scale.

TED DEVINE

CEO at Insureon

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is misleading to interpret the high investment figure we invoked earlier as signifying only what is stacked against insurers. One of the main reasons it is being driven so high is in fact because of legacy insurers trying to get in on the action.

Josefowicz, whose clients at Novarica include numerous Fortune 100 insurers, also acknowledges insurers' growing preoccupation with Insurtech.

'The number of insurers that have internal development funds and investment funds is skyrocketing, as everyone is trying to stay in touch with all these new developments and approaches to using technology in the industry,' he explains. *'I don't think it's that the insurers believe the companies they're investing in are going to be the next Facebook or Snapchat but I think they do believe that these companies are going to show them the way and that they're going to be able to learn a lot from them. Not just in terms of how to engage with customers but also how to use analytics and digital channels effectively, as well as all kinds of innovative practices that are difficult for a mature company to come up with on its own.'*

Rise of the 'New Consumer'

As we intimated in the previous sub-section, the 21st-century customer represents the ground on which Insurtechs stand to challenge insurers: by raising the bar for customer service and lowering it for price. In line with this, both Josefowicz and Applebaum identified changing customer expectations – that is, how customers want to buy insurance and interact with insurers – as a key challenge for insurers in North America.

We are witnessing what Applebaum describes as the rise of the 'new consumer', and he believes furthermore that this is the number one challenge facing insurers in the region:

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Insurance in the US has long been a product-driven, not a customer-driven industry. Faced with high churn and the spectre of ambitious new market entrants, insurers are finally waking up to the need to better engage and service customers. To this end, we are increasingly seeing the creation of cross-functional customer-experience teams within carriers.

MARIANA DUMONT

Head of New Projects at Insurance Nexus

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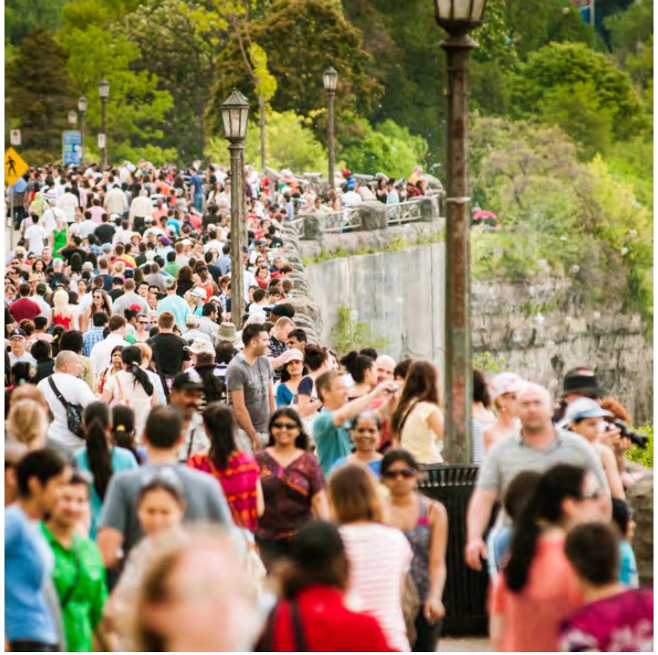
'It's not only the millennials and the emerging demographic groups but basically the new customers who are almost always connected digitally,' he elaborates. *'They have come to expect that all of their interactions will be digital.'*

In our section on Marketing and Customer-Centricity, we characterised North American insurers as having a marginally less 'problematic' relationship with their customers. While the customer certainly remains a core strategic priority, respondents in this region are marginally less focused on it than in Europe and Asia-Pacific. Below are certain measures that bear this out:

- North America achieved the lowest priority score for 'Customer Centricity' out of all our global regions (see the Insurer Priorities section)
- Chief Customer Officer was a relatively unimportant new appointment within North American companies, at least compared to the prominence attained by Chief Information Security Officer, Chief Data Officer and Chief Analytics Officer
- In our regional assessment of internal challenges, North America is the only region in which 'Lack of innovation capabilities' fails to make the top spot.

At the end of our section on Marketing and Customer-Centricity, we tentatively concluded, based on this constellation of factors, that North America has been fractionally late on the current customer-led disruption of insurance compared to our other regions; if customer expectations are more easily met, then this will result both in the customer rising less high up the priorities ladder and in current levels of customer-centricity



being deemed more adequate. This is of course a question of degree, as the customer is still critically important to North American insurers – as we shall see.

'I think that in a lot of ways North American consumers are behind other advanced markets when it comes to insurance,' comments Josefowicz. *'For example, in the UK a large portion of small-business insurance is now bought online. Here, that's still very much an emerging segment of the market. The heavy shift to direct auto purchase in other mature markets is evident here but not quite as developed.'*

At various points in this report we have tied the current consumer-led disruption sweeping through insurance (and all consumer industries for that matter) to changes in distribution. Digital channels have given new, non-traditional players with alternative products and services access to insurers' customer base. This added element of competition – on both price and customer service – has fundamentally changed the way customers relate to all the products they buy, and this in turn is driving change within the insurance industry.

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> Digital direct is new in Canada and there's a certain profile that it's most suitable for. We are looking to target and attract the right customer. Then we want to capture as much data as we reasonably can along that journey so we can attract and convert customers while also understanding what's working effectively to optimise our marketing efforts.

MICHAEL SHOSTAK

SVP and Chief Marketing Officer at Economical Insurance

In line with this view and with our hypothesis that disruption has not yet arrived with full force in North America, we expected the distribution landscape here to be relatively more stable than elsewhere. This is indeed the impression that we have received:

- Among our three key regions, the direct digital channel appears to feature least prominently in North America
- While our respondents in all our geographies were increasing their distribution through affiliate partners, our broader research points to this channel being less well developed in North America than in Europe and LatAm for example

These measures suggest that traditional channels are indeed relatively more in intact in North America than elsewhere, and this may be more the case in the USA than in Canada. Josefowicz puts this down in part to the innovator's dilemma, whereby the need to innovate is mediated by the fear of cannibalising the existing business:

'If all your money is coming today through the broker channel, it's very difficult to plan for a future where that's not true, without disrupting the present,' he explains.

As customer behaviours continue to evolve, we expect to see growth across North America in the direct-to-customer channel. This, along with the steady growth in

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Insurers must focus on removing the friction points customers encounter in their interactions if they wish to meet the needs and expectations of their customers. Processes and customer interactions need to be redesigned from the customer's point of view.

CINDY FORBES

EVP & Chief Analytics Officer, Manulife Financial

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affiliate channels, will increase the number of channels that North American insurers must manage.

'I think that the US will start to look more like Europe in terms of the distribution models across the different product lines,' Josefowicz comments.

'We don't believe that intermediary distribution is going to disappear in North America but it is already losing its monopoly hold on the market. So what insurers are going to be dealing with is not a future where everything is direct, but a future that is much more multichannel.'

A 'New Insurance' for the 'New Consumer'

One key response axis for insurers faced with the challenge (and the opportunity) of the new consumer is distribution. It is not enough just to focus on customer-centricity in a broad sense; since distribution disruption is the root of customer disruption, it is on this ground that insurers must stand and fight. We would deem this a necessary, although not sufficient, condition for them prevailing over their new-age competitors.

It unsurprising, then, that we discern a fresh strategic focus on distribution:

'Every major, every top-tier P&C carrier is actively developing multi-channel communication capabilities and multi-channel distribution capabilities,' states Applebaum.

This is far easier said than done, given the legacy constraints that insurers find themselves under, which we explore further in the next sub-section.

'Insurers' infrastructure, which has been built over literally hundreds of years, never anticipated having multiple channels of communication to support, so insurers are scrambling to learn how to do that,' Applebaum continues. *'In the past, it was a paper-based business and the postal service was the method of communication, or the agent was the method of communication. The role of the agent is dwindling, as is that of the post office in P&C insurance.'*

There is a risk that insurers attempt to become all things to all people from a distribution perspective, dissipating their energies, and the task of transforming distribution will certainly be a much more manageable one if they can focus their efforts on what really works for their specific customers and products.

'Different segments of the market and different products imply different distribution methodologies – so it's a matter of dealing with increasing complexity,' summarises Josefowicz.

While distribution is arguably the centrepiece, the heightened demands of 21st-century consumers in fact apply to the entire customer journey from start to finish. It is not enough to give customers the option of researching, buying and accessing their products via digital channels in addition to physical ones – the entire interaction must be as frictionless as possible, and all of this irrespective of access device. Applebaum gives us some context around what this means for insurers:

'Whether it's filing a claim through an app on their phone or receiving a claim payment electronically to an app or to their bank account, or even just exchanging information like adding another vehicle to the policy, today's consumers don't want to have to make phone calls and they don't want to send emails. They basically just want to exchange digital information as quickly and efficiently as possible.'

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The whole business understands the value of what analytics can help deliver. In traditional businesses, this seems to mean reports, hundreds of them every month that are mostly rear-view mirror. Getting intelligence out of that is what many companies should be focusing on and then making use of it.

MICHAEL SHOSTAK

SVP and Chief Marketing Officer at Economical Insurance

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Encouragingly, most North American respondents indicated that they had digital, mobile and cross-platform strategies in place.

Friendly interfaces with high usability go some way towards eliminating friction from customer experience but the greatest improvement is to be wrought at the back end, by achieving transparency and straight-through processing. The analogy of the retail industry (as it moves towards e-commerce) is once again instructive: what matters to retail customers is not always the absolute speed of their order but often their ability to track its progress. Offering this level of immediate insight to customers – as well as satisfaction – generally requires some level of automation.

If we take claims as an example, we see that automation does not imply that the whole process is automated across the board, rather that enough is automated to provide clarity on the status of a given claim. Some simple claims will be dealt with automatically, while, for more complex claims, customers can be provided with a working estimate for the resolution time – the key point in each case is the clarity and feeling of control that customers are left with. In our section on Claims, we registered a moderate degree of automation among North American respondents, in line with our other regions.

In addition to a seamless, zero-friction experience, customers are also demanding personalisation, and in the context of insurance this applies first and foremost to range of coverage and premium price. Usage-Based Insurance (UBI), which we went into in greater depth in our Europe section, is a fundamentally 'new' insurance for the 'new consumer'. Formal UBI strategies are only acknowledged by a minority of North American respondents but this is consistent with our other key regions.

The premise of UBI is that insurers can leverage real data on individuals' actual usage (for example of a car) to tailor prices and ultimately incentivise better risk behaviours. The two key ingredients here are data and analytics.

Analytics was in fact one of the priority areas that North America led on. A majority of North American insurers also reported increasing their investment in this area, and the salience of the Chief Analytics Officer role in the region has already been noted.

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> With connected devices becoming more and more ubiquitous, the availability of data is increasingly a non-issue. The next hurdle for insurance carriers in North America is finding ways to incentivise customers to adopt IoT solutions and part with their personal data – and this requires careful investment in building customer engagement.

EMMA SHEARD

Head of Strategy at Insurance Nexus

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As for data, this is available from a variety of sources. In North America, we find well-established the use of third-party aggregators as a supplement to first-party data, although this data is often neither personal nor in real-time (two key criteria for UBI).

The preeminent ingress for UBI data must remain IoT, which appears not to be quite as well-established in North America as in our other regions. Revisiting our Insurer Priorities section, we should point out that, while IoT was not ranked highly as a priority in any of our global regions, it came out lowest in North America with a rank of 13th (compared to 10th in Europe and Asia-Pacific). We also suggested in our Internet of Things section that Europe has the lead in terms of platform implementation.

These measures aside, Applebaum is quick to point out that all the familiar consumer devices that enable IoT in insurance have a presence in the North American market, from in-car telematics to smart-home security and connected-health devices, and he even points out a couple of areas that are well ahead of the curve:

'I think IoT is catching up but there are a couple of specific areas, like water leaks, where it is quickly gaining traction in the US market, both in personal-line and in commercial-line policies,' he explains. *'IoT devices that control water leakage are becoming very popular.'*

Josefowicz points to the strong IoT opportunity for the US market in commercial property and commercial inventory. Applebaum also acknowledges the property opportunity and hints at some of the innovative uses of drones in this area:

'Drones, which are also IoT devices, are being used by property and casualty companies to examine property damage after catastrophes and storms, saving them a lot of time and money, so people don't have to climb up on the roofs, which is dangerous and time-consuming. So drones, water-leak management and of course telematics are prime examples of IoT where there is adoption.'

Given the strong growth indicators for the next 2-3 years, it would be foolish to read too much into our depiction of North America as an IoT laggard. Indeed, our stats on IoT platform implementation suggested that our key global markets could be aligned in as little as a year.

One extension of IoT that Applebaum flags as a space that insurers are watching closely is autonomous driving.

'We will have a situation where people don't drive cars, where software drives cars and cars don't have many accidents – but when they do, they are going to be extremely serious and will involve large liabilities,' he explains, and we touched on some of these aspects in our section on Europe.

'There is a lot of IoT left where there is no adoption as of yet, it's just being developed, it's emerging, and that would cover all the other 50 billion sensors that are going to be broadcasting data by 2020,' Applebaum concludes.

Insurers looking to usher in the 'new insurance' must, concurrently with expanding their sources of real-time data through IoT, build out their back end so that it can firstly cope with and secondly capitalise on the influx of sensor data; to have the unprecedented volume of customer and thing data that IoT promises but deficient systems for accommodating it would be like striking oil in a world without refineries.

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> The CTO or CIO is driving both the 'cleanup' of redundant systems and systems that don't communicate well but additionally he or she would typically have the responsibility for driving the vision of the future. They need to be finding efficiencies where possible and pinpointing the best investment areas for the future. The CTO must understand the needs of customers, business partners (third parties) and also internal stakeholders such as sales, marketing, actuarial and finance.

DAMON LEVINE

CFA, CRCMP, ERM Practitioner, Writer & Industry Speaker

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Fundamentally, front end and back end must be developed in synchrony, given the dependencies that each one has on the other, although we believe that organisations may place a different emphasis on them depending on the point they have reached in their transformation. One hypothesis would be that focus on the back end – which is the foundation of the whole transformation effort – is higher at the outset and that, with the passing of time and the steady expansion of capabilities, the C-suite's strategic focus shifts towards harvesting the rewards at the front end.

As we may remember from the international priorities table in the Insurer Priorities section, North America has a substantial lead over Europe in Underwriting (by 19 points), Risk Management (13 points) and Product Development (5 points); Europe on the other hand leads North America on Internet of Things (by 11 points), Pricing (9 points), Digital Innovation (5 points), Customer Centricity (5 points) and Claims (3 points).

We feel intuitively that, in the context of emerging UBI models, the priority areas on which Europe leads have more of a front-end flavour, and those on which North America leads more of a back-end flavour (we recall of course the prominence of the 'Legacy systems' challenge). We suggested earlier that the North American market might be marginally behind Europe in terms of customer-led disruption, and it is possible that Europe's front-end overtone reflects this market having progressed marginally further down that path – this can remain a moot point.

Whatever the blend, every insurer must juggle early-stage and late-stage initiatives all at once, managing their investments across these 'tranches' like they'd manage any other investment portfolio.

'We think it's very important for insurers to exist in three timelines at the same time,' emphasises Josefowicz. *'They have to mitigate the limitations of their legacy systems, they have to address current business needs – short-term, tactical business needs – and then they have to keep an eye on the future in terms of how technology is going to change their business tomorrow.'*

How Insurance Must Set its (Digital) House in Order

Standing at the start of the road of digital transformation, incumbent insurers find themselves in many respects in an awkward position. In one sense, operating a pre-existing business should represent a head-start over new players. However, their established systems and processes quickly reveal themselves to be less a blessing than a curse when we consider the rampant dependencies that exist between them. Josefowicz briefly sketches how this becomes problematic for insurers:

'The majority of insurers in the US are working with 20th-century systems that didn't anticipate 21th-century challenges,' he explains. *'Most of the systems of record or policy-management systems that most insurers have are from the 90s or before, and they didn't anticipate this level of digital and this level of analytics, so they aren't necessarily as flexible as they need to be to bring new products to market quickly.'*

It is to the drag of these legacy systems and processes that Applebaum attributes the relative tardiness of the US market (compared to Europe and Asia-Pacific) on which we remarked earlier, with much of the previous generation of technologies being more entrenched in the USA than elsewhere in the world (a good analogy would be with telecoms, whereby cell phones have achieved their highest penetration in precisely those areas where

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> The key considerations for choosing a technology platform include compatibility with existing customer information storage and analysis platforms at your company. Of course, cost and adaptability to a changing data landscape are also of interest. The regulatory landscape, including penalties for data loss, will evolve.

DAMON LEVINE

CFA, CRCMP, ERM Practitioner, Writer & Industry Speaker

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legacy fixed-line infrastructure is missing). This is presumably reflected in 'Legacy systems' rising to first place among the internal challenges in North America while nowhere else getting above second.

The ideal solution to legacy would be wholesale system replacement but, given that budgets are limited, (re)insurers are more often than not forced into an uneasy coexistence with systems old and new. The overwhelming challenge North American insurers face today – starting with their back office – is to orchestrate the myriad pieces of the transformation jigsaw, keeping cost, time and adverse business impacts to a minimum, and we will see that there are various approaches that they can take.

'The last decade has really been insurers struggling to make their 20th-century systems meet 21st century business challenges, and replacing them when they can,' notes Josefowicz.

Applebaum observes that digital transformation is overwhelming the resources of most insurers, who simply cannot provide all the pieces of the puzzle in-house, and that this is forcing them to look further afield.

'Insurers want to be all things to all people, they want to be available by all channels,' he comments. *'If they can't do it internally, for whatever reason – like they're not fast enough or the skills don't exist – then they will partner. And if they can't partner, they'll buy. But basically, it's by any means possible.'*

In the longer term, Applebaum believes, many components of the 'stack', like the management of IoT data streams, will end up as the preserve of large third-

party software vendors, who can not only specialise but also operate at a scale far beyond that of even the largest insurance carrier.

This will also work out positively in other ways, like from a cybersecurity perspective, because it will shift the liability from the insurer to a third party that can bring to bear a much wider experience with cyber threats. Incidentally, Cybersecurity was one of the priority areas on which North America led our other global regions (see Insurer Priorities).

Alongside legacy, we should draw attention to the regulatory environment – at least in the USA – as another hurdle that insurers have to get over in their efforts to innovate:

'The regulatory environment in the US is extremely complex, with the insurance industry regulated at the state level, so essentially that's like operating 50 different insurance companies when you are just one insurance company, because you have to adhere to this never-

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> The most progress will likely be made by partnerships between innovative nimble start-ups and incumbents who are skilled at navigating a highly regulated and complicated ecosystem. Insurtech is not a zero-sum game.

NICK MARTIN

Fund Manager at Polar Capital Global Insurance Fund

ending, changing regulatory environment, state by state by state,' elaborates Applebaum. *'That's not the case of course in the European markets or in the Asian markets, where country markets are regulated by a single national authority. So that's a real issue for carriers and they're trying to deal with it. It's expensive, it's complex and it's a reality.'*

Josefowicz agrees that regulation will remain a key factor for North American (re)insurers, though he notes that this applies less to the Canadian market, which does not have the fifty separate regulatory regimes on a state level that the USA does. While this framework is indeed onerous, requiring insurers to file for the same product in multiple jurisdictions and potentially structure it differently in each one, insurers at least operate on a level playing field with Insurtechs in this respect.

Indeed, Josefowicz believes that incumbent insurers' established regulatory competence and compliance may be one area where they can convincingly trump new market entrants:

'Most insurance companies that exist are already pretty good at managing the state regulatory process, and in fact they see that as a defensible capability because it's something that they have a lot of experience in that new entrants struggle with,' he says. *'And you can see what happened with Zenefits, where they ran afoul of the licensing requirements, as either inexperience or a willingness to disregard regulatory challenges a la Uber, which is much more painful in the financial-services world than it is in the taxi world.'*

As a final point on this topic, we asked respondents to indicate via an open-text response what regulation was currently the greatest cause for concern. There were too many responses to list everything but one that stood out from North American respondents was the DOL Fiduciary Rule.

Mature Growth: Where are the Opportunities?

If the current renovation underway at many insurers – complex, expensive and ultimately aimed at creating a lower-price model – is perceived as a cloud, then the silver lining is the greater scale that it will enable.

We earlier characterised the North American market as being middle-class and relatively saturated, lacking the low-end market opportunities on offer in many parts of the world, like Asia-Pacific, LatAm and Africa to name a few. While this is a useful designation for understanding how dynamics vary from market to market, it can be misleading: the truth is that, in absolute terms, even 'saturated' markets are underpenetrated.

Simply by rendering the coverage they offer more fit-for-purpose and intuitive, North American insurance players can bring more customers into play in existing segments and product lines – without having to completely reinvent the wheel. This way, even if it does sometimes appear a race to the bottom, the current convulsion in the industry will ultimately result in a denser pie.

Obviously, some products and segments are riper for growth than others, and it is by identifying these early on – as well as the particular customer pain points to be overcome – that insurers can bring much-needed focus to their transformation efforts, which otherwise threaten to become too thinly spread and to do no more than reduplicate the flaws of the legacy business, just in a shinier form.

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Advanced analytics, combined with digital and social tools, can provide a much more cost-effective way of reaching clients, and educating them about risk and prevention. We know that clients understand the concept of life insurance but still aren't familiar with the products themselves. Through analytics tools and possibly AI we can deliver more information to the market, customised to clients, in a proactive way.

CATHERINE BISHOP

Head of Insurance Strategy and Data at RBC Insurance

#insurancemap

'Insurers need to shift their orientation and look at the needs of individual market segments. Instead of starting with the risk, they need to start with the market,' explains Josefowicz. *'They need to be asking: what kind of coverage does the market need, how much detail do they want in it and how comprehensive does it need to be in terms of what they need to buy?'*

Josefowicz points to several innovative new entrants who are successfully taking this bottom-up approach to insurance.

'There are innovative companies like Slice that are doing insurance for the gig economy, and there are folks like Trōv who are doing single-item insurance in a scalable way – so there are many ways to approach the different kinds of risk that buyers need insuring,' he expands.

In many cases – particularly in mature markets like North America – the factor inhibiting growth is not the price or extent of coverage per se but rather insurers' failure to distribute the product in an appropriate way.

'I think that for some insurance lines, for example in life insurance, the reliance on traditional distribution and traditional sales processes is actually boxing the industry out of some market segments, who just won't tolerate that buying process,' comments Josefowicz. *'Life insurance is very underpenetrated in North America, and I think the opportunity is to use technology to*

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> There will be an evolution of customer experience. Economical is the first to launch as a coast-to-coast, fully digital service and there is education required in the marketplace, but my expectation is that others may well follow our path and this will be the customer's expectation.

MICHAEL SHOSTAK

SVP and Chief Marketing Officer at Economical Insurance

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make the buying exercise easier for those underserved segments that have been put off by inefficient and unpleasant buying processes.'

This injunction to double down on the customer – rather than simply redoubling sales efforts on fundamentally outdated products – applies not just to personal lines but also to commercial ones. The reality of doing business, whatever industry you are in, is changing rapidly, and the palette of risks businesses need protection against would be unrecognisable to the insurers of yesteryear, one conspicuous addition being cyber risk. Josefowicz believes that it's still early days but that insurers are now moving towards effective product-offerings in this challenging area.

We have touched on the endeavours of Insurtechs Trōv and Slice in creating more fit-for-purpose insurance products, but it is important to bear in mind that the confrontation between insurers and Insurtechs is not a zero-sum game, given that it is happening in the context of an expanding addressable market. We asked our contributors to go into a bit more detail on how they see this 'confrontation' playing out.

As we see in our other regions, there is a trend towards collaboration between incumbent insurers and Insurtechs. While the disruptive intent of some players is clear, many of them, strongly backed by none other than insurers themselves, will end up as components of the overall technology stack. In some cases, the Insurtech start-up is in fact just an incumbent appearing in a nimbler guise. Applebaum gives the example of Canadian insurer Economical, which recently created brand-new start-up Sonnet as a way of innovating more quickly than they would be able to in-house.

'Economical traditionally was an agency distribution model, so all of their insurance was sold through agents,' clarifies Applebaum. *'Sonnet is a direct-to-consumer business, so that's the way Economical is going to walk both sides of the street.'*

Josefowicz stresses the role of Insurtechs as trailblazers over and above their much-hyped role as predators.

'A lot of the new entrants are pointing the way. I don't know how many of them will become significant competitors in and of themselves, but they are clearly demonstrating to insurers that there is an opportunity to engage differently with customers and that customers are hungry for a different type of engagement,' Josefowicz explains. *'To put it in a capsule, I don't think Lemonade is going to become the biggest personal insurer in the world, but I do think a lot of personal insurance is going to look like Lemonade in the near future."*

Following Insurtechs down this route, be it through imitation, partnership or outright buying, will allow insurers to open up and serve those market segments that have hitherto been cut out of traditional forms of distribution and service – much like prospectors returning to bypassed reserves in mature oilfields – and this is where they should set their sights.

'I think the most successful Insurtechs will be purchased by insurers, similar to the Allstate purchase of Esurance from the previous generation of e-insurance start-ups,' Josefowicz concludes.

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"The Canadian insurance industry has made significant strides in adopting analytics and embracing new technologies. We can see through the examples of the 2016 Insurance Analytics Canada Innovation Award winners Opta and The Cooperators how significantly those at the helm of the ship are steering the industry forward!

MARSHA IRVING

Head of Innovation / Commercial Director at Insurance Nexus

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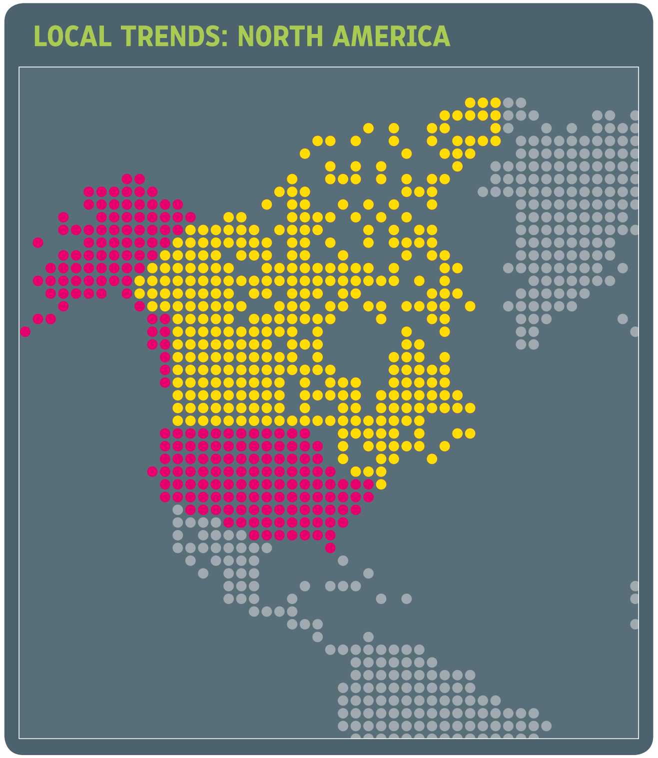

Local Trends: North America
This region was straightforward to segment, as it contains only the United States and Canada.
While these two countries are unsurprisingly well-aligned, some local tendencies can nonetheless be discerned across the varying challenges and priorities identified by respondents in each one. Let's quickly run over the ones that stand out the most…

External Challenges: Local Variations
Both 'Catastrophe risk' and 'Climate change', which are low-ranking challenges in the USA (and in most of the regions we have considered around the globe), are mid-ranking challenges in Canada.

'Increased competition' and 'New entrants to the market' are high-ranking challenges in the USA but low-ranking challenges in Canada.

'Increased regulation' is a noticeably higher-ranking challenge in Canada than in the USA.

Internal Challenges: Local Variations
The USA and Canada are closely aligned.

Insurer Priorities: Local Variations
The insurer priorities overleaf are in the same rank order as in our Insurer Priorities section (as voted by North American insurers). In each case, we give an indication of any local differences we detected between the USA and Canada.

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LOCAL TRENDS: NORTH AMERICA

DIGITAL INNOVATION	is a high-ranking priority in both countries but only makes the top spot in Canada
ANALYTICS	is aligned across both countries
CUSTOMER CENTRICITY	is a high-ranking priority in both countries, coming in absolute top position in the USA
CLAIMS	are aligned across both countries
PRODUCT DEVELOPMENT	
DISTRIBUTION DIVERSIFICATION	
REGULATION	is a low-ranking priority in the USA but a mid-ranking one in Canada – this is consistent with 'Increased regulation' being adjudged a bigger challenge in Canada than in North America
RISK MANAGEMENT	is a lower-ranking priority in the USA than in Canada, coming in second-to-last place there
PRICING	are aligned across both countries
CYBERSECURITY	
MOBILE	
INTERNET OF THINGS	is a mid-ranking priority in the USA – like in most of the regions we have assessed globally – but emerges, intriguingly, as a very low-priority item in Canada, in second-to-last position
FRAUD	is a low-ranking priority in both the USA and Canada, though lower in the former, where, in fact, it came in absolute bottom place
INVESTMENT MANAGEMENT	is a low-ranking priority in both countries, though with fractionally more interest in Canada

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	Mobile Strategy	61
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CUSTOMER	Aggregator Impact	37
	Customer-Centricity Appraisal	40
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CLAIMS	Before-the-Claim Fraud Strategy	70
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The most significant challenges for insurers in Asia, from an IT perspective are: firstly, moving services to online sales – for agents, brokers, bancassurance and direct to customers; secondly, providing instant and ideally paperless servicing on claims management; and finally, the development of Chinese Insurtech players if they decide to compete outside of their local market.

ASH SHAH

Regional CIO and Chief of Staff Property and Casualty at AXA Asia

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In this section, we present our regional profile for Asia-Pacific, bringing into play the statistics we have laid out over the two preceding sections on Global Trends and Key Themes.

We begin with a look at how trends in APAC compare to our global trends (internal challenges, external challenges and insurer priorities).

We then examine where the region stands in relation to some of the more specific themes covered in this report, with direct contributions from three of our in-region commentators:

- Steve Tunstall, CEO at Singapore-based Insurtech start-up Inzsure
- João Neiva, Head of Innovation, IT and Business Change at Zurich Topas Life in Indonesia
- David Piesse, Chairman of IIS Ambassadors and Ambassador Asia Pacific at the International Insurance Society (IIS), based in Hong Kong

We close this section with a look at local variations within the region, focusing on two broad country groupings.

External Challenges: Asia-Pacific

In Asia-Pacific, the top external challenges follow the global trend with 'Technological advancement' and 'Changing customer expectations' taking first and second place respectively, except that, as in North America, in third place we find 'New emerging risks' (by way of comparison, this challenge only makes 6th place in Europe).

One possible explanation for the higher ranking of 'New emerging risks' is to be found in the related challenge of 'Catastrophe risk' – which also results one place higher in Asia-Pacific than was the global trend.

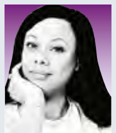
CHALLENGE	RANK	VS GLOBAL
Technological advancement	1	-
Changing customer expectations	2	-
New emerging risks	3	+1
Digital channel capabilities	4	-1
Increased competition	5	+2
Changing economic conditions	6	-1
Increased regulation	7	-1
Catastrophe risk	8	+1
New entrants to the market	9	-1
Climate change	10	-
Absence of a clear strategy	11	-
Lack of company investment	12	-

+1 indicates that a challenge is one place higher in APAC than globally

While natural catastrophes are not emerging risks, in the sense that they have always occurred, their consequences are becoming more multifaceted as a result of the massive growth in urban areas and the rife internetworking of business in today's globalised economy. This has introduced a new class of accumulation risk which could justifiably be called 'emerging'.

We know anecdotally that this phenomenon is particularly pronounced in the APAC region, which boasts some of the densest urban and business conglomerations in the world, in and among noted catastrophe zones, and the trend towards urbanisation and megacities is only set to continue.

> Doing nothing is not an option any longer. The top priority for many CEOs is to acquire the capabilities to deliver true digital innovation that achieves competitive advantage in a very short period of time. Understanding the agile and flexible lean techniques used within the start-up world can help. Analytics, the IoT or mobile are just enablers to ease such transformation.



SABINE VANDERLINDEN

Managing Director at Startupbootcamp

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Another detail we notice with the external challenges is the relatively high position attained by 'Increased competition' (two places up on the global trend), and we believe this is a natural consequence of the expansion opportunities on offer in the region. As will become clear from the remainder of this section, this uneasy marriage of high growth and high competition is in many ways APAC's defining market characteristic: to win is only ever to win big.

Internal Challenges: Asia-Pacific

The internal challenges highlighted by APAC respondents exactly replicate the global trend we outlined in the first section, with a top three constituted by: 'Lack of innovation capabilities', 'Legacy systems' and 'Finding and hiring talent'.

CHALLENGE	RANK	VS GLOBAL
Lack of innovation capabilities	1	-
Legacy systems	2	-
Finding and hiring talent	3	-
Siloed operations	4	-
Lack of company-wide dedication to core priorities	5	-
Mergers & acquisitions activity	6	-

+1 indicates that a challenge is one place higher in APAC than globally

Insurer Priorities: Asia-Pacific

These are the priority areas on which Asia-Pacific insurers lead, as detailed on our medals table in the Insurer Priorities section.

ANALYTICS

DISTRIBUTION DIVERSIFICATION

DIGITAL INNOVATION

INTERNET OF THINGS

PRICING

FRAUD

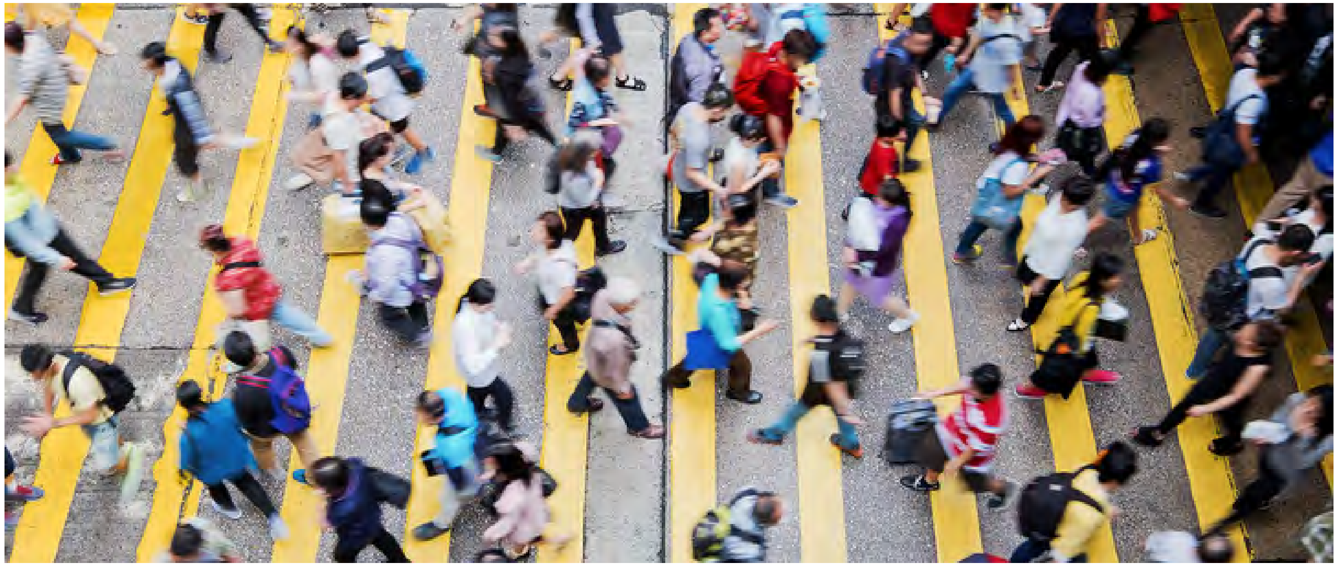
We reprise these regional challenges and priorities over the coming pages, in which we present a qualitative market overview through the perspectives of our regional contributors Steve Tunstall, Joao Neiva and David Piesse. Points of interest include:

- The high-growth, high-competition dynamic inherent in the Asia-Pacific insurance market
- The new calling for customer-centricity and the related question of disruption
- Using data and analytics to create more customer-centric products, such as personalised, on-demand insurance
- APAC distribution landscape and what insurers are doing to ensure scale for their products
- How to successfully manage back-office digital transformation

> The biggest challenge for Asia is the risk-averse mindset of people, who really need to adopt faster, and be more dynamic and agile in delivering solutions. This impacts the ability to deliver flexible changes in Asia at a reasonable pace.

ASH SHAH

Regional CIO and Chief of Staff Property and Casualty at AXA Asia



Asia-Pacific: Large Pie, Many Forks

We begin with a high-level characterisation of the APAC market, which is very different from the others we present in this report.

First and foremost, we must emphasise its sheer size and diversity: we are considering an arc from Pakistan in the West to Japan in the East, incorporating on its way all of Australasia and taking us to a total population well in excess of 4 billion people, many of whom find themselves in high-growth emerging markets. As Singapore-based Steve Tunstall aptly summarises:

'You're talking about a region with more than half the world's population now, you're also talking about a region with probably three quarters of the world's GDP growth for the next 50 years… North America and Europe are probably going to stay pretty flat, and Asia is going to go gangbusters between 3 and 6%. So in terms of growth, all the opportunities are here. In terms of technology penetration, some of the countries here are already world-leading.'

This growth (made up of both new and existing business) will fundamentally be driven by two things: the continued development of an already burgeoning middle class and hundreds of millions of people coming onto the insurance radar for the first time. By comparison, the West is relatively saturated from an insurance perspective – penetration is higher and the underlying wealth of those with policies is not drastically changing, nor is it projected to change a huge amount over the coming decades.

Multinational insurers are therefore looking to Asia-Pacific to be the key engine for growth in their global business, and

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> Through innovation and use of AI and machine learning, startups are already challenging the leaders on the low levels of trust and satisfaction of their clients. Incumbents have to follow the trend, by building partnerships, with these startups for instance.

MINH Q TRAN

General Partner at AXA Strategic Ventures

#insurancemap

they are seeking to achieve this by providing more value to customers for less cost and by boosting policy distribution; insurers don't just need affordable, value-adding products to sell, they need a low-cost way to get them in front of potential customers without destroying their margins.

A large prize necessarily invites takers, and the APAC insurance market is no exception. We have already noted the prominence of the 'Increased competition' challenge. Furthermore, of our three key regions, Asia-Pacific had the greatest number of (re)insurers indicating lost market share (a stat we termed our 'disruption score' in the Insurtech Perspectives section).

This eroding market share reflects both the rapidly growing APAC market – you must grow just to stay the same in terms of market share – and the disruptive approach of non-traditional entrants who are challenging the traditional insurer-customer relationship. Indeed, we have characterised Asia-Pacific as the most disrupted of our three key regions, something we explore in greater detail in the next sub-section and which we have touched on in any case in our dedicated profiles on Europe and North America.

In addition to its enormous size and growth potential, another key characteristic of the APAC market is the variation between the different national markets it comprises, which is perhaps greater than what exists in any other global region, and this is often as cultural as it is economic.

'Individual markets over here are at very different stages of development,' comments Tunstall. *'HK, Singapore, Japan, Taiwan and Korea lead the world in technology penetration — HK has the highest penetration of smart phones in the world. But if you go to Indonesia, a lot of China in the West, Vietnam, Cambodia, Thailand, large parts of Malaysia, and certainly when you get as far across as*

India... The technology is penetrating through but whether the population would ever buy insurance is another matter entirely.'

The peculiar dynamic of the Asia-Pacific market – where, crudely put, insurers are attempting to meet the needs of both new customers in underdeveloped markets and existing customers in developed ones – is reflected in the lower focus we found in the region on customer loyalty (relative to more saturated, stable markets like North America).

Product diversification on the other hand is a key component of chasing new customers, and we see this accorded substantial importance by APAC (re) insurers, a large majority indicating that it informed their organisations' growth strategies.

Fulfilling the Customer Covenant

As we have outlined, the market opportunity in Asia-Pacific consists firstly in the millions of current customers (typically in the emerging middle class), whose ties to traditional insurance models are perhaps not as strong as we find them in the West and who are therefore susceptible to the offers of new market entrants, and secondly in the

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"If insurance works openly on data not to follow but to generate the wave there is a lot of opportunity out there. Pay-per-use has a lot of applications. Companies like Zhong An have a huge knowledge of the customer and are using all that intel to provide appropriate services and products. As a result, they're growing every month. A lot of companies go online and open a shop but it's just a version of the shop they have offline. The behaviour of customers in a marketplace for example, is very different.

MARCO BUCCIGROSSI

Business Development Director, Mapfre

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millions of new customers, generally on low incomes, who have not had insurance before and whom existing insurance business models may be totally incapable of addressing.

Insurance has for some time now been on the sleepier side of financial services, and insurers have perhaps taken their steady business for granted. However, this is changing fast with the advent of Insurtech and the entrance of dynamic new players into the insurance market.

For example, 2013 saw the formation of Alibaba-backed digital-only insurance firm Zhong An, which underwrote over 630 million policies and serviced over 150 million clients in its first year of business alone. [1]

Such a sudden change of pace, with new entrants quick to recognise and exploit what makes today's consumers tick, regardless of which market category they are in, makes it more important than ever for insurers to re-evaluate their relationship with the customer and the value proposition they are offering. However, Tunstall for one believes that the incumbent insurance market has been slow on the uptake and is still not putting together products that meet customer needs, in commercial and personal lines alike.

'The big issue is that, if it's not careful, the insurance sector is becoming less and less relevant,' Tunstall elaborates. *'10 years ago as a risk manager, you'd sit down with the CEO and work out what all the big risks were across the organisation, and perhaps as much as 20% of those risks would be insurable. That's probably down to 15% or perhaps even 10%. The business world is moving incredibly fast and insurance isn't.'*

One key commercial area where insurers are failing is cyber protection, and given that commercial customers' businesses are only going to move more online – and not

less – this represents a considerable missed opportunity on the part of insurers.

'They just don't have the capability or the skillset to produce things that customers want to buy, particularly with so-called cyber products that mostly don't cover the specific risks that the clients are concerned about,' explains Tunstall. *'There's a total disconnect there between the reality of business for all the Fortune 500 companies in the world and what insurers think they're going to provide them by way of services and products.'*

This lack of readiness is reflected also, Tunstall believes, in the personal lines, where he foresees the rapid onward march of peer-to-peer (P2P) platforms. This is by no means to signal total doom and gloom for incumbents seeking to adapt to this huge customer-driven shift, which after all enfolds far more than just the insurance industry. But it is clear that insurers, now more than ever, must work harder to ensure relevance to consumers.

'There needs to be a massive sea-change in their approach. Some of these guys, they are changing, but they're just making better and better carts to go behind horses while their clients are driving around in cars,' he concludes.

[1] insuranceasianews.com/news/zhong-an-insurances-value-set-to-pass-usd10bn-after-first-financing-round/

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Many APAC carriers are in the process of establishing transformation teams and incubators in order to fast-track customer-centric innovation both within, and without, their four walls. A good example of this is IAG's recently announced Insurtech hub in Singapore (Finmark Labs).

MARIANA DUMONT

Head of New Projects at Insurance Nexus

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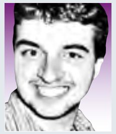
Despite this, it does seem that insurers in the region are heeding the message and waking up not just to the market threat but also to the sizable market opportunity. Across our statistics, we see a veritable obsession with the customer in Asia-Pacific! Let us quickly review the different ways that (re)insurers here are prioritising the customer:

- A greater proportion of APAC respondents indicated that they would be seeking third-party services relating to Customer-Centricity than was the case with Europe & North America
- When we look at new job roles being created within insurance organisations, the post of Chief Customer Officer is particularly prominent in Asia-Pacific, standing out alongside Chief Digital Officer and Chief Information Security Officer
- Asia-Pacific leads on Digital Innovation as a priority area (over our other major regions), and comes second to Europe on Customer Centricity by only 1 point (see Insurer Priorities section)

As we pointed out in our Marketing and Customer-Centricity section, measures of customer priority and measures of customer performance stand in stark contrast to one another (all our regions expressed dissatisfaction in relation to the customer-centricity of their organisation, meeting customer expectations and levels of customer engagement). While only a small minority of insurers globally reported that their customer experience was consistent across channels (essentially a measure of omnichannel performance), Asia-Pacific trailed our other regions on this important performance measure (see our Distribution section).

With its current deficiencies but firm stated aims around the customer, it is clear that the insurance industry in Asia-Pacific is going somewhere – but it has not arrived yet. As their efforts prioritising the customer begin to bear fruit over the next 2-3 years, we expect the relatively negative self-assessment of APAC insurers regarding their customer performance (including their cross-channel consistency) to right itself.

> Carrier perceptions of market-share loss in Asia-Pacific may well adjust down over time, even as Insurtechs continue steadily to gain traction. While carriers may have 'priced in' the potential for a rout, new entrants still face numerous issues, scale and regulation being just two. It may be a couple of years before we have a mature assessment of where the market is headed.



ALEXANDER CHERRY

Head of Research at Insurance Nexus

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Throughout this report, we have tended to see in this combination of high customer priority and low customer performance the hallmark of market disruption; the more unwanted competition insurers face, the more forcefully they will prioritise customer-centricity initiatives.

Out of our three key regions, we have tentatively characterised Asia-Pacific and Europe as the more disrupted markets on account of their strong prioritisation of the customer, leaving North America as a (relative) laggard. In our section on Europe, we further categorised Europe as the longest-disrupted of our markets and Asia-Pacific as the most disrupted. By this we meant that the 'wave' of disruption is right now breaking over Asia-Pacific, having broken on Europe some short time ago.

In support of this (and you can read more in our Europe profile), we pointed to Asia-Pacific's lower score for cross-channel consistency compared to our other regions. In light of what we know more generally about disruption in Europe, a higher level of cross-channel consistency here could be interpreted as European insurers beginning to see some material fruit from omnichannel initiatives already partway towards full implementation. Similarly, we noted that Chief Customer Officer was not a significant recent appointment in Europe and suggested that the issue was not so much with the significance of the role but with its recency, concluding that the first wave of appointments in this field had already passed.

What all this means is that European (re)insurers have had time to take some small steps towards a new normal or to at least adjust psychologically, while their APAC counterparts are at the point of maximum panic. This is reflected ultimately in the divergent 'disruption scores' of the two regions, in which there may well be a substantial psychological component: only a small minority of (re) insurers in Europe (23%) reported losing market share to new entrants, while in Asia-Pacific this figure rose all the way to 47%.

We emphasised in the Europe section that the journey through disruption is not going to be linear, and it is near-certain that the material level of disruption will rise in all our markets. Also, different markets will likely move along different trajectories, so it will be interesting to see whether European (re)insurers retain their early-adopter status given the on-going transformation efforts of their counterparts in APAC.

Towards Slick, Personalised, On-Demand Insurance

If they are to prevail in the face of market disruption, insurers must woo consumers with a fundamentally new kind of customer-centric insurance product: easy-to-use, personalised and on-demand. Let us review the progress currently being made in this direction by insurers in Asia-Pacific.

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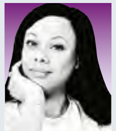
> Advanced analytical modelling is seen as the new currency for predicting customer needs and delivering insights to build really innovative insurance products and adapt processes where they are broken... while at the same driving heighted transparency where required.



SABINE VANDERLINDEN

Managing Director at Startupbootcamp

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João Neiva, speaking from his experience as Head of Innovation, IT and Business Change at Zurich Topas Life, gives some background on how his Indonesian team are updating products and services to reflect their understanding of today's customer. To start with, he warns against customer-centricity for its own sake, noting that it is easy to make a vice out of a virtue.

'Sometimes, from the perspective of a customer, we get carried away with providing self-service functionalities because the trends show that everyone now has a mobile phone, or more than one, so let's go crazy and make sure that the customer can go through the whole process pretty much on their own,' says Neiva. *'However, I think sometimes we don't ask the customers and we just assume that they want it.'*

He counsels a healthy degree of pragmatism when trying to understand the customer's most pressing needs – at least as far as personal-lines insurance is concerned. For most people, insurance is simply not top-of-mind, and customers consequently are more likely to value a convenient, simple experience from their insurer than a high-spec, over-engineered one (buying insurance is not like buying a games console).

'Customers want simple documentation. They want plain, understandable wording, visual if necessary, they want real-time quotes and purchase for a product, preferably by mobile,' Neiva points out.

For Neiva, providing clarity to customers regardless of which channel they have come through, for example on the status

"

The Internet of Vehicles (IoV) and Connected Cars is a market that's growing tremendously fast in China. Many analysts have highlighted this trend. Baidu is investing in the Autonomous Car and wants to connect all the customer knowledge it has to exploit this new business model and generate new revenue streams. In my opinion, it's strongly linked to insurance companies' need to generate new, not totally insurance-related revenues. It may mean losing their orthodoxy but ultimately satisfies their customers and CFOs.

MARCO BUCCIGROSSI

Business Development Director, Mapfre

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of their policy, may be more important to them than the absolute speed of issuance:

'On the New Business side, customers want transparency about the next steps, they want a clear view of what to expect. They want to know when their policy will be issued or if they need medical tests. So what does that mean? Does it mean that the policy needs to be issued in one day, instantly, less than 2 hours? Is issuing a policy in 20 minutes really relevant?

I think that, from an operations perspective, sometimes we get carried away with shortening the processes when that may not actually be what customers are wanting.'

New Business is a good example of where process overhaul can make a major difference to customer experience – and one that is genuinely felt and appreciated by the customer. But customer experience is not exclusively about ease of use; another easy win for insurers chasing the customer-centricity grail resides in the product itself, namely by making it more flexible and personal, in line with the multitude of other 'on demand' services that today's consumers are coming to expect as the norm.

We see the same trend towards Usage-Based Insurance (UBI) in Asia-Pacific as we see elsewhere in the world, and this relies (as elsewhere) on making innovative use out of customer data and analytics so that prices reflect individuals' actual behaviour over policy spans of their choice.

'We've got a lot of data, we know a lot about customers, we know about their health, we know about their income, we know about their lifestyle and we do little with that data,' comments Neiva. *'So we're starting with some proofs of concept in those areas as well.'*

Asia-Pacific leads on Analytics as a priority area (along with North America), which reflects the growing importance of this technology class in the region. Also, in line with our global trends, we generally find investment in analytics increasing in Asia-Pacific, and analytics-related services are also highly sought after among the third-party service types we have assessed on. Additionally, a majority of our respondents in the region reported that they were coordinating their analytics strategies across their organisations, and we also found a reasonable incidence of formal data-governance strategies.

In our Analytics section we noted a potential lag in external data usage in APAC, and our broader research tells us that the culture of third-party data aggregators is less well-established here than in the West, with (re)insurers basing their models primarily on data they have collected themselves, or on publicly available data.

The Internet of Things (IoT) is a core component of any long-term UBI strategy. Half of respondents in Asia-Pacific report having an IoT strategy, in line with our other key regions, and this was a priority area on which the region led (see Insurer Priorities).

Smartphone penetration in many parts of Asia-Pacific is excellent, with eMarketer recently estimating, as an example of this, that 70% of people in Hong Kong are smartphone users[2]. This is already acting – and will continue to act – as a major enabler of IoT solutions, especially in health, where the smartphone acts as a hub for one or more m-health devices, and which was, as we recall from our section on Product Development, the insurance line driving the greatest level of product innovation in Asia-Pacific.

Even though Internet of Things was a priority on which Asia-Pacific led (compared to our other regions), and even

[2] emarketer.com/Article/Nearly-Seven-10-Hong-Kong-Residents-Use-Smartphones/1014941

> Insurance firms hold a lot of data today which can be referred to as a coal mine. But very few insurers have been successful in mining and turning this data into a gold mine. My view is insurers are in a learning process today, but the culture of 'fail fast' needs further adoption.

ASH SHAH

Regional CIO and Chief of Staff Property and Casualty at AXA Asia

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though IoT-related services were a sought-after category of third-party services in the region, it is Europe that our stats on implementation currently put ahead of the curve (see the Internet of Things section). However, our key regions are set to be very much aligned within 12-24 months.

There are certainly some infrastructure issues when we consider Asia-Pacific as a whole; Neiva for one notes the continuing importance of offline data-gathering in wide areas of Indonesia. For certain IoT use cases as well, the cost of connected devices may be prohibitive. A modest majority of respondents in Asia-Pacific believed that IoT will impact claims departments, in which there exists a strong focus on claims loss mitigation.

The second phase for insurers who have created more personalised, flexible products – after gathering sufficient customer data – is to move on to recommendations and bundling. This way, the investment in personalising for an individual customer, which is of course more expensive than having one-size-fits-all policies, can pay off handsomely in upsell opportunities.

In our section on Product Development, we found that around half of APAC insurers are indeed bundling products based on customer-lifestyle analytics, in line with our other key regions. This goes to show that even if your primary focus is on breaking into new markets and segments, there is no reason not to maximise the lifetime value of each new customer in the process.

The more intimate insurer-insured relationship that we see emerging is not just positive in the sense that policyholders can receive some form of rebate or benefit-in-kind for their good behaviour. As an extension of this, insurers can actively incentivise customers towards lower-risk actions. We see this particularly in Health and Auto insurance (which are the two insurance lines driving the most innovation at present in Asia-Pacific).

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> Forward-thinking regulators can have an enormous positive impact on market development. Take the Monetary Authority of Singapore (MAS) for example, which launched a Regulatory Fintech Sandbox back in June 2016 – this is a great way to encourage Financial Institutions (FIs) and Fintechs alike to openly pursue innovation without being put off by the fear of regulatory non-compliance.

MARSHA IRVING

Head of Innovation / Commercial Director at Insurance Nexus

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As the information exchange between the insurer and the insured improves and becomes more regular, in a virtuous circle of trust rewarded, insurers are coming into possession of more and more customer data. Holding all of this, however, comes with a number of unwelcome consequences.

The first that springs to mind is the impact of regulation, with customer-privacy laws causing insurers a considerable headache. While the emergence of Regtech should take some of the sting – and the cost – out of complying with regulation, customer privacy is not the only aspect on which insurers need to be careful: they also need to secure all their data against the spectre of cyber-attack, especially with the proliferation of attack vectors brought about by IoT.

Compromised data means compromised insurance models – regardless of the sophistication of the modelling – and this has the potential, like an algal bloom, to irrevocably contaminate the early-stage data lakes being created in the region. HK-based David Piesse, Chairman of IIS Ambassadors and Ambassador Asia Pacific at the International Insurance Society (IIS), is keen to impress how data breaches should be every bit as high up on insurers' priority lists as issues around customer privacy.

'Asia Pacific is only starting to look at regulations for data breach as opposed to data privacy laws, which have been around for some time,' he expands. *'Digitisation is leapfrogging in Asia and so are industrial parks with smart devices and machine learning running the processing. Because of global supply-chain issues, this makes the need to mitigate and protect data integrity an urgency even without regulation where best-practice risk management must be implemented.'*

One issue (as with the similar problem of fraud) is the time it takes for breaches and compromise to be discovered and addressed:

'The time from compromise to discovery in Asia is now on average 580 days according to statistics,' says Piesse. *'Therefore, we must assume compromise of data across time, as there have been no notification laws and hence no catalyst to mitigate. This is why there is concern in Asia-Pacific.'*

Let us return briefly to the question of regulation, as it is often the regulator that stipulates what constitutes a legitimate use of customer data, as well as how that data is to be secured.

Asia-Pacific comprises a host of different regulatory regimes across all its constituent markets (there is no such thing as an APAC regulator), so it is difficult to talk in general terms about regulation in the region. Suffice to say, we can regard as exemplary the regulatory environments in Singapore and Hong Kong, which are proactively driving Insurtech and Fintech innovation forwards, for example through the creation of regulatory sandboxes[3].

In Asia-Pacific, we found a marginally lower level of historical impediment through regulation than in our other key regions, although all our regions were aligned in their belief that regulation was greater cause for concern this year than last. The smaller regulatory impediment compared to North America and Europe is perhaps a consequence of APAC being made up (in the main) of large national markets, with neither the centralisation of the EU nor the federalisation of the 50-State USA.

Getting Smart About Distribution

In the previous sub-sections, we have given due attention to the customer-centric battle cry echoing across the APAC

[3] mas.gov.sg/Singapore-Financial-Centre/Smart-Financial-Centre/FinTech-Regulatory-Sandbox.aspx

"We know already what you want, we can deliver unbiased search. It all comes down to predictive analytics. If, for example, the customer has an iPhone 7, comes to GoBear through a certain channel and travels regularly to Hong Kong, we know based on your profile that there are only going to be three insurance companies you are interested in."

ANDRE HESSELINK
CEO at GoBear

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insurance landscape. However, understanding the modern consumer and creating products and services to meet their needs is only half the problem.

Customers want on-demand; customers want personalisation; customers want to receive products and services via the channel(s) of their choice – but not at any additional cost, as insurers' brethren in the retail and logistics industry have already found out to their dismay.

This makes it imperative for insurers to reduce unit cost however they can, and this has multiple aspects to it. On the one hand, insurers can control the cost of the back-end systems and the processes supporting the new customer covenant, and this certainly forces them to prioritise what is really required. On the other, they can seek to reduce front-end costs, namely distribution. All of this reduces the amount that needs to be added back onto customer premiums and allows insurers to offer more competitive pricing.

Operating these two prongs in unison – back-end and front-end efficiencies – will ensure that insurers' products are competitive in their middle-class markets, where new entrants are constantly trying their charms upon a fickle audience, as well as opening up the myriad uninsured for business and thereby enabling vast scale to be reached. We will look at what insurers in Asia-Pacific are doing from a systems-and-processes point of view in the next sub-section; here, we focus on what they are doing to reduce the cost of distribution.

Firstly, let's take stock of the distribution situation in the region. Anecdotally, we know the market to be highly intermediated, with agencies and banks playing particularly significant roles. However, our stats showed the direct-to-customer channel to be highly available (with over three quarters of insurer respondents affirming its existence).

This is totally in keeping with our characterisation of Asia-Pacific as a highly disrupted market. Our position throughout this report has been that customer disruption (which we have already discussed) ultimately stems from distribution disruption, in the sense that it is new (digital) channels that have expanded consumers' horizons to the new world of products, services and customer service that they now demand as the bare minimum. With consumers moving over to digital, insurers have no alternative but to make themselves available via this channel as well.

Availability is not of course the same as volume, and wider evidence on the APAC market indeed points to this still being a relatively insignificant channel volume-wise, compared for example to bancassurance and other face-to-face channels. Recent research from Swiss Re and LIMRA indicated that the direct channel does not exceed 10% of

"It's hard for intermediaries. This middle man is only useful if they can provide a great customer experience. Lots of companies are trying to build those platforms but often only replicating the online model they have offline instead of rethinking it. Additionally, the big risk is that the market and the customer are going faster and faster and companies are left behind.

MARCO BUCCIGROSSI

Business Development Director, Mapfre

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total business in any Asia-Pacific national market apart from China[4], for which we have already drawn attention to the meteoric rise of the online player Zhong An. The lesser volume of the direct channel within the region as a whole is reflected in the relatively low aggregator impact we measured for Asia-Pacific in our Distribution section (compared to our other key regions), bearing in mind that aggregators predominantly operate through digital channels.

As increased availability of digital channels reflects changing consumer behaviour patterns more generally, we expect these to bulk out over the coming years. For the time being though, the lion's share of insurance business in the region still happens via traditional brokered channels.

These broker channels are highly fragmented, incorporating agencies and banks of all shapes and sizes, each one with a different working culture, a different sales ethos and often different technological constraints. This does not just make it more difficult to offer prospective customers a consistent experience across multiple channels, it is also far from being conducive to the rapid scale that insurers want to achieve with their new-age policies.

Indonesia is a case in point, with in excess of a quarter of a billion people spread over nearly 1,000 permanently inhabited islands. Neiva, working out of Jakarta, depicts the situation in the following terms:

'We've got 6,000 distributors spread all over the place. Indonesia is not known for its technology or its network infrastructure, so there's a big challenge there in terms of connectivity. So whenever we bring digital solutions, the challenge is that it needs to be online and offline.'

It's clear that insurers in Asia-Pacific are trying to break the shackles of this legacy distribution landscape; indeed, Distribution Diversification was a priority area that Asia-Pacific led on by comparison with our other regions. Given the high mobile penetration in the region as a whole, the direct-to-customer channel certainly makes a lot of sense in that it allows people to access insurance via a device they already possess. As this is not just widely available but also effectively free of charge, we expect it to be particularly useful for the distribution of microinsurance products in the region.

While the direct-to-customer channel will certainly become more significant as time goes on, it is not the only answer to insurers looking to access the huge new market segments on offer in Asia-Pacific as well as to keep the trust of fickle existing customers.

Affinity partnerships, whereby insurers piggyback on other brands already established in consumers' lives, are a path insurers continue to explore. This is a trend the world over (we explore it also in our sections on LatAm and Africa) but we have reason to believe that it will be particularly pronounced in Asia-Pacific.

'We're looking into partnerships with companies from different sectors: how we can plug in, bringing the insurance dimension and being the insurance carrier while the partner does all the front-end customer-facing stuff,' explains Neiva.*'And as I like to call it, we're just a third-party API.'*

He goes on to give an example of what this 'API culture' might mean for insurers.

'If we want to tap into Uber customers, we'll be another API into the Uber app,' elaborates Neiva. *'We're not the front end, we're not the market-facing bit. And the second thing is: we*

[4] swissre.com/reinsurance/insurers/life_health/Distribution_in_Asia_life_and_health_insurance_channel_and_product_preferences.html

> It is important to be nimble to the extent possible, in terms staffing and financing. Procedures must be on the shelf so that you can move fast when the opportunity presents itself. There also should be the culture for trying things but 'failing fast' and not on a large scale when it does occur.

DAMON LEVINE

CFA, CRCMP, ERM Practitioner, Writer & Industry Speaker

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can be the market-facing bit but live with 3rd-party APIs from other companies. That's how I see it's going to move: more from these partnerships between insurance companies and others, not only banks but other companies too, that will add to the customer base.'

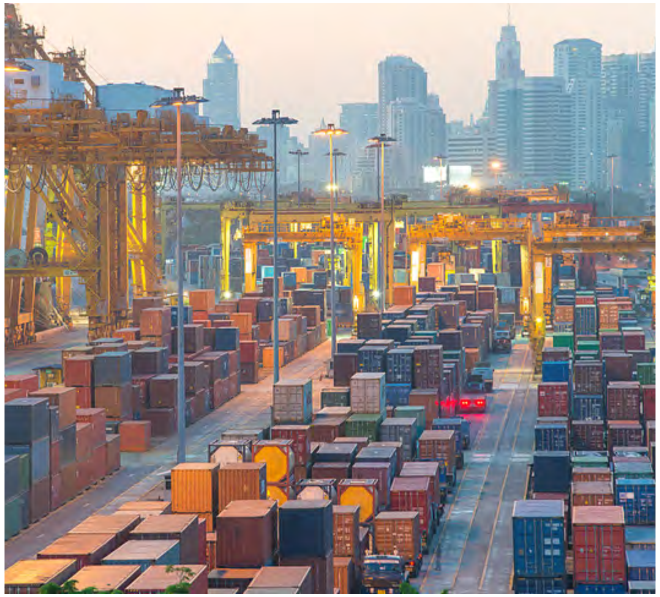
It goes without saying that the affiliate channel can also exist without APIs. It can be of enormous help to an insurer to use the scale of a large retailer or telco in the same way as they have used, and continue to use, their traditional banks and brokers. As an example of this, we last year saw BIMA, a leading provider of mobile microinsurance (MMI), partner with mobile network operator Digicel in order to access their subscribers in Papua New Guinea[5] and Fiji[6].

Fast-Tracking Digital Transformation

Now we turn to what APAC insurers are doing with their back office to facilitate their new customer-centric insurance model — at a commercially viable cost. There is no point coming up with a winning concept and getting it in front of millions of customers only to see your engine room break down or to rack up such a high bill that you can't make any money.

Admittedly, it is hard to completely separate the problem of back-office transformation from the broader questions relating to distribution and the customer relationship. If you are able to achieve gargantuan scale with your products, then you can naturally afford more upfront investment in the back office. Similarly, if you reckon on being able to convert bad risk into good risk via incentives (especially in Health and Auto insurance), and just as importantly you can convince prospective customers of this, then you can go after low-end demographics at initial policy prices that don't – on paper – make business sense.

These above factors are all very much unknown quantities,



and if, having made your infrastructure investment, you are unable to achieve the scale for your products that you reckoned with, then you may even end up going bankrupt – so the question of digital transformation is certainly a loaded one, and insurers will generally prefer to make their quantum leap in manageable, auditable stages, rather than going for broke and hoping scale pays the bills.

It is in these terms that Neiva frames the digital-transformation efforts within his team in Jakarta:

'For the next 12 months, our challenge is: how do we make sure we drive efficiencies by digitising a lot of the back end to then drive the unit cost down,' he muses.

This need for a strict balance between investments and deliverables harks back to an important principle we identified in our earlier sub-section looking at customer-

[5] microinsurancenetwork.org/groups/bima-partners-digicel-papua-new-guinea

[6] microfinance-pasifika.org/bima-launches-new-microinsurance-programs-in-the-pacific-islands/

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> One of the first steps is to digitise services and sales platforms, the second is to modernise and simplify core policy administration systems, and the third is to move to a modular solution on pricing, underwriting and servicing to ensure flexibility to better serve customers.

ASH SHAH

Regional CIO and Chief of Staff Property and Casualty at AXA Asia

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centric products, namely that it is better to achieve more straightforward objectives with flying colours than to promise things that aren't really essential and then underdeliver.

Personal experience teaches that our satisfaction with a product or service often has more to do with what we have been led to believe about it than with the objective quality of the final thing; in this way, a tin of beans that 'does what it says on the tin' can procure a more positive customer experience than second-rate caviar.

Neiva's principles of clarity and transparency, which we touched on earlier, operate very much along these lines. The primary goal of insurers needs to be *to not disappoint* the customer. Once this condition is met – and only when this condition is met – should insurers start pursuing more high-flown goals, such as one-hour turnaround for claims resolution.

'Digitalisation's first stage is pretty much front-end: we try to make things nice for our customers and distributors,' Neiva comments. *'But then the back end is still very manual. We're no exception, so we still have that challenge.'*

He cites underwriting as an example of where this mismatch between front-end promises and back-end systems can cause problems:

'When we talk about underwriting, we can bring a fancy front end but, if you still have an old-fashioned way of looking at underwriting at the back end, you will still have a lot of stuff going through manual or case underwriting rather than going into a straight-through process.'

We can see from this that there is an obvious trap insurers can fall into, and this applies equally to all digitally disrupted industries: chasing the game at the front but neglecting the more mundane-seeming stuff at the back, which, unexciting as it may seem, is as necessary today (and tomorrow) as it was yesterday.

Even if insurers do have the budget to match their front-end ambitions with back-end investments, this is not always wise. Digitisation initiatives have enormous financial implications, and the cost of failure is therefore substantial. One approach that recommends itself is to spread risk and guarantee a base level of return by focusing not just on the big one-off system replacements but also on incremental improvements to the surrounding processes, workflows and even mentalities.

Two areas that Neiva believes all organisations should focus on are new methodologies and new ways of delivering things, such as fast-prototyping, design-thinking and Agile. These can benefit the entire organisation and yield positive results both operationally and in product development.

It is increasingly important to find ways to renew the business model, and data and innovation capabilities are an important prerequisite. New roles and organisational set-ups might help to achieve this goal. Big Data, and the ability to collect the right data and act upon it, is one of the key skills needed by the industry in the future.

MONIKA SCHULZE

Global Head of Marketing at Zurich Insurance

On the workflow side, there is plentiful interest in robotics and process automation – for instance, nearly half of (re) insurers in Asia-Pacific have automated claims-handling – but we often encounter the fetish of the turn-key solution. While methods for automating underwriting and claims-processing are improving, we are not talking about achieving 100% straight-through processing.

In reality, the systems in question are akin to giant traffic wardens and while, to use underwriting as an example, they can take a lot of straightforward policy creation off the road, anything non-routine will remain to be dealt with. Unless the manual processes – and employees themselves – are suitably informed and keyed in when these non-routine cases come along, we will still end up with congestion in the back office, and in some cases worse congestion than what existed before.

Back-office digitisation is not therefore synonymous with automation. It also involves, in addition to the systems aspect, a redesign of general organisational workflows and a sea-change in staff mindsets.

This sea-change cannot be limited to carriers but, especially in a market such as Asia-Pacific, must embrace agents and brokers as well. While the proportion of business coming through direct lines is likely to increase, the indirect channels can still play a positive, facilitating role as part of the omnichannel mix.

Much of this comes down to instilling agents with the same ethos as one's own staff (or a least with a compatible ethos that takes on board the changes that are occurring in the insurer-customer relationship). On a more prosaic level, it involves aligning agency processes and incentives with

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The new way of dealing with insurance data could dramatically improve the efficiency of agents and customer interactions, as well as improving cost structure with a decrease of human resources involved, thanks to automation. It will increase insurers' competitiveness in the long term.

MINH Q TRAN

General Partner at AXA Strategic Ventures

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those of the insurer, and it may even entail equipping agency salesforces with more up-to-date tools (such as tablets) and analytics. This latter point is particularly pertinent in the case of bancassurance, where numerous possibilities exist for cross-selling and for complementing insurers' data with that of the banks as regards their shared customers.

This channel warrants a separate mention, on account of its growing significance in Asia-Pacific. According to stats from TechNavio, annual bancassurance market revenue in APAC currently stands at 173 billion USD and is growing at a compound annual rate in excess of 8%[7].

Local Trends: Asia-Pacific
In this final sub-section, we look at how some of the trends we have outlined above vary on a local level. As is already apparent enough, we are dealing in APAC with a heterogenous area that resists categorisation. We have some super-connected hubs, like Singapore and Hong Kong, which syndicate regional Insurtech innovation and in many ways lead the world; equally though, there are vast swathes of terrain where the only viable form of insurance is microinsurance.

We have undertaken a regional segregation into two main groups of nations, with the intention of capturing the two opposite poles (in terms of market dynamics) that the region comprises. We concede that this is still very much inadequate, so the following is intended only to outline the broadest tendencies.

GROUP ONE contains those countries that have historically led on development: Singapore, Hong Kong, Australia, New Zealand, South Korea and Japan. These markets are, speaking in the most general terms, middle-class and relatively saturated, and distribution is less of a problem.

Our GROUP TWO countries represent the underpenetrated mass of the region, in which the potential for growth is huge but where scale and distribution pose considerable challenges. Key contributors to our stats were: China, India, Malaysia, Philippines, Indonesia, Sri Lanka, Thailand and Vietnam. Some of the countries within this group are in an intermediate position (particularly places like China, India and Malaysia) in the sense that they encompass major middle-class centres as well as vast areas of underdevelopment. As we are unable at this time to segregate further, we have left these countries in the second group, but draw attention to the above as a caveat.

[7] imaa-institute.org/power-alliances-partnering-growth-insurance-sector/

INSURANCENEXUS

The big picture – technological change and low interest rates – is the same across the region. Developing markets appear subject to greater customer disruption and are grappling with new digital channels for reaching consumers. Insurers in our more mature markets may exhibit greater digital readiness – but so do their competitors, hence the higher levels of competition they face.

MARIANA DUMONT

Head of New Projects at Insurance Nexus

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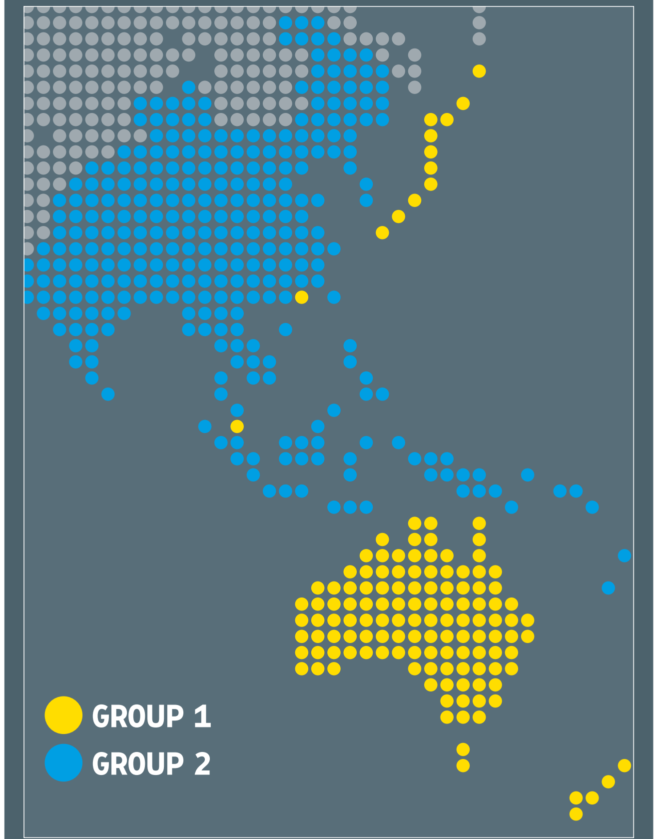
LOCAL TRENDS: ASIA-PACIFIC



External Challenges: Local Variations
'Technological advancement' tops the challenges table for both groups, while 'Absence of a clear strategy' and 'Lack of company investment' are bottom for both. 'New emerging risks' and 'Changing economic conditions' are relatively high-scoring in both regions.

'Increased competition' is a massive issue for GROUP ONE – coming in second place behind only 'Technological advancement' – but only a mid-ranking issue for GROUP TWO.

Similarly, 'New entrants to the market' makes it into the middle of the challenges table for GROUP ONE, whereas for GROUP TWO it is close to the bottom of the table.

'Changing customer expectations' is of middling importance in GROUP ONE but is the second biggest challenge – behind only 'Technological advancement' – for GROUP TWO.

'Catastrophe risk' and 'Climate change' are fairly low-ranked in GROUP ONE but climb towards the mid-table in GROUP TWO.

'Increased regulation' is low-ranked in GROUP ONE but a mid-ranking challenge in GROUP TWO.

'Digital channel capabilities' is a mid-ranking issue for GROUP ONE but a high-ranking issue in GROUP TWO.

Internal Challenges: Local Variations
Internal challenges facing the industry are well aligned across both groups, except for 'Finding and hiring talent', which appears to be a substantially bigger issue in GROUP TWO.

Insurer Priorities: Local Variations
The insurer priorities overleaf are in the same rank order as in our Insurer Priorities section (as voted by APAC insurers). In each case, we indicate any local variation we noticed across our markets in GROUP ONE and GROUP TWO.

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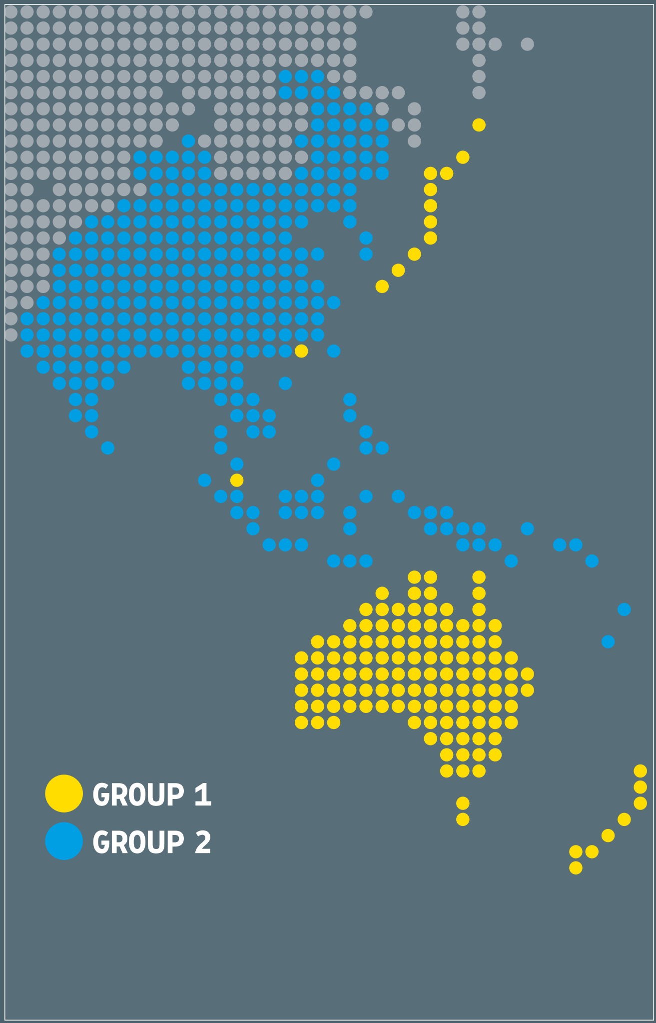
LOCAL TRENDS: ASIA-PACIFIC



DIGITAL INNOVATION	are well aligned, constituting the top 3 priorities for insurers in both groups
CUSTOMER CENTRICITY	
ANALYTICS	
DISTRIBUTION DIVERSIFICATION	is a mid-to-high-ranking priority for both groups, slightly higher in GROUP TWO
CLAIMS	is a mid-ranking priority for both groups, edging into the top part of the table in GROUP ONE
PRODUCT DEVELOPMENT	are aligned across both groups
PRICING	
UNDERWRITING	is a mid-ranking priority for both groups, coming out slightly higher in GROUP TWO
REGULATION	are aligned across both groups
INTERNET OF THINGS	
MOBILE	
FRAUD	is a low priority for GROUP ONE but a moderate priority for GROUP TWO
RISK MANAGEMENT	is aligned across both groups
CYBERSECURITY	is a higher-ranking priority in GROUP ONE but still towards the bottom of the list
INVESTMENT MANAGEMENT	is lowest-ranked for both groups

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LatAm

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Section 3: LatAm

> Latin America and the Caribbean together comprise over 600 million people spread across more than 30 countries. From an insurance perspective, this is a hugely varied market that encompasses extremes of wealth and poverty, with abundant opportunities not just in 'traditional' insurance but also in the mass-market and microinsurance categories as well.

MARIANA DUMONT

Head of New Projects at Insurance Nexus

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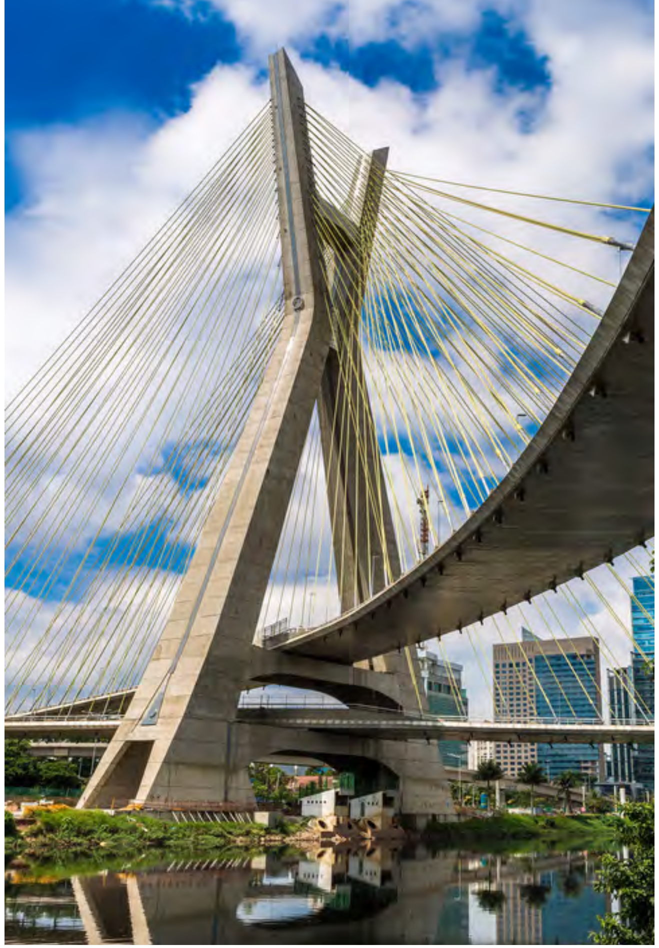

In this section, we present our overview of the Latin-American market, drawing predominantly on direct testimony from in-region contributors.

Our stats for LatAm are based on the opening Global Trends section, and have allowed us to constitute tables of internal and external challenges for the region, as well as an indication of insurer priorities. While we lack regional statistics for the more specific trends we explored in the Key Themes section, we examine a number of these topics through a qualitative lens thanks to the insights of our two regional contributors:

- Luiz Bruzadin, Founder at Brazil-based Insurtech Segure.me
- Hilario Itriago, CEO at VC fund Bullfrog Ventures

Let us begin by briefly comparing the leading internal and external challenges in LatAm with the global trends we identified at the outset.

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> Over the past few years, recessionary conditions have weighed heavily on key markets, particularly Brazil, Argentina and Venezuela. However, the regional economic downturn is expected to reverse in 2017, with the IMF forecasting GDP growth of 1.6%. A turnaround in commodity prices on both fuel and non-fuel products will help drive that recovery.
>
> 2017 Latin American insurance outlook, EY

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The External Challenges: LatAm

The external challenges cited by our Latin-American respondents were the least representative of the global trend for external challenges we outlined in the Industry Challenges section at the start of this report.

The global top three were 'Technological advancement' (leading on points by some margin), 'Changing customer expectations' and 'Digital channel capabilities'. The top three for LatAm has a rather different complexion: 'Changing economic conditions' (4 places higher than globally at the very top of the table), 'Technological advancement' (having dropped a place) and 'Increased regulation' (3 places higher than globally).

CHALLENGE	RANK	VS GLOBAL
Changing economic conditions	1	+4
Technological advancement	2	-1
Increased regulation	3	+3
Digital channel capabilities	4	-1
Increased competition	5	+2
New emerging risks	6	-2
Changing customer expectations	7	-5
Climate change	8	+2
New entrants to the market	9	-1
Catastrophe risk	10	-1
Absence of a clear strategy	11	-
Lack of company investment	12	-

+1 indicates that a challenge is one place higher in LatAm than globally

'Changing customer expectations' (2nd place globally) plunges to 7th position, and 'Digital channel capabilities' (3rd place globally) slips one place to 4th. In the middle of the table, we notice that 'Increased competition' has also risen a couple of places.

How might we explain this difference in outlook that we find in LatAm? We should of course bear in mind that we are dealing with a smaller number of respondents for LatAm, so shouldn't read too much into minor variations from the global trend. Some of the ones we have just pulled out, however, appear quite substantial.

Technology, digital channels and customer expectations (the global top three) are all key challenges for the world's insurers for the same reason – they are part of the response to today's customer-driven disruption, something which, across this report, we have traced back to changes to distribution and the arrival of digital channels.

That this triumvirate of challenges appears less important in LatAm might in theory indicate that the trend towards customer-centricity is less pronounced here. However, based on our small sample of responses, we can say – tentatively – that Customer Centricity is the leading priority area for carriers in the region, so this explanation seems unlikely.

Therefore, rather than the trend towards customer-centricity being less important, it is perhaps the case that other factors – which may well be transient – have grown more important and are grabbing insurers' immediate attention.

'Changing economic conditions', 'Increased regulation' and 'Increased competition' – an alternative challenge triad for LatAm – potentially fit the bill as adverse market factors, unglamorous and unrelenting, each of which we discuss in greater depth later in this section.

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Historically, high-growth potential has attracted global insurers, reinsurers and brokers to the region through M&A. With economic conditions likely to improve, international players may reinforce their positions, particularly in key markets such as Brazil.

2017 Latin American insurance outlook, EY

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The Internal Challenges: LatAm

The top internal challenge among Latin-American respondents was, in line with the global trend we identified in the Industry Challenges section, 'Lack of innovation capabilities'. 'Finding and hiring talent' appears one place above the global trend in second position, pushing 'Legacy systems' down by one.

CHALLENGE	RANK	VS GLOBAL
Lack of innovation capabilities	1	-
Finding and hiring talent	2	+1
Legacy systems	3	-1
Lack of company-wide dedication to core priorities	4	+1
Mergers & acquisitions activity	5	+1
Siloed operations	6	-2

+1 indicates that a challenge is one place higher in LatAm than globally

Of note is the bottom place attained by 'Siloed operations' in LatAm, below 'Mergers & acquisitions activity' even though this had a significantly lower score than 'Siloed operations' on the global internal-challenges table.

This may be more a case of other factors seizing insurers' attention than of silos being unimportant, or a consequence of our smaller number of respondents from Latin America. We have no reason to suspect that silos are significantly less of an issue here than elsewhere around the globe. Indeed, we will see later that M&A activity is not just a factor in past company expansions and future company growth but also, notably, a cause of much back-end complexity (like silos!) among incumbents.

Insurer Priorities: LatAm

From our limited data, one priority area that particularly stood out for LatAm (relative to our other regions) was Fraud. Other stand-out areas were Product Development and Cybersecurity.

We touch on these challenges and priorities as part of the following market characterisation, which is based on our discussions with regional contributors Luiz Bruzadin and Hilario Itriago. Some key areas we explore are:

- Latin-American insurers' efforts around digital transformation
- New models of innovation involving Insurtechs
- LatAm's positive growth factors and the outlook for the market over the coming years

Market Characterisation: LatAm

Asked to comment on the main challenges facing Latin-American insurers, Luiz Bruzadin cited his top three as a lack of economic growth, the decline in interest rates and a lack of insurer productivity. These conform to the picture of dominant market factors we sketched out earlier (they are essentially the 'Changing economic conditions' that came out as the region's top external challenge).

Since sluggish growth and low interest rates are global phenomena, this raises the question as to why both our survey respondents and our industry contributors from LatAm assign them such pre-eminence. Part of this may be to do with the third challenge listed by Bruzadin, namely the lack of insurer productivity – this makes extraneous market factors, which are putting pressure on (re)insurer margins worldwide, doubly painful.

With slack yields from financial markets and, often, minimal foreseeable policy growth in the short term,

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> Currently, I don't think we have the capabilities to transform the way of doing business using digital technologies in Brazil... There is a lot of talk on investments in digital transformation but little action. I cannot see the players on the market really investing in digital transformation.

LUIZ BRUZADIN
Founder & General Director at Segure.me

insurers all around the globe are having to learn to do more with less, and poor productivity simply leaves them with even less to do it with. One obvious way to make up for this shortfall, not just for Latin-American insurers, is to drive lower costs and greater efficiency.

From a cost-savings perspective, one area of low-hanging fruit would appear to be fraud, which needlessly siphons off millions of insurance dollars every year. As noted at the start of this section, Fraud was indeed an important priority area for Latin-American respondents – Bruzadin acknowledges it as a big issue for the region and one of the 'costs of doing business', and he believes that the transformation initiatives already underway within insurers will go some way at least towards alleviating the situation. Our other regional contributor, Hilario Itriago, agreed on the primacy of technology for meeting the fraud challenge head on:

'Speaking about LatAm in general terms might be unfair, as fraud changes by country,' he clarifies. *'Companies need to be aware of it, but equally I think technology will play a great role in helping insurance companies to protect themselves against it.'*

From an efficiency perspective, Itriago points to automation as a key area of interest for Latin-American insurers:

'Anything and everything to do with automation that simplifies the existing processes is driving new ways of doing things,' he observes. *'And the main example there would be AI – AI is driving the claims process to levels that we never imagined, particularly in the personal-lines space.'*

While automation is mainly associated with driving efficiencies within personal lines, Itriago believes that the same tools can massively streamline work in the commercial space as well:

'Clearly it will take more time, because we're talking about properties, about engineering, about large risks, so you need a lot more know-how,' he explains. *'That said, even those underwriters need tools and mechanisms to make those processes work a lot faster than they've typically been, and the same is true for claims.'*

We should bear in mind though that simply finding ways to make the old cogs of the business turn more smoothly is rarely enough to achieve higher overall productivity in the long term. Another imperative for Latin-American insurers is to maintain – and grow – the relevance of their insurance products and services to modern consumers, or else the shifting sands of the market may simply run away between their fingers.

'The main challenge clearly has to do with adapting to newer customer needs,' comments Itriago. *'It's a lot more online, it's a lot more mobile, it's a lot more about trying to get greater clarity and simplicity out of the products that people want to purchase. So customer-driven innovation and different ways of consuming the insurance products is the first big driver happening at the moment, and Latin America is no exception to that.'*

Bruzadin is also quick to highlight changing consumer consumption patterns, placing particular emphasis on the on-going shift to mobile:

'Customers want to buy using their mobile, so today there is a need to build different channels from scratch to connect with the new client,' he explains. *'Generation X are not buying anymore – the new generation of consumers want simpler products quicker, faster solutions, and direct contact with insurance companies. Companies that are not investing in customer-centricity, user experiences or improving customer value will lose the game in my opinion.'*

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> A strong core platform for the big players is a strong core platform for running the company. But if they do want to run their business better, insurers need to invest in the smaller, specific and focused capabilities that would allow them to really differentiate their processes where it matters the most to the consumer. It's the discretionary spending on improving specific processes that is making the big difference for the consumer.

HILARIO ITRIAGO

CEO at Bullfrog Ventures

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What we see here then is that the paradigm of customer-driven disruption that we have returned to time and time again throughout this report is indeed alive and well in LatAm, immediately underneath insurers' perhaps more quotidian concerns with market factors.

A key stat we have invoked across this report is the 'disruption score', or the proportion of carrier respondents acknowledging loss of market share; we have limited data for LatAm on this measure but we can say with reasonable confidence that the figure is more in line with the higher score of Asia-Pacific than the lower scores of Europe and North America. The heightened competition this implies is in any case borne out in the higher rank of 'Increased competition' among LatAm's external challenges, to which we drew attention earlier.

Both Bruzadin and Itriago believe that it is only through increased focus on, and investment in, new technology that insurers will be able to make the life-affirming leap in productivity and relevance. In this sense, LatAm, in its own way, is very much a part of the broader trend we see at work in insurance globally:

'The common denominator that's sweeping the industry right now is this whole wave of Insurtech,' notes Itriago. *'It applies to anybody and anywhere in the world.'*

Transforming Insurance in LatAm: from Systems to Ecosystems

As in other geographies, once the need for technology-driven business change becomes apparent, the question of implementation becomes paramount. And, as elsewhere, there is more than one approach. Often, what prevents innovations from coming to fruition are legacy back-office systems, and Bruzadin believes that insurers' business transformation efforts should start here:

'We may be more than 1 or 2 years behind the leaders,' he acknowledges. *'The legacy systems that we have here are well outdated – we built those systems 20-25 years ago.'*

However, overhauling legacy systems is much more easily said than done, and there are several local considerations which may be making this more onerous. Bruzadin points out three.

Firstly, the fact that many Latin-American insurers have grown over the past decades via mergers & acquisition has led to a proliferation of different systems, each requiring integration.

A second issue is financial, with insurers' current low margins limiting investment. Bruzadin comments that those insurers with deeper pockets are much better placed than others to meet the current challenges.

A third factor impeding insurers' digitisation efforts is the lack of comprehensive solutions on the market, a state of affairs that Bruzadin traces back to the regulatory environment in the region (consistent with the prominence of the regulatory challenge, which we highlighted earlier).

'The regulators are pro-consumers, not pro-market; they tend to create rules that hinder the ability to improve productivity for the carriers,' says Bruzadin. *'So it's difficult for companies to build a total digital solution. Global providers need to adapt for the local regulations that are pretty much different from country to country, so you don't end up with a solution that fits all players.'*

This lack of available solutions, Bruzadin believes, is leading carriers to postpone their decisions on digital transformation. He concludes somewhat pessimistically in relation to his native Brazil:

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Your Open API approach has to become the main principle/ strategy of all your business and technical ambitions. You have to evolve your systems to an open platform and ecosystem – like the ones Amazon and other digital retailers have made very successful - selling everything to everybody, not only your own products.

OLIVER LAUER

Head of Architecture / Head of IT Innovation at Zurich

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'Currently, I don't think we have the capabilities to transform the way of doing business using digital technologies in Brazil… There is a lot of talk on investments in digital transformation but little action. I cannot see the players on the market really investing in digital transformation.'

The impasse many carriers have reached regarding full-scale system upgrades may signal that a different style of thinking altogether is called for in the face of today's challenges. Itriago for one believes that insurers now need to move beyond the monolithic approach to systems that worked in the past:

'A strong core platform for the big players is a strong core platform for running the company,' he explains. *'But if they do want to run their business better, they need to invest in the smaller, specific and focused capabilities that would allow them to really differentiate their processes where it matters the most to the consumer. It's the discretionary spending on improving specific processes that is making the big difference for the consumer.'*

Asked to specify which capabilities insurers should focus on building out, Itriago gave some examples of things he sees making a difference already:

'It's fast underwriting, so that people get their policies right there and then, on any device that they want, and even faster claims processing – so that the consumer can see the value of having been insured at the moment they actually need it the most.'

The model that Itriago sees emerging is an ecosystem of tools – a DevOps or API culture – that will allow insurers to be innovative and adaptable to fluctuating consumer trends, with neither the big down-payments nor the functional lock-in of traditional infrastructure investments:

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> An important consideration is competing priorities and incentive. If it's critical to get systems online and integrated then this must be made clear in terms of tone at the top, prioritisation, financial incentives, dedication of resources and rigorous project management. Businesses will often put 'IT projects' on the back burner to work on their bread and butter product and services roles.

DAMON LEVINE

CFA, CRCMP, ERM Practitioner, Writer & Industry Speaker

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'I believe that we will end up decoupling a lot of functionality and running functions on the platforms that actually do the best job for that, while keeping a smaller centralised core that is easier to maintain and less costly to run,' he reflects.

At least a part of this process, Itriago believes, will be completed via the incubator/accelerator route. Many insurers and their holding companies may not be best placed to innovate internally, although Itriago points to Colombian Grupo SURA, which has developed its own P2P insurance solution internally (Wesura).

One of the key issues faced by incumbents trying to head down this path is the change-management requirement. It is not enough to create innovative new technologies; there also needs to be a new mindset. As Itriago points out:

'At the end of the day, the platforms are only there to empower a set of individuals, who are the ones that actually run the business... We don't want people running the efficient new processes in the same way they used to run the old ones.'

For this reason, we are likely to see a variety of different collaborative frameworks emerging between insurers and Insurtechs, everything from investment and 'coopetition' to outright acquisition. Indeed, Itriago ultimately envisages a hybrid model:

'I do think that many big incumbents are going to end up acquiring some of these smaller players and integrating them within their product offering before these guys grow too big and actually take their lunch away,' he concludes.

LatAm: Powder Keg of Growth?

While the Insurer-vs-Insurtech debate will potentially have a less radical conclusion than some industry pundits suggest, with collaboration in the running to be the win-out model, this is not the only area that can be transformative for insurers' business. Indeed, in some ways, framing the debate in these terms – Insurers vs Insurtechs – is missing the point for insurers, who may sometimes do better by not trying to own all the components of their stack directly.

A key channel for Latin-American insurers – and an area for growth in the eyes of our contributors – is the affinity channel. Trust makes the wheels go round on the modern data-driven insurance business, and trust-building can be a laborious process, especially if you don't offer customers a tangible, everyday sort of product. Piggybacking insurance distribution on the back of major trusted brands has been, and will continue to be, an effective way for insurers in LatAm to fast-track growth and access new swathes of potential customers.

'I think the insurance companies are playing their cards everywhere they see the opportunity to generate revenue,' comments Itriago in relation to affinity channels: *'in this regard, we are more aligned with the UK and the European market, ahead of the US.'*

Thanks to the development of these 'quasi-direct' channels, Itriago believes that much of the mindset and infrastructure is already in place in LatAm should the industry eventually move more towards a direct-to-customer model.

Considering all the ingredients, Itriago characterises the Latin-American market as having an auspicious mix of large, well-established regional companies and international-level technology and investment, and believes for this reason that LatAm is as well-positioned to take

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> Brazil, with a population just over 200 million people and making up roughly half the Latin-American insurance market, has the potential to become a major Fintech hub. According to ABFintechs, the Brazilian Fintech association, Brazil currently hosts over 200 Fintechs; some examples of this – on the insurance side – are online purchasing platforms Bidu, Minuto Seguros and Youse.

MARIANA DUMONT

Head of New Projects at Insurance Nexus

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advantage of the Insurtech wave as anyone. He goes further still and presents a compelling case for investment in the region, citing the scale that can be achieved through access even to just a handful of the larger national markets:

'If I want an opportunity to reach a strong market, with growth opportunities and innovation as its DNA, then from a regulatory point of view it would be way easier to do that in Latin America, with only 6-8 markets, than to go to the US and try to take on 50 separate states.'

As Itriago sees it, the lure of LatAm is not just in its large established markets but also in the longer-term potential to reach into areas that hitherto have been relatively closed and under-penetrated.

'Everyone gets really excited about Brazil and Mexico by virtue of the size of their populations,' he elaborates. *'And they're absolutely right – they're in their own league. But then, if you go to smaller countries with smaller populations and look at the insurance penetration, you're still looking at a tremendous opportunity in places like Colombia, Peru, Argentina and Chile.'*

However, he advises against the perception that a single player could roll up the entire region, stressing the local differences that exist from country to country.

'The way you'd disrupt Mexico is not necessarily the same way you'd disrupt Peru,' he cautions.

Both Bruzadin and Itriago foresee strong insurance growth in LatAm over the coming years, Bruzadin citing among other positive factors the move towards more open-market policies at a government level in several countries.

Itriago believes that as we head towards 2020 things will be a lot more interesting for Latin-American insurance than over the past decade.

'The acquisitions that have happened, certainly in the last 24 months, give you an idea that big investors think the same way,' he adds. *'Hopefully that's the case and brings good opportunities for everyone.'*

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Middle East

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Section 3: Middle East

> As Middle East markets continue to mature due to new regulatory requirements, mandatory lines of business (primarily, motor and health insurance) are driving overall growth. Profitability remains a key concern for insurers, as investment income is impacted by low interest rates, weak equity performance and a stagnant real estate market. Technical margins remain poorly governed by obsolete processes, outdated legacy systems, low productivity and high incidences of fraud, especially in motor and health lines.
>
> Insurance opportunities in the Middle East, EY

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As we were not in a position to provide firm statistics for the Middle East, we instead gathered testimonies from local correspondents in order to approach the key regional trends on qualitative ground. We spoke to UAE-based Cherian John, 2017-18 Regional Chairman - Europe, Middle East & Africa at Million Dollar Round Table (MDRT), Ahmad Al-Qarishi, Chief Risk Officer and Chief Actuary at Saudi Re, and Israel-based Dani Cozer, Reinsurance Operations at I.D.I. Direct Insurance, to learn more.

Market Characterisation: Middle East
One thing that became immediately clear from speaking with our correspondents was that the 'Middle East' is of limited usefulness as a category given the enormous variation that exists across the region, in a sense that goes well beyond insurance.

There is an obvious divergence between Israel (operating more along European and North American lines) and the Arab States, and we could further subdivide the Arab world into any number of variant political and cultural groupings, such as the Gulf Cooperation Council (GCC) for instance, which encompasses Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. In this section, we have tried as far as possible to avoid generalising to the whole region.

In our conversations with our Middle Eastern correspondents, we focused first and foremost on the challenges facing the industry in their respective countries and the key priorities being set by insurers; we also check in on some of our key technology trends insofar as they apply to the Middle East.

Cherian John, speaking from the UAE, picked out 'Changing economic conditions' on our shortlist of external challenges (from the Industry Challenges section) as the leading external challenge for the region, the obvious impact on (re)insurers being of course the low interest rates that are strangling their investment profits.

Globally, this challenge came in lower, in 5th place, which implies that, while slack interest rates are a problem worldwide, their impacts may for whatever reason be felt more keenly by (re)insurers in the Middle East. This could be the reason for the high priority level John ascribed to Investment management among our insurer priorities, despite this being comfortably the lowest-ranked priority both globally and in our other major regions (see Insurer Priorities).

> Companies are trying to cope with the rapid development in regulation, so it's challenging for these companies to survive. Either they react very quickly to improve their operation and ensure compliance or they merge with other companies, so we expect mergers and acquisitions… this is another impact coming from the regulatory and economic situation.

AHMAD AL-QARISHI

Chief Risk Officer and Chief Actuary at Saudi Re

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The leading role played by 'Changing economic conditions' in the region is certainly borne out by what limited survey data we did gather on external challenges in the Middle East and, drawing on John's testimony, we suspect that this would have been reflected also in a larger sample of respondents. Ahmad Al-Qarishi, Chief Risk Officer and Chief Actuary at Saudi Re, based in Saudi Arabia, held a similar perspective, highlighting the effects of the economic slowdown in the GCC countries and citing the post-2014 oil-price slump as a contributory factor in this.

John pointed to 'Increased regulation' as the second most prominent external challenge in the region. By comparison, this attained 6th place globally, which once again suggests that this international issue may be marginally more pronounced in the Middle East.

As an additional challenge, Al-Qarishi pointed to the region's historical reliance on expats and the difficulty developing and training up staff locally. Admittedly with limited survey data, 'Finding and hiring talent' was indeed the leading internal challenge among our pool of respondents for the Middle East.

Other challenges to bear in mind for the Middle East are fraud and cybersecurity, which John picked out as high-priority issues for insurers in the region, and Al-Qarishi agreed that these are both significant factors in Saudi Arabia. Conversely, Dani Cozer saw his native Israel being more in line with the West in this regard:

'I think there are fraudsters in Israel but I don't think it's more widespread than what you have in Europe or the US,' he comments.

We gathered only limited comment on the state of the insurance industry outside of Israel and the GCC states. Indicators suggest that both politics and a low base level of penetration (especially on personal lines) play a greater role in these territories than in the ones represented directly by our correspondents.

Regulation and Customer-Service Issues

Low interest rates cause (re)insurers predictable problems wherever they are based, but the nature of regulatory challenges is often regionally specific. For this reason, we choose here to explore 'Increased regulation' as it applies to the Middle East in a bit more detail.

Referring primarily to Saudi Arabia and the UAE, Al-Qarishi comments that most insurance is driven by government and regulation, and that many companies are struggling with the current regulatory framework.

'Companies are trying to cope with the rapid development in regulation, so it's challenging for these companies to survive,' he elaborates. *'Either they react very quickly to improve their operation and ensure compliance or they merge with other companies, so we expect mergers and acquisitions… this is another impact coming from the regulatory and economic situation.'*

> In increasingly competitive markets with price and margin pressures, some insurers are cutting costs to maintain their bottom line. Despite these efforts, short-term financial results in some markets are impacted by regulatory change and the need for better reserving — leading some local insurers to actively look at consolidation.
>
> Insurance opportunities in the Middle East, EY

Interestingly, regulation was one area which appeared to be of similarly high concern across all the sub-regions we have identified within the Middle East. UAE-based John cited strict guidelines imposed by their insurance authority on all aspects of insurance from production to consumption of the products. Cozer gives a brief overview of the situation in Israel:

'There are a lot of regulations that are always coming through, so it doesn't leave time for innovation, for new products,' he states. *'It leaves you just trying to make sure that all your products are now up to date with the new regulations, and you're always making sure that everything is on par with the regulations right now.'*

Cozer explains that much of this Israeli regulation relates to customer access and transparency – in particular, the provision of internet-based services – so we are seeing digital transformation initiatives within a number of Israeli insurers:

'Part of the new regulations is to make everything more high-tech, more accessible via the Internet, so a lot of the companies now have to invest a lot of manpower into updating their websites and making everything more accessible to their clients, even if they do work through agents,' he comments.

Another aspect of current regulation in Israel is the increasing standardisation of policy types. Cozer indicates

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> According to McKinsey, the UAE leads the Middle East on digital adoption — and this is making itself felt in financial services too. Some recent examples are the DIFC FinTech Hive in Dubai and the ADGM FinTech Regulatory Laboratory in Abu Dhabi, and it's only a matter of time before this focus begins bearing fruit for the local insurance industry as well.

RACHAEL GORE

Head of Engagement at Insurance Nexus

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that this is shifting the model from competition by product to competition by price and services:

'You're fighting for clients based on price and services, so some companies will have an advantage over others and some companies will have to start changing the way that they work – it will be a slow process for them, I think, the ones that will have to do that.'

This customer focus is also present in the Arab states, both as a disruptive market force and in regulation, although Al-Qarishi, speaking of Saudi Arabia and, more broadly, the GCC as a whole, believes the market may be slightly behind in this regard. For now, customer-engagement efforts primarily focus on the satisfactory settlement of customer claims.

'Some companies are still struggling to optimise the claims settlement, so we have not reached the same level of customer-service satisfaction,' he elaborates. *'The concern of consumers is to be treated fairly when settling the claims. This is the main challenge. For example, a few companies were stopped, for a specific period of time, from selling motor insurance by the regulators because the customer was not being treated fairly... So I wouldn't say we have reached a level similar to Europe.'*

Middle East: Market Outlook

It appears that regulation will remain a key driver in the Middle East in the medium term, at least in the Arab states, both adding to the market through the creation of mandatory insurance and determining exactly which innovations establish themselves longer-term. The key technologies we have pulled out in this report – analytics, IoT and big-data solutions – are all growing in profile in the Middle East, though for now they do not appear to have reached the same level of adoption as in some of our other markets.

John notes the usage of IoT-based technology in the medical insurance sector for handling wellness programmes as add-ons, and Al-Qarishi underlines the importance of mandatory private-sector medical insurance in a number of Arab countries, which certainly creates opportunities in the health-wearables area. However, John considered Internet of Things and Mobile to be very low-ranking priorities overall. Al-Qarishi tended to agree, indicating regulation as a possible hindrance to their speedy implementation:

'I wouldn't say this approach will be implemented within the next 2-3 years,' he predicts. *'Maybe it can be within 5-6 years, however it can always be challenged by the regulator regarding the privacy of the data. So I would say this is considered a new subject in the market, and it seems to me that the market still is not at the level of having that kind of approach.'*

However, this is not to say that we are seeing a lack of innovation in the market. John, commenting from a UAE-perspective, noted that in the digital channel we are seeing the same supermarket approach towards insurance selling as in other regions, with multiple online platforms offered from brokers, as well as the sale of pre-underwritten policies to online platforms.

A final factor to bear in mind in the future development of the Middle Eastern insurance market – and here we are focusing on the Arab states – is Islam. Al-Qarishi acknowledges that, at least in Saudi Arabia, this remains a significant factor and that there are still some who do not regard insurance as Sharia-compliant. However, he believes that things are gradually moving in a more pro-insurance direction.

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Section 3: Africa

> Africa is a continent of 56 countries, with diverse demographics, a mix of evolving regulations and prospects for unprecedented growth. Africa's estimated population of over 1.16 billion in 2015 is expected to double by 2050. In some states, more than half the population is under the age of 25, and life expectancy across the region is low (less than 50 years on average), presenting challenges and opportunities for insurance companies.
>
> Sub-Saharan Africa — the evolution of insurance regulation, EY

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In the absence of firm statistics for Africa, we sought direct testimony from within the region in order to provide a qualitative picture of local trends. We spoke to Kenya-based George Otieno Ochieng, Claims Manager at Britam General Insurance Company, and Belhassen Tonat, Head of Non-Life at Munich Reinsurance Company of Africa Ltd in South Africa.

Due to Africa's immense size and variety, we begin with a high-level breakdown of the market across the continent before exploring our more specific themes: microinsurance, market development, technology investments and growth prospects.

Market Characterisation

The African market is very different from our other global regions. Its population (approximately 1.2 billion at the time of writing) is second only to Asia-Pacific, and it is here as well that most of the world's future population growth will occur, taking the continent's population to 2.4 billion by 2050 (according to UN statistics).

Africa bears comparison with Asia-Pacific from an emerging-market perspective; however, while we are seeing the growth of middle-class centres in Africa, this trend is both less pronounced and less generalised than in Asia-Pacific. To reflect this, and based on our conversations with correspondents in the region, we believe it makes sense to talk about three broad sub-regions: Sub-Saharan Africa (excluding South Africa), South Africa and North Africa.

Much of society in Sub-Saharan Africa is agrarian, with large swathes of the population engaged in low-income or subsistence farming, and this has a profound effect on the nature of insurance in the region. Britam's George Otieno Ochieng identified low levels of insurance penetration as the leading challenge faced by insurers in his native Kenya.

'As we are talking, the penetration level of insurance in Kenya is at 2.9%,' he explains. *'That means there is a huge, huge gap that the insurance industry has to address.'*

This trend applies to the rest of Sub-Saharan Africa and is, if anything, even more pronounced.

'Kenya has higher penetration than the majority of countries in sub-Saharan Africa, followed by Nigeria. Nigeria has a huge population but unfortunately the level of insurance penetration is not as high compared to Kenya,' Ochieng continues.

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There are considerable opportunities for further developing both general and life insurance in the continent. Products that can usefully be developed include, but are not limited to, health insurance, micro-insurance, agricultural insurance and other products that can alleviate poverty and promote small and medium enterprises (SMEs). One area of great interest is catastrophe insurance.

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Munich Re's Belhassen Tonat, speaking about Sub-Saharan Africa from a South African perspective, is quick to agree on the importance of boosting penetration, not just in emerging but also in middle-class segments.

'We have an increase in the populations, or the middle class, in many countries across Sub-Saharan Africa, where the needs of insurance are not yet exhausted,' he comments. *'There is a lot to do for the primary insurance company, for the insurers, to put the right products in front of this growing middle class in Sub-Saharan Africa.'*

Penetration certainly lags in the middle class but the consideration applies, to a much greater extent, to the low-income masses who have not traditionally been insured. This 'micro-class' (so-called because they represent the prime target for microinsurance) may not have pockets as deep as the middle class but they more than make up for this with their tremendous size. They therefore constitute an opportunity every bit as big as that represented by the middle class, and we frankly have good reason to believe it will be bigger.

Returning to our characterisation of the continent as a whole, South Africa is a definite case apart with its well-defined and technologically advanced middle class. Even though this only serves a minority of the population, we still have here a mature, established insurance market which is not quite matched by anything else on the continent:

'The penetration level is high there compared to other parts of Africa at around 11%,' explains Ochieng. *'The market there is fully grown, extensive, and that's why you find a lot of international companies having their offices in South Africa – they look to it as a gateway to Africa, so they try to organise their offices there.'*

Tonat identifies the customer as the primary driver of market change in South Africa, in line with other developed markets we have covered in this report like Europe and North America:

'The traditional way of selling insurance doesn't appeal any more to the new generations, so it's about finding new ways and incentives for people buying insurance. We've seen a lot of new concepts in the South African market: direct insurance is one, another is linking technology to insurance to talk to people in their language and speed up all the processes. At the end of the day, it's about changing the image of insurers as being slow and forever behind the new technology trends, positioning insurance as a trendy product which responds to the needs of the clients here.'

The final sub-region we identified was North Africa. Here, we are generally dealing with higher-GDP economies than we find in Sub-Saharan Africa, although rural poverty is still widespread. Plenty of broader cultural differences exist too, with Islam for example representing the majority religion, although it is present of course across much of central Africa.

In North Africa, insurers struggle with penetration but not to the same extent as in Sub-Saharan Africa, placing them somewhere between the two poles represented by our other sub-regions:

'In North Africa, the penetration levels are not as high as in South Africa. I would say about 4%, and we're talking there about countries like Egypt, Morocco and Algeria,' expands Ochieng.

We can discern two broad approaches for insurers looking for opportunities in Africa. One is to target the middle class, which is small but rapidly expanding across much of the

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> With better data leading to an improved understanding of risk, insurers can make previously uninsurable risks insurable. This helps to address the huge protection gap between insured and uninsured risks that exists today. Emerging new markets, like microinsurance, expand the overall industry pie not only to the benefit of all market participants but more importantly to society at large.

NICK MARTIN

Fund Manager at Polar Capital Global Insurance Fund

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continent (and already firmly established in South Africa). The other is microinsurance, which ecosystem and non-ecosystem players alike continue to drive forwards through innovation and technology.

As the 'middle-class opportunity' in Africa responds to challenges (and utilises solutions) that are broadly aligned with those that we have explored in relation to our more developed markets, the remainder of this write-up leans more towards microinsurance.

'I would say they are both huge opportunities,' comments Ochieng on the two broad approaches we have identified. *'But the micro-class has more opportunities, more potential for growth, than the middle class. Because when you look at the micro-class, they are very big in terms of volume.'*

Making Microinsurance Work

Microinsurance, also known as impact, inclusive, affordable or mass insurance, is by no means unique to Africa, other key markets being Asia-Pacific and LatAm. Indeed, due to the population size and some early movers, China and India between them already make up the lion's share of the market. Microinsurance is currently estimated to reach approximately 265 million customers worldwide, with an annual growth rate in customers insured of 30% in Africa and 25% in Asia & Oceania.[1]

This is not just a sizeable opportunity, it is also a growing opportunity – and there appears to be no immediate ceiling in sight. Indeed, as early as 2010, Swiss Re reckoned that insurers could generate $40billion of premiums from policyholders living on $4/day or less.[2]

Microinsurance requires a radically different model from insurers if it is to be sustainable and profitable – and to make the difference it is promising to the lives of low-income policyholders. And rather than this detracting from insurers' core business, it can actually be seen as a way for them to hedge their bets portfolio-wise. Their scale, their actuarial expertise and their wide-ranging business relationships are all unique strengths they can bring to bear on this new low-end market at a time when their grip on high-end markets is being eroded by nimbler, customer-centric new entrants.

Ochieng regards the micro-class and the middle-class not as silos but as part of a bigger picture of country-wide development:

'One of the things that I believe is that even this micro-class will one day become middle class, so you end up growing them. If you develop a product for the micro-class and you develop a product for the middle class, then you grow with them together as a whole. That means you can reap more considerable benefit than those companies that are only concentrating on the contemporary insurance products that don't correspond to the needs of the African continent.'

Microinsurance therefore represents a strategic investment for insurers in developing markets, regardless of where the bulk of their business currently comes from. Ochieng believes that we are beginning to witness a paradigm shift as more and more insurers move in this direction.

'The insurance companies have seen that there's a huge gap, and they need to concentrate on the low-end market where there is huge growth, a huge opportunity,' comments Ochieng. *'But you have to really understand: what are these microproducts meant for? Which people are supposed to buy this product? What is their lifestyle? Where have they come from? What is their understanding of insurance?'*

[1] theactuary.com/features/2016/04/microinsurance-showing-potential/

[2] 'Microinsurance – risk protection for 4 billion people' (Swiss Re sigma study)

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There must be a public-private partnership for microinsurance ventures to be successful. And, of course, you also have to reach a huge population for it to make sense for the insurers. Because the insurers look for the law of large numbers – if you don't have the large numbers, then even taking this kind of risk itself won't be easy.

GEORGE OTIENO OCHIENG

Claims Manager at Britam General Insurance Company Ltd

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The first and most obvious requirement of the target market is an affordable premium price, affordable on both a gross-sum and a cash-flow basis, bearing in mind that many targets are living on less than $1/day. Premium price can be reduced by attaining massive scale, while the burden of payments can be eased by breaking them down into manageable instalments (so lots of small spread-out payments rather than large infrequent ones).

However, both these solutions – large numbers of policies broken down into large numbers of instalments – compound the distribution problem, which is already more severe in Africa, measured by conventional yardsticks, than elsewhere in the world.

'When you multiply by the number of people, it's enough money, but the problem is actually on the distribution costs,' Tonat concedes. *'For years now, we have been looking for ways to minimise the distribution cost for microinsurance products. Because we are talking about premiums in the range of $10-20 per year, for example. If, in order to distribute these products, you need 60-70% of the premium for the distribution channel, then that's not economic at all and it goes to the loss of the microinsurance policyholders.'*

Distribution must be paid for somehow, and the risk is of course that the price insurers can shave off premiums through scale gets added right back on in the form of distribution cost. So how are insurers to get over this hurdle?

Traditional high-end insurance has long been wedded to the agency model, whereby potential customers must seek out an agent in person to initiate the process, and for microinsurance targets in Africa it is plain to see that this would neither be feasible (due to infrastructure) nor indeed cost-effective. However, there is also a long history in developed markets, at least in personal lines, of using affiliate channels as a lower-cost and higher-engagement way of reaching potential customers.

It is this approach that our contributors believe makes the most sense for distributing microinsurance products in Africa, adapted of course to suit the needs of a largely rural, agriculturally based population.

'There must be a public-private partnership for these sorts of ventures to be successful,' explains Ochieng. *'And, of course, you also have to reach a huge population for it to make sense for the insurers. Because the insurers look for the law of large numbers – if you don't have the large numbers, then even taking this kind of risk itself won't be easy.'*

Instead of millions of individuals paying their premiums via millions of separate transactions, you instead have one entity that pays the insurer in less frequent, aggregated sums on their behalf. While these entities are often banks, supermarkets and telcos, sometimes as part of the same holding company as the insurer, Ochieng gives a couple of examples of what these partnerships look like in the context of Sub-Saharan Africa.

Take Syngenta for instance, which offers insurance against crop failure as a bundle with its primary seed-distribution business:

'If you buy any seed from them, there is a slight charge for insurance that is already inbuilt in that particular price. So, the minute you buy from them, you are insured,' expands Ochieng.

Ochieng mentions a similar arrangement for livestock insurance, where the Kenyan government has partnered with the International Livestock Research Institute (ILRI).

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> At the end of 2015, 46% of the population in Africa subscribed to mobile services, equivalent to more than half a billion people. The region's three dominant markets – Egypt, Nigeria and South Africa – together accounted for around a third of the region's total subscriber base.
>
> The Mobile Economy: Africa 2016, GSMA

Another way to achieve this massive low-cost distribution is mobile. Far from being just a feature of middle-class agglomerations, mobile phones are widespread across the continent, with many areas effectively leapfrogging the fixed-line stage of telecommunications evolution. This presents insurers with a ready-made distribution platform for reaching millions of potential policyholders at zero cost (since people already own the phones).

'You're talking about huge countries, and you won't be able to find an agent or a broker in every corner,' comments Tonat. *'Mobile phones offer easier access to that remote population.'*

Add to this the development of mobile-payments platforms and mobile can be not just an information and marketing channel but a full-stack solution covering both premium payments and claims pay-outs. As an example, Ochieng points to M-Pesa, launched back in 2007 by Kenyan operator Safaricom in conjunction with Vodafone.

'M-Pesa has revolutionised things in terms of payments for premiums and for the settlement of claims,' Ochieng remarks. *'So, irrespective of where a person is sitting in the world or in Kenya, they can make a payment or receive a claims payment with their phone.'*

Mobile effectively takes the costly moving parts out of distribution, and insurers can go further still to eliminate friction. Tonat gives an example from Malawi where farmers can initiate cover against a lack of rain for the next 20 days, all by scanning a QR code on a bag of seed.

'These are people who are not used to insurance transactions, they are in far-remote areas and most probably have never been insured in the past,' continues Tonat. *'This illustrates how microinsurance can be*

facilitated by new technologies – even in Malawi, one of the world's poorest countries, they still have the mobile phones that allow them access to insurance products.'

Tonat believes that mobile can fast-track the insurance industry in Sub-Saharan Africa, taking these countries straight from non-insurance to technology-driven insurance, complete with all the reliability and quick access that brings.

'Insurers don't need to go through the same development hassles which we have seen in Europe in the last 50 or 40 years, they can just jump straight to the next generation of insurance,' he explains. *'Rwanda is a perfect example of this. Despite having been in a civil war 20 years ago, they have been making huge developments in the last few years, jumping every year by what will have taken a European company 5 or 6.'*

Tonat believes that East Africa in general has shown the way the continent needs to go, through its pioneering use of mobile:

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> As a reinsurance company, we look to partner with local insurance companies in Africa to help them to expand their product tranches. We bring them products that have been sold outside of Africa – in Europe, Asia and America – and work with their local knowledge on how to adapt these products to African needs.

BELHASSEN TONAT

Head of Non-Life at Munich Reinsurance Company of Africa Ltd

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'If you look to Kenya or the East African countries, they're dealing well with the mobile industries and mobile finance, so insurance companies should think about ways to inbuild their insurance products in this new means of communications, to reach more people than in the past.'

The benefits for insurers of investing in mobile partnerships and solutions are manifold, as the channel appeals just as well to the emerging middle class as it does to the more numerous micro-class: a low-income farmer's distribution expedient is an urban millennial's superior customer interface.

Creating the Right Conditions for Growth

In the previous sub-section, we explained how African insurers can solve the problem of low-cost, large-scale distribution by forming distribution partnerships with large players outside of the industry, such as seed distributors and mobile-platform providers. These partnerships certainly help speed the development of the market but distribution is not the only 'axis' on which insurers in the region should be partnering.

There is plenty of international expertise available to African insurers, on everything from big data and analytics to claims-handling and counter-fraud, all of which can be used to rapidly build out their next-generation capabilities and thereby fast-track the overall business. However, the problem as ever is how to tailor things to local needs.

Tonat stresses the importance for international companies of tapping local knowledge, particularly in relation to culture, and advocates a tripartite model as a solution to this, whereby an international reinsurer, in addition to providing reinsurance, works together actively with a local insurance player in order to deliver products to policyholders on the ground which are fit-for-purpose and cutting-edge in equal measure.

'As a reinsurance company, we look to partner with local insurance companies in Africa to help them to expand their product tranches,' he explains. *'We bring them products that have been sold outside of Africa – in Europe, Asia and America – and work with their local knowledge on how to adapt these products to African needs.'*

Much of the time, what the international player brings to the table is an advanced capability, such as a big-data ecosystem or toolbox. Tonat gives telematics in auto insurance as an example:

'The biggest book of business here for the local entities is usually the motor book. And there's a tremendous amount of data that we have on motor insurance here. And if you take this data and apply predictive big-data analytics to it, the information you get out is great.'

These data insights have facilitated the move towards UBI products in Africa, such as pay-as-you-drive and pay-how-you-drive, with insurers developing individual risk profiles for each driver.

'These are the kinds of data-analytics skills that a global reinsurer can bring to a local player to help them better manage their risks and also enhance their products – and ultimately it helps local insurance companies to differentiate themselves in the market,' Tonat concludes.

While forging the right links with large internationals can create ideal conditions for knowledge transfer, this is not the only form of outreach that insurers should be actively pursuing. Ingrained cultural attitudes towards insurance remain a significant factor negatively impacting the industry's overall growth, and insurers can benefit massively from intervening here.

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> The outlook for regulatory reform in Africa is positive, fostered by the need for a healthier insurance market that can grow and prosper. We believe that risk-based capital principles will help insurers to strengthen technical capabilities, improve their capacity to retain more risk and increase the availability of funds for reinvestment.
>
> Sub-Saharan Africa — the evolution of insurance regulation, EY

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'People tend to have absolutely no, or very little, knowledge about insurance,' explains Ochieng. *'Insurance is perceived to be a product only sold to the elite class, so people think that whoever is buying it is not the common man.'*

It is true that, the more people in Sub-Saharan Africa who reap the benefits of being insured, the more it will come to resemble an everyday, rather than an elite, product. However, the industry is also being proactive in changing mindsets in the population at large.

The regulator has an important role to play here, and the Insurance Regulator of Kenya for one has been active with media campaigns and roadshows.

'There has been a huge campaign to create awareness around what insurance is all about, to change the perception that insurance is only meant for the rich or the perception that insurance doesn't add any value,' observes Ochieng. *'Insurers cannot grow if they sit down, they have to shout loud about it and they have to make the public aware of the importance of insurance.'*

Ochieng's employer, Britam Insurance, promotes insurance, not just as a product but also as a career path, by giving talks and presentations at colleges and universities. He also mentions that the Kenyan Minister of Education has been active getting insurance onto the school curricula so that everyone, by the time they leave school, has some basic understanding of insurance.

The fostering role of the regulator is not just limited to the PR side of the industry but extends deep into the detail of how it regulates the day-to-day practice of insurance. A case in point is microinsurance, which the regulator has a tendency to examine through the lens of traditional insurance.

'When you develop a microinsurance product which maybe overlooks certain principles of insurance, then they'll start questioning why you are trying to deviate from the norm,' Ochieng elaborates. *'They will not want to take a risk and try to develop a product that is not in line with certain principles of insurance.'*

Microinsurance does not just require a new approach from the perspective of costs and distribution – we see that a change in thinking is also necessary from a regulatory point of view. And this is not just for the profit of insurance companies but for the benefit of the population as a whole, so few of whom currently enjoy the advantages that insurance can bring.

'I think lately the regulator has woken up and they have realised that, for them to be able to develop this market, they need to be realistic in terms of their demands and the questions that they are asking,' comments Ochieng.

He also praises the regulator for their recent allowance for simpler policies, which means that customers can better understand what they are buying and the attached terms and conditions. However, he believes there is still a long way to go before the regulatory environment is fully conducive to something as radical as microinsurance:

'There need to be some huge and drastic changes, if we are to see the penetration and the level of the insurance industry grow in this particular segment of the market.'

More generally, regulation impacts how insurers can use customer data, and Tonat notes that the landscape in this regard is quite heterogeneous across Africa:

'I think we should work towards the homogenisation of standards of data exchange. IoT will allow you to have

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> We have robot technology and we have eliminated the paperwork. So, when a client rings up wanting to ask a very simple question, all we need is the policy number, name and identification number. Once you have those three parameters, we can access all the information regarding that particular client.

GEORGE OTIENO OCHIENG

Claims Manager at Britam General Insurance Company Ltd

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a lot of data, but quite another issue is whether you are allowed to collect it. So here, the legislators should do their homework and create a platform for sharing anonymised, encrypted data, so that we can enhance the accessibility to data.'

In South Africa at least, Tonat believes the regulator is now listening to the industry's needs, and this involves accommodation not just with traditional insurance companies but also with the emerging Insurtech and Fintech scene. He believes that a positive attitude at a regulatory level will help to create innovation hubs in Africa along the lines of Singapore.

'The regulator in South Africa, Kenya or Nigeria, they look to what is happening in Singapore and they see that most innovations are coming out there because of the innovation-friendly regulations,' he explains. *'So they will think to themselves: why shouldn't we do similar things and be proactive on the regulation side, so that we attract these innovations also?'*

Lowering Costs Through Technology

Technology and technological investments are as much at home in low-price operating models as in high-price ones. We have seen, for example, how mobile phones and mobile-payment platforms like M-Pesa are facilitating low-cost distribution, and technology also has an important role to play improving efficiency and service.

'These things cannot happen without proper investment in technology,' says Ochieng. *'So, in Kenya and Southern Africa as a whole, we are seeing a great level of technology investment. For me, no organisation can improve the penetration level without investing in technology.'*

As a result of this, the level of technology adoption within the industry is already high in Africa. The move from paper to digital in the back office is well underway, and 360-degree Customer Relationship Management (CRM) systems are already firmly established.

'We have robot technology and we have eliminated the paperwork,' Ochieng explains. *'So, when a client rings up wanting to ask a very simple question, all we need is the policy number, name and identification number. Once you have those three parameters, we can access all the information regarding that particular client.'*

Ecosystem partners, like reinsurers, whose role in product creation we noted in the previous sub-section, can also play a role in this more general back-office transformation.

'As a reinsurer, we ask ourselves what kinds of optimisation processes we can bring to Africa in order to make insurance more attractive for the new generation, an easy product to sell,' comments Tonat. *'And here we are tapping into our experience of the digitalisation of insurance value chains.'*

Alongside low penetration, the other key challenge identified by Ochieng (speaking primarily from a Kenyan perspective) was a high incidence of insurance fraud, especially in the auto and health lines. This remains a massive cost for the industry both within Africa and globally, and unfortunately there is no quick-fix for eliminating it.

Tonat points to the progress made in counter-fraud analytics for separating fraudulent claims from legitimate ones, while Ochieng believes the problem needs to be addressed at more of a grass-roots level and that more drastic court action should be taken against fraudsters in Africa:

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> We believe there are significant opportunities to leverage IoT devices to better serve the needs of under-insured and un-insured customer segments, such as non-standard risks, coastal and flood exposures, and small business startups. Additionally, IoT can improve and enhance the insurance experience, and help insurers understand and manage underwriting risk and claims exposure.

SAM EVANS

Managing Director at Eos Venture Partners

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'I think it's time that we become aggressive and say that, if there's a fraud, we need to use the full force of law to address that problem.'

Ochieng acknowledges the negative role played here by prevailing attitudes towards the insurance industry, pointing out that fraud within banks is treated with much greater severity. One positive move he calls attention to, though one that is yet to yield significant results, is the Kenyan regulator's recent establishment of a Fraud Investigation Unit.

So far in this write-up, we have covered how technology and partnerships are allowing insurers to bring their front (distribution) and back offices into line with the basic requirements of African customers. The next stage – or more likely a parallel effort – is the elaboration of IoT-enabled, UBI models, like the in-car telematics example we gave earlier. So, what is the state of IoT in Africa?

Tonat believes that, in Africa, insurance IoT is coming first in high-industrial businesses, such as mining, which are found the length and breadth of the continent and represent in many African nations the biggest source of foreign-currency income.

'In Africa, we have a lot of mining risks, be it gold, uranium, platinum or coal,' he elaborates. *'And if you put a sensor in the belt of the mine, then you will detect what time it's going to break down and you can replace it before that. That means you can reduce business-interruption from an insurance perspective, so you've enhanced the risk and the premium goes down. This helps the profitability of the business and leads to more economic premium levels in the industry.'*

As for the personal lines, Tonat believes that Africa as a whole is not quite at the level of Europe and America, but that this is a question of when, not if.

'In the personal lines, I think we are at an advanced level in South Africa, and we see a little bit in North Africa,' he clarifies. *'Then, in the rest of Africa, it is only a matter of time and it will not need the 10-15 years to develop as was the case in Europe and America: it is a case of fast adaptation.'*

Outlook for African Insurance Growth

We have sketched out two big opportunities for the industry in Africa, the middle class and the micro-class, and examined the ways in which (re)insurers are clearing the hurdles to realising the full potential of each. So, working off this, what can we say about the overall growth prospects for insurance in Africa?

To fully answer this question would require us to examine the wider structural issues that the continent will face over the coming years, something which is outside the scope of this report. One long-term issue that we do draw attention to though is climate change.

We underlined at the start the extent to which Africa is reliant on agriculture and, consequently, on the weather. Climate-related risks like droughts already have a higher profile here than elsewhere in the world, and the likelihood is that their frequency and impact will only increase. Add to this the macro effects on the continent's economies and societies, and we are left with a somewhat uncertain picture as to the future health of insurance there.

'You'll find that the economies of most African states, except those ones with natural resources, have been impacted by global warming and changing weather,' remarks Ochieng. *'So, what happens to insurance? The level will probably remain stagnant or lower than what it was before.'*

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> Microinsurance initiatives have often come unstuck on carriers' unfamiliarity with the sorts of complex non-standard risks faced by microinsurance prospects. Now, micro-Insurtech ventures are revitalising the sector through technology — a case in point is Blue Marble Microinsurance, which is leveraging satellite imagery, remote sensors and two-way mobile communications to offer affordable, sustainable drought protection to smallholder maize farmers in Zimbabwe.

RACHAEL GORE

Head of Engagement at Insurance Nexus

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We cannot comment on the long-term prognosis but, suffice it to say, all the immediate indicators for growth are positive. Affirmation of this can be seen in the interest the international insurance community is taking in the continent, which includes, but certainly is not limited to, the tripartite reinsurer-insurer-policyholder arrangement we have touched on in this write-up.

'The international community is definitely interested,' says Tonat. *'We've seen in the last few years a wave of mergers and acquisitions of insurance companies, as well as the establishment of the European brands in Africa in order to tap into the African potential over the next few years.'*

One clear point in favour of the African opportunity is the potential not just for growth but for rapid growth. While Ochieng believes that the expansion of the middle class will be gradual, growth will potentially be much faster with microinsurance.

If, for the time being, the mature South African market remains the key centre for insurance activities in the continent, there are nonetheless several emerging hubs across Sub-Saharan Africa. Tonat points above all to Nigeria, Kenya, Ivory Coast and Rwanda:

'These countries have a huge potential for development in the future, both on the digitisation part and the traditional part. If you look to a market like Nigeria, with 200 million inhabitants, this is a huge market, with huge potential, where you can see a lot of things happening. Kenya is also a market where a lot of Insurtechs, mobile companies and start-ups are changing the business model of insurance. These kinds of market have a bright road ahead of them inventing the insurance of the future.'

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Central Asia

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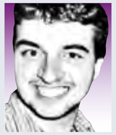
After Russia, the largest national insurance market in Central Asia is Kazakhstan. While state ownership continues to play a major role in neighbouring Uzbekistan and Turkmenistan, the Kazakh market has positioned itself for more open competition, from domestic and foreign players alike. This trend is likely to continue across the region.



ALEXANDER CHERRY

Head of Research at Insurance Nexus

Since we lacked solid statistics on Central Asia, we reached out to respondents within the region in order to compare our global trends with local perspectives and that way provide a flavour of the insurance industry in the region. We spoke to Kevin Hartnett, Chief Operating Officer at The Insurance Corporation of Afghanistan (ICA), about the state of affairs in Afghanistan; for the time being, this is the only country in the region we are able to offer any detail on.

Country Case Study: Afghanistan

In this short profile, we begin with an inspection of the stand-out challenges facing insurers in Afghanistan, before reviewing the growth prospects for the industry there. As we have seen to a greater or lesser extent with our other geographies, there is a limit to how far we can extrapolate local trends to entire regions, so these perspectives on the Afghan market are in no way intended to be representative of Central Asia as a whole. Indeed, Afghanistan is perhaps a unique case on account of the private insurance sector being of such recent creation there – it was only in 2007 that the Kabul-headquartered Insurance Corporation of Afghanistan (ICA) was founded, as the nation's first private commercial insurance company.

As Kevin Hartnett explains, *'The Central Asian Republics all have established insurance sectors. Afghanistan is very young and new, in terms of financial services. Insurance did not exist in Afghanistan, certainly in the private sector, until recently.'*

Despite the relative newness of the industry in Afghanistan, Hartnett notes the enormous growth it has undergone over the past decade, key areas being Construction (a result of the large number of infrastructure projects underway), Group Personal Accident, Political Violence, General Liability, Property, Business Interruption, Aviation, Specialty Lines and Auto. The ICA currently boasts a wide roster of clients, from mining, construction and trucking companies to government, NGOs and embassies.

Hartnett characterises the Afghan industry as being driven in part by expats (drawn from the international markets, in particular from London) and in part by locally developed talent, and he commends the progress made so far in providing a local base for the industry:

'We are very embryonic in terms of growth and sustainability, but it is an educational learning curve. We have some bright young graduates here in the local community, highly qualified – they fly through their exams, including professional financial courses over the Internet,

> ICA has to date, arranged insurance coverage in excess of US$ 35 billion on behalf of clients operating in all sectors of the economy, and has paid claims of nearly US$ 7.5 million. The shareholders of ICA are committed to the mission of maintaining ICA's position as premier provider of a full range of commercial insurance products and solutions for companies and organisations operating in Afghanistan.
>
> ICA Profile 2015 (www.icaaf.com)

and are insatiable in terms of their desire to learn and self-educate. So things are improving daily.'

It is clear that expats will continue to play a key role in the talent market for some time yet, as we saw in our Middle East section; and regional hubs like Dubai are important as halfway houses for meet-ups with both Afghan clients and the international insurance community. There are understandably issues stemming from the relative instability of the country in recent times, but Hartnett stresses that this is more a question of the perception – not the reality – of doing business there, and he interprets the repeat visits from expat insurance professionals as a positive sign, especially when temporary trips develop into longer-term stays.

Regional Growth Factors

As we have seen in other parts of the developing world, the absence of a strong insurance legacy (in every sense of the term) can work in the favour of insurers looking to modernise quickly. Hartnett tends to agree with this outlook, commenting:

'To reach the standards of our neighbouring countries and places like Dubai – that is a long way off but it will happen.'

The interconnectedness of the region – be that with the London market or with centres closer at hand, like Dubai – can certainly facilitate this sort of accelerated growth.

While the door is open to rapid innovation, this stands and falls with the domestic regulatory environment, which, as we saw in particular in our sections on LatAm, the Middle East and Africa, has the potential both to foster and to impede insurance innovation.

Hartnett makes the case for maintaining a mutually beneficial, two-way relationship with the regulator, so that emerging legislation reflects not just the requirements of financial services in general but those of insurance in particular.

'We try our best to keep them fully versed with ideas and innovations, especially with the potential of compulsory and mandatory insurance that we have been trying to promote ourselves, in conjunction with the Afghan Insurance Authority,' he explains.

'We tend to go along the lines of what our counterparts do, in Europe and to some extent in the USA and MENA region. However, we need to learn to walk before we run and it can be a slow, but methodical process.'

Insurers and the regulator can, however, only do so much between them to ramp up the industry; growth, for both commercial and personal lines, depends on attitudes, uptake and, ultimately, penetration in the population at large.

Hartnett notes many encouraging signs in this cultural regard, and explains how customer demands and requirements are in turn shaping the ICA's business model:

'Within the Afghan communities, banking and insurance are growing all the time. And people are now beginning to ask the right questions, namely: do you offer risk management and consultancy services as well, alongside the normal day-to-day enquiries. We are not only an insurance company, we are advisors too.

Afghan business managers are becoming more aware of coverage requirements and the need for strong risk providers in the event of loss frequency and potential claims settlement.'

#insurancemap

> Today, new types data are available and growing exponentially each year. Much of this data is available from external sources (from APIs and/or IoT) and can be captured in real-time, and is therefore available to start-ups and incumbents alike. As a result, new market entrants have the ability to generate meaningful risk insights, in very specific areas, with new algorithms leveraging machine learning in the cloud.

MICHAEL QUINDAZZI

Business Development Leader and Management Consultant at PwC

#insurancemap

One long-term factor that came out of our discussions with respondents in the Middle East was the role of Islamic attitudes in defining the insurance industry.

In the case of Afghanistan, Hartnett does not ascribe too great a determining role to Islamic Insurance, even though it is a strongly Islamic country. He remarks that Takaful insurance, for one, is not an essential requirement in the Afghan market, and he cites the restrictions that it brings as one of the reasons for people opting for a Western style of insurance.

'Out of the thousands of inquiries we have had over 10 years, we have probably been asked a handful of times if we provide Takaful,' expands Hartnett. *'It is something that we will always consider, but as a completely separate unit and largely dependent on consumer requirements and viability.'*

Afghanistan: Market Outlook

Based on the regulatory and cultural attitudes we have briefly summarised here, it seems that there is no reason why we won't witness the same Insurtech boom in Afghanistan as we are seeing elsewhere. In fact, this has already started, and we are seeing – and will continue to see, assuming regulatory requirements are met – new enterprises and start-ups in the Afghan market.

'We have no doubt there will be more new start-ups, new commercial-lines insurers and probably specialised personal-lines insurers in the future. We may even have a reinsurance market in country at some stage,' comments Hartnett.

One more prosaic reason that may limit, though surely not for long, the growth of new-age insurance models in Afghanistan is the lack of the historical data necessary to make advanced analytics models work, at least for certain types of risk (such as natural catastrophes).

'We cannot readily supply historical and actuarial data to the sector because it is simply unavailable, certainly in terms of financial and catastrophe data – because the market is still in a development stage,' explains Hartnett.

'Going forward we are some way off – not miles away but some way off – what is available systems-wise in the London market, Lloyds, or the international markets. Development in all areas of the finance sector is progressing rapidly, as are analytics and comprehensive studies, but we are reliant, to some extent, on assistance from more established markets.'

Notwithstanding, the underlying internet infrastructure in Afghanistan is strong, which does not just facilitate recruitment, training and the exchange of innovations on a global level but also means insurers in the region can look forward to gathering more and more data in future, via connected devices and IT systems. Hartnett is highly optimistic about the prospects for the sector:

'The insurance sector here is growing, and one day many of the senior roles will be managed by Afghans. And that is not too many years away. We have some exceptionally bright, intelligent, talented young people working with us.'

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Section 3: Key for Regional Profiles

SCORE		EXPLANATION
MARKET CONDITIONS	**Legacy Burden**	% of respondents for whom legacy systems are 'very much' a problem
	Regulatory Burden	% of respondents answering that regulation has impeded progress within their organisation 'somewhat' or 'a lot'
	Disruption Score	% of respondents answering that they are losing market share to new entrants
STRATEGY	**Digital Strategy**	% of respondents reporting that their organisation has a digital strategy
	Mobile Strategy	% of respondents reporting that their organisation has a mobile strategy
	Cross-Platform Strategy	% of respondents reporting that their organisation has a cross-platform strategy
	Omnichannel Strategy	% of respondents reporting that their organisation has an omnichannel strategy
CUSTOMER	**Aggregator Impact**	% of respondents who reported that aggregators had had a medium or large impact on their organisation
	Customer-Centricity Appraisal	% of respondents who believe their organisation is truly customer-centric
	Customer Engagement	% of respondents who are happy with the level of customer engagement they currently achieve
	Consistent Customer Experience	% of respondents who believe that they offer a consistent customer experience across channels
	Direct-to-Customer	% of respondents who currently sell direct-to-customer
	UBI Strategy	% of respondents who currently have a UBI strategy
CLAIMS	**Before-the-Claim Fraud Strategy**	% of respondents who operate a before-the-claim fraud strategy
	Automated Claims Handling Process	% of respondents with automated claims handling
	Claims Loss Mitigation	% of respondents who reported that their organisation has 'a lot' of focus on claims loss mitiga-tion
TECHNOLOGIES	**IoT**	% of respondents reporting that their organisation has an IoT strategy
	Analytics	% of respondents reporting that their analytics strategy is coordinated across their organisation
	AI/Machine Learning	% of analytics respondents using machine learning and AI
DATA	**Data Governance**	% of respondents reporting that their organisation has a formal data-governance strategy
	External Data Usage	% of respondents making use of external data sources
	Customer Privacy and Data Security	% of respondents who believe their organisation is adequately protecting their customers' privacy and data security
	Cyber Resilience	% of respondents who answered that their organisation has a plan for if there is a security breach

4 Conclusion

Closing Thoughts

Over the course of the preceding three sections, we have presented the broad sea-changes, the technology- and function-specific developments and the regional trends across today's insurance ecosystem. We hope that this has been a varied and interesting journey! We now finish with our closing thoughts, casting a particular eye on how the industry is developing and where it is headed.

In addition to undergoing paradigm shifts through time (the insurance of today is naturally very different from what went on in the Lloyd's Coffee House 300 years ago), insurance is of course a cyclical industry, sometimes pivoting heavily from one year to the next regardless of the overall trends.

Surviving these cyclical pressures is the bread-and-butter business of insurance, and they have rightly been top of mind for many of our regional commentators. However, they tell us less about the overall trajectory of the industry than about the current cycle, and do not particularly help insurers determine where they should be placing their R&D budgets for longer-term survival and success.

In this conclusion, in which we sketch out three overarching 'megatrends' synthesising what we have observed across this report, we attempt to distinguish between these paradigmatic and cyclical shifts. This is not to say that one category is more important than another – they are not directly comparable, and insurance companies fundamentally need to take a position on both.

The first megatrend is a cyclical shift; the latter two could justifiably be termed paradigmatic:

- Worldwide low interest rates coupled with soft market conditions
- The complexification of risk in today's increasingly globalised societies
- Distribution disruption and insurance's customer-centric 'turn'

After exploring our three megatrends, we round things off with a cursory look towards the future and what we can reasonably expect from the meeting between the legacy insurance industry and the growing Insurtech sector.

MEGATREND 1: LOW INTEREST RATES AND SOFT MARKET CONDITIONS

Respondents in all our global regions have explained their current challenges at least in part through low interest rates. Everywhere we look, investment margins are being squeezed, forcing carriers the world over to re-evaluate their core underwriting business and find efficiencies.

When interest rates are high, insurers can tolerate lower combined ratios or even outright unprofitable underwriting, the difference being made up by the returns that accrue on the overall cashflow in the meantime.

Today's poor investment climate is exacerbating the effects of the soft market, where excess competition is putting strong downwards pressure on premium prices. Indeed, according to a recent post by PwC, as much as a third of the London market may lose money on underwriting this year[1]. Similarly soft conditions are being reported for our other key regions, North America[2] and Asia-Pacific[3].

With this excess supply of insurance on the market, it is becoming very hard for players to make significant amounts of money. So where do these market conditions take us?

In some ways, this is a bit like Roadrunner in the much-loved cartoon – some players have already run themselves well off the cliff but just haven't looked down yet. And the more highly capitalised insurers will fall more gently due to their enormous parachutes, standing to do good business in the harder market conditions to come.

In age-old fashion, geopolitical events or a natural catastrophe could well finish off the soft market, pushing smaller players out of business or otherwise constraining them due to reinsurance price hikes. These are the seasons on Planet Insurance, the 'Insurance Cycle' – their ins and outs have already been explored many times before, and for this reason we have not particularly focused on them in this report.

What is of interest to us are the alternative outcomes (whole or partial) offered by today's soft market. This is a classic supply and demand imbalance, and the solution may be to boost demand, rather than waiting for supply to be constrained by events out of our control. Demand creation

[1] pwc.blogs.com/press_room/2016/12/london-market-softening-to-continue-in-2017-pwcs-2017-london-market-outlook.html
[2] marsh.com/us/insights/research/insurance-markets-what-to-expect-in-2017.html
[3] postonline.co.uk/post/analysis/2473575/top-30-asia-insurer-ranking-asia-remains-in-a-stable-condition

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and servicing doesn't solve the underlying nature of the cycle (this fresh demand will ultimately breed even more supply) but, if insurers can keep their noses consistently just ahead of commoditisation, they can live quite nicely (and more or less indefinitely).

Saturated markets can offer plentiful sources of fresh demand – whereby what we refer to subjectively as a saturated market is objectively totally underpenetrated. While business-model changes are often implicit in this (and we will cover this in the next sub-section), there is much that carriers can achieve simply by making their existing service more available and by stripping away the (perceived) red tape.

Imagine if every potential customer were to be followed around on every step of their daily life by a tireless insurance agent – a kind of chartered Mephistopheles. That agent would find all manner of passing needs that the average customer would be more than just tempted to buy insurance on.

This has obviously never been possible – or desirable – and this is why, for so many people, insurance has remained in the same category as the annual dentist's trip. However, mobile technology – for example push notifications to a potential customer's mobile device – now means that customers can actually be reached with all manner of propositions on a rolling basis, like in our demonic example.

However, this approach will always have its advocates and its detractors, with plenty of people preferring to initiate the buying process themselves, especially for complex long-term products like Life insurance. In these cases, simply by offering slicker customer service insurers can access plentiful valid prospects hitherto outside of the market for no good reason.

Markets traditionally termed underpenetrated (especially in Asia-Pacific, Africa, Latin America and Central Asia) may be even more appealing for multinational carriers, although the exact sums will vary from case to case: there is a lot of fresh demand to serve here but at the same time, the value of assets per person is generally less than in the developed West.

This is particularly true of microinsurance. This has long been touted as both a major opportunity and a social good for the developing world –

without anyone having fully 'cracked it'. Speculating as to the growth of this sector is beyond the scope of this report; suffice it to say though, great strides have been made towards solving the distribution and payments parts of the jigsaw.

Outstanding issues with microinsurance include the appropriate business model to pursue and, fundamentally, carrier appetite. Often the sorts of risks that microinsurance targets want protection against are catastrophic in nature (drought and crop failure being two prominent examples). With this in mind, large amounts of capital are needed on the one hand and lots of local knowledge on the other, and the collaborative arrangements we touched on in our Africa write-up certainly appear viable options.

Compounding the issue are fairly large unknowns such as climate change, as a result of which we are likely to see catastrophic weather events become more serious over the coming decades – although to quantify and price this in is challenging.

All these demand-growing exercises – greater outreach and ease of access in saturated markets and more attention to policyholder needs in

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underpenetrated markets – are being pursued by insurers around the globe in response to today's adverse market conditions, where revenue growth is so hard to come by. Another response – and one that is a more typical kneejerk – is to cut costs through technology.

There are two very broad categories into which insurance costs fall: operational or business costs, and claims pay-outs. Ongoing initiatives with robotics and AI are eliminating back-office costs by automating routine procedures and allowing straight-through processing of underwriting and claims. Another area of advances – IoT and ubiquitous connectivity – is allowing for the pre-emption of claim events and for timely damage limitation. Potentially straddling these two thrusts is Blockchain, although everyday adoption still remains a way off.

Generally speaking, these technologies are not just pure cost plays, although lower costs is a happy side effect for insurers. More so than cost, their real significance lies in the greater customer-centricity they enable, whether this relates specifically to distribution, to policy pricing or to claims experience.

The need to cut costs is a systemic pressure and has recurred periodically throughout the industry's existence; at some point in the future, we can safely assume that this need will be felt less strongly than it is today. What is new with the current round of technological investment is its customer-centric bent – this is the big paradigmatic change moving through the industry, often aligned with the need to weather a soft market and low interest rates but fundamentally distinct from it.

MEGATREND 2: COMPLEXIFICATION OF RISK

Before we consider what is perhaps the defining megatrend that has emerged time and time again across this report – the customer-centric turn in today's insurance – we look at another major trend which does not form part of the long-established Insurance Cycle.

The world is moving fast, both for people and for businesses, both on a micro and on a macro level. Here are a few key measures on the macro level, all of which potentially point to a more turbulent, less predictable future:

There are currently 29 megacities (cities with populations exceeding 10 million people), and this figure is expected to reach above 40 by 2030[4]. Global population continues to rise, with the UN predicting back in 2015 that by 2030 we would be looking at a population of 8.5 billion people[5]. This is likely to lead, on balance, to higher pollution levels, increased political instability and greater movement of people.

These don't conceal any immediate concrete takeaways for insurers – rather they point to a future in which existing liability classes become more problematic, with greater accumulation risk. Take, for instance, health portfolios in polluted city centres or property portfolios in sprawling wood-built suburbs. This consideration applies equally to commercial lines in our steadily more interconnected and globalised world economy. More and more of the world's trade is dependent in some way or another on a select few super-hubs; insuring a supply chain is hard enough, but the future is one of multijurisdictional supply webs exposed, like so many dominoes, to events and catastrophes at these global points of failure.

On the micro level, there is hardly a single insurance product line where the difficulties faced by insurers aren't increasing. It is perhaps in commercial lines that the changing face of risk is most apparent, with more and more business concerns edging into uninsurable territory.

Protecting businesses against disaster is getting harder and harder, with cybercrime and hacks being two of the biggest cases in point. Cyber incidents continue to rise year on year (take this year's high-profile Wanna Decryptor and Petya ransomware attacks), despite the efforts of most large corporations – efforts often emanating from the C-suite – to see off the threat.

This is terrain that insurers are venturing upon – and must venture upon – but it is hard to approach like a conventional risk. While the laws of nature will prevent tornados from exceeding a certain size or outlasting a certain time limit, insurers do not even have this most paltry of safeguards when modelling cyberthreats.

One of the problems insurers will face here and with other complex commercial risks is that the data required to understand them may be

[4] agcs.allianz.com/insights/white-papers-and-case-studies/megacities-report/

[5] un.org/en/development/desa/news/population/2015-report.html

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housed deep within client organisations – and the client organisations may want to keep it this way! Without access to this granular data, insurers will find it more difficult to offer the required coverage at competitive prices.

This will likely fuel the growth of captive insurers for the more specialised aspects of commercial insurance, something we are already seeing among multinationals for cyber and benefits risks[6]. Further areas in which captives are gaining ground are medical stop-loss insurance, political risk and supply chain[7].

For many types of personal-lines insurance we now have Insurtechs in full operation, so we will soon be able to gauge the extent to which new entrants can cause incumbents real business deterioration. Commercial has shown itself a relative laggard at various points in this report, so it is hard to form any firm views on whether the worldwide complexification of risk should be viewed as a boon for insurers (higher demand for risk experts) or a bane (even more ground to be made up by incumbents).

Technology – specifically connected devices and IoT – has enormous potential to transform commercial-lines insurance, vaulting over the complexity by embedding visibility and understanding into all processes from the ground up. Obviously, it will be a long time before we have seamless IoT adoption in many of these areas – but in many of them, take supply chain for instance, knowing where your assets are, and in what state, more or less in real time, is no longer beyond the realms of possibility.

This widespread adoption of IoT will ride on open standards, which means that information relating to specialty risks can in theory be made available in a universally comprehensible form rather than as insider know-how. If, through technology, they can move in on the advantages enjoyed by captives (being 'close to the ground' for one), while bringing to bear their enormous scale and capitalisation, then the expanding category of fiendish-level specialty risks need not represent a dead zone for the commercial insurers of tomorrow.

MEGATREND 3: DISTRIBUTION DISRUPTION AND CUSTOMER-CENTRICITY

If we had to choose the one word looming largest on insurers' minds – based both on the statistics and the direct testimonials included in this

report – that word would be 'customer-centricity'.

There is a prevailing view – not just confined to the vibrant and vocal Insurtech community – that something is wrong with the customer relationship implicit in traditional insurance, at least among the personal lines.

This is a relationship that has long had something of a standoff about it, with one subsidiary industry dedicated to bumping customer claims up and another to hauling them back down again (loss assessment and loss adjustment). Meanwhile fraud and counter-fraud soak up huge amounts of the industry's capital.

In broad strokes, the new relationship being demanded and pursued is one in which client and insurer are 'risk partners', whereby it is in each party's interest to share as much information with the other as possible so that they can work together proactively to reduce exposures.

This change in attitude has not occurred in a vacuum. While the traditional insurance market has always suffered from periodic high competition on

[6] marsh.com/ca/en/insights/risk-in-context/more-multinationals-using-captive-insurers-for-cyber-and-benefits-risks.html

[7] captiveinternational.com/article/five-niche-risks-perfect-for-captives

price (as part of the Insurance Cycle), competition on customer service was for a long time completely slack (simply put, in the pre-digital era, there were limits on where you could take customer service, at least for general insurance).

The key factor here is the same that has been instrumental in so many industries: the arrival of the Internet. This opened a new channel for communicating with customers both existing and potential – be that as a branding play, for informational purposes or as a full-service buying channel. It took a while before ships were built capable of navigating this new North-West Passage to the customer, but as of today the sea-lane is officially open for business.

Distribution Disruption opened the door to a whole raft of new e-ventures (gone was the monopoly of legacy players on distribution) and also reared a new generation of ultra-demanding consumers, weened first on Amazon and latterly on real-time services like Uber. With an extra, brand-new lane added to the race, all new players have had to do is run faster than the old ones, and this has rarely proven difficult given the possibilities inherent in digital technologies.

We have at times illustrated this ‘turn’ in the industry as new entrants appearing and circumventing incumbents – but it is as much a story of incumbents trying to circumvent each other using the additional differentiation potential digital gives them. The march of the Insurtechs (bottom-to-top digital insurers) is not the first, it is the latest iteration of this trend – and by far the one that has spooked legacy insurers the most.

The traditional industry is now beginning to realise that digital does not stop with a customer-friendly website but must in fact embrace every building block of the organisation – must, in the sense that otherwise someone else will get there first and eat everyone’s lunch. Everyone – incumbents and Insurtechs alike – is in exactly the same race to find the winning combination, and each brings unique strengths to bear.

The winner will get themselves in front of more customer eyeballs and offer better customer service at lower prices. This has both a technological and, more critically, a business-model aspect to it.

We spoke briefly about the cost-cutting aspect of new technologies in relation to our first megatrend (low interest rates and soft market conditions) and loosely pooled them into two camps: AI and robotics enabling straight-through processing and pricing, and IoT facilitating intervention and proactive claims control. By deploying the first category, insurers can achieve more watertight underwriting and plentiful operating efficiencies; by deploying the second category, they can move towards a better book from a claims perspective.

However, to roll these technologies out as point solutions would be to play the cycle (low interest rates and soft market conditions) not the paradigm shift the industry is undergoing (around customer-centricity). Simply playing with efficiencies and consolidation in anticipation of the return of higher interest rates, while not a recipe for bankruptcy, is not a recipe for insurance growth and embarks carriers on long, painless path to self-liquidation.

The key for insurers is to use all these tools in unison to serve a fundamentally new business model – it is in this way that these technologies can be truly transformative (beyond just delivering incremental change in line with carriers’ cyclical cost-cutting efforts). As for this new business model: in the broadest possible terms, it is about closing the loop between the claims and the underwriting parts of the business, the front end and the back end.

This is crystallising as Usage-Based Insurance (UBI), whereby insurers and customers cooperate – in a virtuous circle of data-sharing – to work risks down. Real-world IoT data that captures exactly what is going on with specific customers and risks is transparently fed back into analytics and machine-learning models at the back end to create optimal policy-price options; and, seeing and believing the benefits of the new-age insurance proposition (lower prices and fewer bad things happening), customers will further extend their willingness to participate.

This new relationship relies on insurers establishing a new bond of trust with their customers – and a lot of this will come from being more transparent with pricing, less obscure with terms and conditions and clearer about the benefits of the overall proposition.

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In addition to personalising – and optimising – the treatment of existing policies held by customers, the UBI approach also facilitates on-demand coverage. Rather than just updating long-term premiums based on cumulative customer data, insurers have the potential to create time-sensitive policies on the fly based on real-time information, something which obviously requires straight-through processing, among other things, if it is to be practicable.

Here again, we see a technology often viewed through the lens of cost-cutting – robotics – coming into its own as a customer-centricity and new-business enabler. Straight-through processing, not just for underwriting but for claims as well, cannot just aim for efficiencies; it needs to be about giving customers what they want, when and where they want it.

We should remember at this point that, while the component technologies are making ground on their (often separate) marches through the industry, and while UBI is certainly a heavily discussed approach, only around a third of our survey respondents reported having a UBI strategy. Also, the vision of an omniscient, fully optimised, 'ideal' marketplace for insurance needs to be tempered with a dose of real-life pragmatism, particularly when we reflect on the host of regulatory and ethical questions that development down this path raises (witness the concern, by no means unique to insurance, with the 'predatory algorithm'). Finally, there may, paradoxically, be adoption issues… Many consumers may object on principle – in the same breath as they demand better pricing – to the new, unaccustomed relationship they are being invited to form a part of, as well as to the notion of insurers gathering and holding data on them.

The UBI approach, this brave new customer covenant, is developing many different forms, at variable rates, across different lines. The overall trend is towards a model where fewer bad things happen and people pay less for insuring a given asset, by taking an active role in their own risk management. As the customer-service and engagement element is intimately bound up with the cost-reducing mechanism, it is hard to know which is more important to the customer, and by what degree. Intuitively, we feel that old-style insurance cannot be rescued by pure customer service, regardless of how many bells and whistles it has on it – but better-priced, new-style insurance may well be lost without it.

For the most part, what we end up with is a strange sort of race-to-the-bottom – with people paying less for great service and rating it as great primarily for that reason. Assuming the pool of addressable risks remains the same, we would, on this model, expect carrier revenue, costs and profit to shrink in proportion. So, is the insurance industry eating itself?

The main problem with the above statement is that the pool of addressable risks will not remain the same but will grow substantially, as we hinted at above in the case of on-demand real-time UBI. All the technologies we have mentioned – and the low-cost insurance model they are ushering in – can act as an enormous new-business enabler.

In relation to the first megatrend (low interest rates and soft market conditions), we imagined all the things the average person might wish to insure against as they went through life – if representative insurance were truly available at a representative price. This was largely to emphasise that it has been the practice, rather than the theory, of insurance that has held the industry back. Insurance, as a concept, has plenty of mileage in it yet.

Scale is the silver-lining of commoditisation – if risks are cracks in the Earth, you can fundamentally fill in more space with tiny uniform grains of sand than with a few massive irregular boulders. This move away from a small number of large transactions towards a large number of small transactions is the same move we have already witnessed, for instance, in the logistics and payments industries.

This is not to say that there are no 'premium' services made possible by these technologies. The insurance proposition is partly about price and risk reduction; another key part is the question of the agreed mitigation (and it is again beneficial for carrier and customer to work together). The more that insurers can guarantee (for example, guaranteeing that someone's car will not just be repaired but will be repaired at a given garage using given parts within a given timeframe), the more they can hope to charge.

We have talked about how customers need to trust their insurers, but equally important in the case of premium mitigation services is insurers' trust in their customers and in what is going on in the outside world. The idea with IoT (rendered watertight through Blockchain) is that insurers can know this with confidence in real time. This means ultimately that they can set up Smart Contracts to be enacted in real time for clients' benefit, so that, if Event X comes to pass, Mitigation Y will immediately be on its way.

There is huge potential for specialist IoT solutions in commercial scenarios where millions of dollars' worth of business interruption can ride upon the non-contentious settlement of claims and speedy containment of losses. One example we gave of this, in our Internet of Things section, was of insuring sensitive cargoes in transit so that new cargoes are immediately ordered, should certain limits on the existing cargo be exceeded (like damagingly high temperature, for example).

We did not gather any direct statistics on Blockchain and Smart Contracts, but the technology is likely to have greater pride of place in next year's Trend Map. The example above is commercial but these technologies (IoT, Blockchain and Smart Contracts) have obvious benefits for personal lines as well (such as Auto) and can streamline the overall claims process (by prepopulating relevant data securely and acting on it as agreed) – leading not just to lower operational costs but superior customer experience at that point in the cycle where customers value it the most.

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None of this is a fait accompli – the practical objections to every stage of the journey we have so cursorily outlined here are endless. The idea that we can know everything we need about a person or a risk in real time through today's IoT systems is still farfetched, and doesn't help insurers juggling limited budgets and multiple priorities in 2017. Similar qualifications apply to the other technologies that form part of the 'stack' (like Blockchain), and many commercial applications will require maturity across multiple technology areas before we see adoption.

This naturally imposes limits on the optimism that might otherwise flow from our foregoing description of the tech-enabled, customer-centric turn in the industry. However, it also limits the more pessimistic interpretation, namely the fear of universal commoditisation. Everything that stands in the way of this 'end state' represents ground to fight on for carriers and a means to differentiate their capabilities on the market.

For example, the fact that the latency of IoT systems is not magically zero – and their security not magically infallible – means that whichever insurer can shave off the most time, or throw up an additional security barrier, can potentially reap the benefit of that in market competitiveness. The same applies to other capabilities; as customer data isn't boundlessly available, even with IoT (far from it!), insurers can outmanoeuvre their competition by eking out a few extra points of customer data (and this is about being open and clear on the value proposition, not about espionage). And, in the context of endemic legacy systems and silos, being able to link different pools of data together that bit quicker could be the hair's breadth that sets you apart from your competitor.

Silos and legacy are a major problem for incumbents, and this is a point that has been raised time and time again by our correspondents in this report. This is due both to the ad-hoc way in which different functions have coalesced and to M&A activity over the years. Even assuming that silos can be bridged, many older systems – and many insurers are running on systems that are decades old – simply cannot support the level of analytics and machine-learning that insurers are wanting to run today.

This lack of legacy is a stand-out advantage enjoyed by Insurtechs over incumbents. That said, Insurtechs wishing to take advantage of this might not be best-placed trying to build an alternative mega-system from the bottom up. All systems represent large one-off costs, and it may be that the Age of Systems is passing into the Age of Ecosystems. With customer and market requirements diversifying, and fluctuating, at such a rate, there is no one configuration that can guarantee success. So, the more open, and capable of integrations, insurance players can keep their tech, the better, and the more able they will be to meet new requirements as they arise.

This trend towards more federated systems, towards more of an 'API culture', has surfaced at various points across this report. An adjunct of this is carriers' use of incubators and accelerators to drive innovation beyond their four walls. It is in this context that we find carriers investing in – and in some cases founding their own – Insurtechs, to act as their younger, hipper and more nimble representatives before the customer.

We pointed out how insurers can differentiate themselves based on their technology capabilities, with big data, speed and security being three key components. Insurers can also differentiate themselves on how they put their innovation effort together, which has an enormous multiplier effect on the business. By the same token, Insurtechs can also benefit enormously by pursuing strategic business relationships, particularly with existing carriers – and this is something we now touch on in the next and final sub-section.

INSURTECH: REINVENTING THE SPOKES, NOT THE WHEEL

In the app age, it is no longer clear what is more important to starting a successful insurance operation: knowledge of insurance or experience with doing business web-first. Obviously, having both would be the best-case scenario, which is why there is plenty of mileage in Insurer-Insurtech tie-ups, and this is a theme that has recurred time and time again in our conversations with industry representatives.

This is a debate that is all too often framed with incumbents as protagonists and Insurtechs as antagonists – and this is a mode of representation we have not overly shied away from in this report. However, as we indicated at the beginning of the previous sub-section, everyone is in the same race for the same customers, and while some Insurtechs have taken a belligerent stance, with an avowed mission to 'disrupt' the

traditional industry, the destruction of the same is not something they are really pursuing directly – it would be a consequence, and certainly a consequence good enough to sell a fair few news articles and PR pieces, of them meeting their primary aim, which is to 'delight' today's apathetic insurance customers.

In this closing sub-section, we examine the battle for innovation not just from the perspective of carriers seeking to match the nimbleness of their new-age competitors but also from the perspective of newcomers who, starting with a handful of employees and some seed money, have ambitions to claim a sizeable chunk of a $4.5 trillion industry.

On the question of innovation, one issue facing incumbents that is easily overlooked in the context of industry hype is the innovator's dilemma. In many lines and in many regions, insurers have large amounts of profitable business coming through legacy channels – and we cannot here escape thinking of the agency landscape in the United States.

Carriers are naturally loath to cannibalise these chunky accounts with lower-price, as-a-service products. And even if you agree with the theory that the lower-price model will pay for itself and more, or even if you cast your eye over the industry landscape and conclude that there is no alternative, it still takes a certain amount of conviction to imperil the comfortable parts of the existing intermediated business with a direct channel. This said, once a few players make moves, it creates a tipping point – although, as we have hypothesised with our 'disruption wave' model (see our Insurtech Perspectives section), this may occur at different points in different regional markets.

One way to assess the relative prospects of the two key sectors in question – incumbents and new entrants – is to first determine what the future looks like. It is by locating the peak we're trying to scale that we can best assess the merits of our two competing mountaineering parties. So how will the insurance of the future – regardless of who owns it – look different from the insurance of today? And there is no better way to approach this than to ask how it will stay the same!

Insurance has many faces and is developing many more, but one inescapable fact remains: for insurance to work, we need a company somewhere in the chain to hold risk on their books. This is an unglamorous side of the industry but one that circumscribes how far it can fundamentally change.

We have seen this with Big Tech's flirtation with insurance. While companies like Facebook and Google could field definite advantages from a big-data, distribution or customer-interface perspective, they may not have the appetite – nor may it suit their wider business model – to be holders of risk.

The extent to which the abstract concept of insurance can be reinvented is therefore limited. We see this with the misnomer of Peer-To-Peer (P2P) Insurance, a designation strongly espoused by US-based Insurtech Lemonade. While there is a huge amount that can be done to improve the transparency of premium pay-ins and of claim pay-outs – thereby casting insurers as responsible money managers as opposed to greed-fuelled corporate black boxes – the models of so-called P2P insurers operate along strikingly similar lines to those of incumbents, with all payments in and out coming via the insurer as central node (on a client-to-server model).

While we can invent rounder and rounder wheels, reinvent them as squares we cannot. Earlier this year, in a report on the company's first quarter

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in the market, Lemonade in fact backed away from the term P2P, citing AI and Behavioural Economics as being more apt terms to describe the underpinnings of the company[8].

Insurtechs have a lot to get their teeth into without overplaying their hand, whether they are operating as online agencies or as fully licensed insurance companies. It is not essential that they reinvent the centuries-old concept of insurance. Where they can be radical is in their reinvention of its delivery, using new approaches and technology to outperform incumbents on all the success-defining criteria: like acquisition, retention, claims/underwriting performance, fraud discovery and operational cost.

Across this report we have often looked towards another disrupted industry – retail and logistics – as a touchstone (particularly as this industry is further down the transformational road than insurance). We see that most e-commerce now resembles Amazon, and it is safe to assume that most insurance in the future will, on a component-by-component basis, resemble the Insurtech of today. What we also see in retail is that Amazon, far from being just a trend-setter, is also a monstrous player in its own right and continues to run retailers ragged. Against this backdrop, the question we ask ourselves is: will we have an Amazon of insurance? Or, phrasing the question in different terms: can new entrants scale faster than incumbents can pivot?

Insurtechs certainly have a clear win as far as upgrading the customer relationship and interface is concerned. The extra trust this engenders can facilitate the mutually beneficial exchange of data between insurer and insured, along UBI lines – but at the end of the day, this is not because Insurtechs have invented the notion of data-driven insurance but rather because they have established a better, more sustainable model for acquiring data (one which puts the customer, and customer trust, at the centre).

However, even bearing these advantages in mind, it is too early to tell how a great many start-ups will fare longer-term, as regards the numbers. For example, how well will new P&C players stand up in the event of a major natural catastrophe that puts their balance sheets and claims-handling capacities to the ultimate test?

While the traditional industry is in many ways suboptimal and has multiple sources of inefficiency, this is not always gratuitous; many of the much-lamented costs are there for a reason and do not represent legitimate sources of streamlining for iconoclastic new entrants. Regulatory compliance is one area where such new entrants cannot afford to scrimp – although they may well find it easier to comply with regulations due to their lack of legacy hindrances.

Solvency requirements are another key area. To illustrate this, there are many lines in which a healthy underwriting profit most years in no way represents corporate bloat – take the P&C market in catastrophe-prone regions for example, where it is essential to put the good years (marked only by attritional claims) to use in preparing for that one year of catastrophic claims with the power to bankrupt. New entrants may find all manner of ways to deploy customer premiums more legitimately and profitably, but they will need to remember that the existing industry – within an admittedly customer-unfriendly, market-limiting context – is doing a lot of stuff right.

Looking at Insurtech in a vacuum, we can see that, as winning as the premise may be, the road to the top is long. Even if it at first seems opposed to their anti-establishment animus, the Insurtech that gets there first – and in doing so captures the market – may well be the one that makes use, in some way, shape or form, of the existing insurance industry.

Incumbents bring scale to the table, in terms of capitalisation and in terms of data – and both these things could be telling advantages if coupled with the fresh feel and strong customer credentials of an Insurtech. This is not to imply that incumbents are gathering as much data as they could be, nor that they are making the best possible use of it. But the fact is that new sources of customer data – sources successfully tapped by Insurtechs – will deliver the most value when combined with other data silos within a larger 'stack'.

A partnership with incumbents could therefore be expedient for new players from a capital and data perspective – and the aim of the game, ultimately, is not to make a virtue out of disruption but to capture market share. Incumbents also offer a ready-made distribution network, although

[8] lemonade.com/blog/lemonades-first-quarter-market/

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one that they are trying hard to evolve into something new via both direct plays and affiliate partnerships.

We note that a substantial portion of IoT-enabled insurance (such as for the connected home) may be better sold as a bundle with the kit (i.e. through the insurer partnering with the manufacturer) than as a separate product that the insurer must market in parallel. In these cases, Insurtechs – in addition to various outside-of-industry players – can potentially leapfrog insurers in the race for affiliate distribution.

While it's clear that a lot of insurance will, in the relatively near future, resemble the Insurtech of today, this does not mean that we will be dealing exclusively with companies unknown 10 years ago, staffed by entirely new individuals.

Many of our commentators have pointed to the collaborative model as a probable winner, although we are bound to see success stories in pretty much every category. This model represents a sliding scale as well, and can in any case be seen as an extension of federalisation already present in the industry.

Reinsurers remain firmly anchored at the one end of the value chain in their accustomed position as the ultimate guarantors of risk. Their more recent role fostering a broad base of innovation (witness the much-publicised investment activities of giants Swiss Re and Munich Re) is understandable in this context; if their ultimate aim is to grow the pool of (indirectly) addressable risk, then it is not necessarily that important whether this happens through traditional insurers or through new players.

At the opposite end of the value chain, we find a menagerie of different distribution formats: agencies, banks, digital-direct plays and affiliates. In between these two extremities of the ecosystem – reinsurance and distribution – there is potential for a lot of flux, with traditional insurers plugging into other players, and being plugged into by other players in turn, via APIs and partnerships. The situation is further complicated by the move, by no means limited to insurance, away from owned or proprietary systems towards as-a-service offerings; the work itself remains much the same but the ways in which it is accounted for are blurring.

Several of our commentators have extolled the virtues of the 'API culture'

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or toolbox approach, and we are already seeing a more federated, less monolithic approach to innovation in the growing use of accelerators, incubators and sandboxes, in which incumbents, start-ups, VCs, regulators and government are brought together. There is no reason to believe this approach will be limited to early-stage investment and growth, and we can easily imagine a future of mature insurance businesses operating along similar lines.

The positive for all players in the ecosystem – and some are currently more spooked than others – is that there are plenty of categories of work, some old, some new, that need filling, and there are countless places any player could take an innovative idea. The degree to which the expanded scale we are likely to see over the coming years can offset the technology-driven streamlining of the industry remains to be seen. There are bound to be losers, and many of today's players will have to don different hats from the ones they currently wear – but this is certainly a fascinating time to be involved in insurance.

Carriers are often – by the nature of their business, which is the spreading of risks – highly diversified companies. This means that the fears and prognostications relating to particular lines of business, which are in ample supply in the mouths of pundits and the industry press, often cannot be generalised to whole companies.

Currently, most disruption is occurring in retail or B2C insurance, leaving commercial lines (a sprawling area!) comparatively untouched. Among the B2C lines, Life is also relatively quiet, and this is an impression borne out by the stats we have presented across this report.

Both these areas – Commercial and Life – involve complex products, big risks and large volumes of money, diminishing the relative importance of distribution options and customer experience.

The fresh new approach of Insurtechs still stands to transform these lines eventually, and all the stand-out technologies – AI, IoT, Blockchain and Smart Contracts – have a role to play here. Witness, as a recent example, US-based online agency Insureon's update on small-business insurance.

However, it is also true to say that many of the candles of traditional insurance will take some time to burn down, affording incumbents some leeway when it comes to reimaging their business. 2017 will be a key year, with most ecosystem players (some more belatedly than others) having grasped the opportunities, the threats and the ground on which things will be decided (namely the customer relationship). We are entering the middlegame, so to speak, of the Insurer-Insurtech confrontation.

And that's it for this year's report! We hope to update you on the progress of all these trends and developments in next year's Global Insurance Trend Map, and at our on-going industry summits in the meantime.

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Section 4: About The Influencers

AHMAD AL-QARISHI
Chief Risk Officer and Chief Actuary
The Anderson
Saudi Re

Ahmad has a Bachelor's Degree of Science in Mathematics from King Saud University, Saudi Arabia, and a Master's Degree of Arts in Actuarial Science from Ball State University, Indiana, USA. He is a Fellow of the Society of Actuaries (FSA), USA. Ahmad has over 14 years of experience in the insurance and reinsurance industry, as well as in the banking industry. His main fields of expertise are in the Actuarial and Risk Management fields. From 2003 to 2013, Ahmad worked for the Saudi Arabian Monetary Authority, which supervises the financial sector in Saudi Arabia, under different positions in the Banking Inspection department and the Insurance Supervision department. Currently, Ahmad is the Chief Risk Officer and Chief Actuary for Saudi Re, a Saudi Reinsurance Company.

STEVE ANDERSON
Executive Editor
The Anderson Agency Report
@SteveTN

Steve Anderson, Executive Editor of The Anderson Agency Report, regularly consults with agencies, vendors, and companies. He provides keynote addresses, lectures, seminars, workshops, conference programmes and individual agency and company consultations on how to maximise productivity and profits using practical technology. To many insurance agents and industry technology specialists, Steve is regarded as the leading agency automation and insurance technology guru. Your agency can benefit from his depth of knowledge and understanding of the practical application and management of technology in today's agency environment. Steve realises that rapidly-developing technology makes it difficult for agents to know how to effectively manage and optimise the performance of their agency's technology resources and the people who use them. A licensed independent agent for over 30 years, Steve has worked as a manager and producer in two agencies, building expertise in agency marketing, sales management, internal operations, and the effective use of technology.

STEPHEN APPLEBAUM
Managing Partner
Insurance Solutions Group
@PandCinsurance

Stephen is a subject matter expert and thought leader providing consulting, advisory, research and strategic M&A services to the global Property & Casualty insurance ecosystem focused on information technology, claims, innovation, disruption, supply chain, vendor and performance management.

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JOHN BEADLE
Head of Financial Crime & Fraud
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Founder & General Director
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John joined RSA in 2000 where he has been directly responsible for the development of RSA's UK Counter-Fraud strategy. He has ensured that counter-fraud activity is now embedded as an essential part of RSA's end-to-end business processes, incorporating the latest in automated fraud detection software, contributing significantly to the company's financial results and regulatory compliance and establishing RSA as one of the leading performers in combating fraud in the UK market. He has also become a leading figure in the wider UK insurance industry fraud arena, being an active member of the Association of British Insurers Financial Crime Committee for many years, as well as being at the forefront of cross-industry initiatives, such as the formation of the Insurance Fraud Bureau, which he led as Chairman from, 2005 until 2009. Previously John enjoyed a successful police career, retiring as a Detective Superintendent from the Serious & Organised Crime Group at Scotland Yard in 1996, before taking up a position as an Executive Director of a large Security and Corporate investigation company, Capital Group PLC.

Catherine Bishop is the Head of the Strategy & Information Services team, overseeing strategy development and execution for RBC Insurance's Canadian businesses. Catherine's team collaborates with business and functional partner teams to ensure all activities and investments are aligned, and that RBCI is well-positioned to achieve stated strategic objectives and financial goals. The team supports and drives a client-centric culture through their work, and ensures employees are informed and engaged as it relates to strategy. Recently, Catherine assumed responsibility for the Information Services team, whose mandate is to grow data-related capabilities across RBCI including data visualization, data management and governance, data sciences and data innovation, data tools and technologies. Catherine has been with RBC for 17 years and joined RBC Insurance in March 2010. Prior to her current role, she was a senior consultant with RBC's Global Consulting Services team in Toronto specialising in operations, and in international mergers and acquisitions.

Luiz is a business-development and sales executive with over 30 years' experience at the insurance and financial services sectors. In the last 25 years, he has held leadership positions in sales, new business development and markets in companies such as Icatu Seguros, CCF, CIGNA, Canada Life and MetLife. He is the Founder and CEO of Segure.me. He has also been an Angel Investor since 2007 and participates as a member of Health Angels BR and GV Angels. He holds a Bachelor's Degree in Business Administration from FAAP and also an EMBA in the OneMBA program from EAESP / FGV.

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MARCO BUCCIGROSSI
Business Development Director
Mapfre

Marco is a passionate professional with a wide international experience in Insurance, fluent in three languages and with a genuine wish to move business towards a new digital and smart approach. He has a very keen, open-minded and ‘lateral thinking’ attitude to business, in order to find a strategic match between experience and innovation. He fits a non-orthodox profile with humanistic academic training and quantitative background developed in multicultural teams (in Italy, UK, Spain and China). To this he brings high analytical skills and deep knowledge of insurance in commercial and technical areas: Digital Marketing, Pricing, Predictive Analysis.

MATTEO CARBONE
Founder and Director
Connected Insurance Observatory
@MCins_

Matteo is Founder and Director of the Connected Insurance Observatory and a Global Insurtech Thought Leader. He is internationally recognized as an insurance industry strategist with a specialisation on innovation. Matteo is author and world-renowned authority on Insurtech - ranked among top international Insurtech Influencers - and he has spoken to audiences worldwide. Matteo has advised many International Insurance Groups and has wide experience which includes set up of industrial and commercial plans, growth-strategy definition and support in the start-up of new initiatives, digital strategy development, insurance products development, channel strategy and commercial model definition, start-ups mentorship and advice on M&A deals. Before creating the Connected Insurance Observatory, he spent 11 years in Bain & Company’s Financial Service practice. Matteo received his degree in Business Administration from Bocconi University, Milan.

PAOLO CUOMO
Principal
The Boston Consulting Group (BCG)
and Co-Founder
InsTech London
@pgc_at_work

Paolo recently joined The Boston Consulting Group after eight years in the Lloyd's of London market, working for both established companies and insurance start-ups, having set-up a new Managing Agency and Lloyd's Syndicate. He also co-founded InsTech London, the world's largest Insurtech association, and is a vocal advocate for the role of technology in supporting innovation in insurance.

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TED DEVINE
CEO
Insureon

Ted Devine is the CEO of Insureon, the USA's leading online agency of small commercial insurance. Prior to joining Insureon, he held a number of senior executive leadership positions at Aon Corporation, including President of Aon Risk Services and CEO of Aon Re. Before his tenure with Aon, Devine spent 12 years as Director of McKinsey & Company, helping improve the performance of Fortune 500 companies. He is also the Founder and CEO of 1WORLD Sports, a Chicago-based nonprofit dedicated to inspiring at-risk youth to excel on and off the playing field.

GARETH EGGLE
Head of Insurance
Flint Hyde
@GarethEggle

Gareth leads the (Re)Insurance practice at Flint Hyde, providing insight across Broking, Insurance and Reinsurance, whilst sourcing and representing senior level (Re)Insurance Professionals, throughout the UK, Continental European, Asian and American markets. He has written a number of articles on the challenges and realities of securing talent in the industry, engaging in debate at the most senior level on the subject. For much of the last few years he has focused primarily on strategic hires within income-generating positions, and with an excellent track record of delivery, particularly on hard-to-fill projects, priding himself on his ability to find creative solutions to problems.

SAM EVANS
Managing Director
Eos Venture Partners
@Sam_C_Evans

Sam is Founder and General Partner of Eos Venture Partners. Sam founded Eos in 2016, and prior to that he was head of KPMG's Global Deal Advisory Business for Insurance. He has lived in Sydney, Hong Kong, Zurich and London, working with the world's largest insurers and reinsurers. Eos is an independent and specialist Insurtech investor.

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CINDY FORBES
Executive Vice President and Chief Analytics Officer
Manulife
@cindylforbes

Ms. Forbes is Executive Vice President and Chief Analytics Officer of Manulife and is a member of the Company's Global Leadership Team. Prior to this role, she served as Chief Actuary. She oversees the Company's analytics function worldwide. She has spent more than 30 years with Manulife holding senior finance roles in the Reinsurance, Investment and U.S. divisions. Previously, she worked in the Company's Asian operations, where Manulife offers a diverse range of products including individual life insurance, group insurance plans, pensions and wealth management products across 10 territories. Ms. Forbes was named one of Canada's Most Powerful Women by the Women's Executive Network in 2011 and again in 2015. She holds positions on a number of external boards including the International Insurance Society. Her industry knowledge and international experience, combined with the diverse roles she has held in her career, give her a unique perspective on the future state of the analytics function and the insurance industry.

DENISE GARTH
SVP of Strategic Marketing, Industry Relations and Innovation
Majesco
@denisegarth

Denise is Senior Vice President Strategic Marketing responsible for leading marketing, industry relations and innovation in support of Majesco's client-centric strategy, working closely with Majesco customers, partners and the industry. She is recognised as an Insurtech influencer and thought leader for insurance, and acknowledged as a strategic thinker, international leader, speaker and writer with expert insurance knowledge across all lines of business and a strong grasp of the key issues facing the industry. She is an industry leader with both P&C and L&A insurance experience as a CIO and business executive with deep international ties in Asia and Europe through her ACORD leadership role. Prior to joining Majesco, Denise held business and technology senior executive roles with leading insurance companies, including Mutual of Omaha, CUNA Mutual and Century Cos. of America. Denise is a Cum Laude graduate, with a BS in Math and Computer Science from Central College in Iowa and MBA work at the University of Northern Iowa, and has attended various executive leadership programmes.

ANT GOULD
Director of Faculties
Chartered Insurance Institute (CII)
@insurancebod

Ant is responsible at the CII for driving engagement between the professional body and the general insurance market. He was previously a journalist of 20 plus years' standing covering insurance, manufacturing, cars and general news.

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CHARLOTTE HALKETT
General Manager Communications
Insure The Box
@charliehalkett

Charlotte Halkett was part of the original Insure The Box start-up team and is a member of the Exec, with responsibilities encompassing communication, customer journey, product design, social media and road safety. She takes a lead role as the external voice of the company, regularly talking to journalists and presenting at conferences. Insure The Box Limited launched in June 2010 and is the UK's largest telematics (or black-box) insurance provider, now holding almost 3 billion miles of black-box driving data and associated claims. As well as insurethebox and drive like a girl (another Insure The Box brand), Insure The Box also administers other telematics offerings. Insure The Box set out to "Save Lives" and is a worldwide leader in Insurtech development, using driving data to reduce accident rates, communicate with customers, proactively manage accidents and fight fraud. Charlotte holds the position of General Manager Communications within the wider Aioi Nissay Dowa Insurance Company of Europe Limited (ANDIE) group. An Actuary by training, she has a deep understanding of the insurance industry.

ANDRE HESSELINK
CEO
GoBear.com

Andre Hesselink is the CEO of GoBear.com, Asia's first and only metasearch engine for finance and insurance products. GoBear was founded in 2015 on the simple premise that a consumer should find freedom and ease in choosing complex financial products such as insurance, credit cards and loans. With headquarters in Singapore, GoBear has established a presence in Thailand and Malaysia, and the company continues to expand across Southeast Asia. After getting a taste for entrepreneurship at the age of 23 and learning the nuances of running his own business, Hesselink has spent his career identifying and solving business and consumer challenges across different sectors. Originally from the Netherlands, his initial success came by way of the travel and aviation industry, when he became one of the pioneers of the online travel business, setting up the online travel agency Vliegwinkel.nl in 1995. Further success came by way of Travix, another online travel solution that commanded 50% of market share across the Netherlands in just five years, expanding quickly across Europe.

HILARIO ITRIAGO
CEO
Bullfrog Ventures
@eswimmer

Hilario is CEO of Bullfrog Ventures and Co-Founder of Crossbordr. He is focused on delivering innovations to drive the insurance industry into the digital and customer-centric era. He brings more than 15 years of corporate experience into the entrepreneurial world to help incumbents modernise in the most efficient and effective ways. During his career he has been CEO, COO and CFO in Latin America, involved in various M&A transactions, always working with his team and colleagues to deliver the most pragmatic way to successful outcomes. Prior to that, he worked in the UK and Baltics on large Operational and Change Management programmes.

STEVE JACKSON
Head of Financial Crime
Covea Insurance

Following more than 22 years' service as a police officer, Steve has spent over 14 years working in counter-fraud. As Head of Financial Crime for Covéa Insurance, Steve leads the development of Covéa Insurance's internal and external counter-fraud strategy, encompassing both claims and underwriting fraud. With a strong counter-fraud team, Steve also manages investments in appropriate intelligence, skills and technology to maintain the team's market-leading capabilities to successfully combat application and claims fraud. Prior to joining Covéa Insurance, Steve held senior fraud-management roles with Equity Insurance and Zurich Insurance together with specialist investigation roles with Cunningham Lindsey and Capita Insurance Services. From 2008-2011 Steve also chaired the North-West Fraud Forum, which had the objective of sharing counter-fraud advice between local businesses and public authorities within the region.

MATTHEW JOSEFOWICZ
President and CEO
Novarica
@Josefowicz

Matthew is the President and CEO of Novarica. He is a widely published and often-cited expert on insurance and financial-services technology, operations and digital business issues, who has presented his research and thought-leadership at numerous industry conferences. Over the past two decades, he has worked directly with dozens of US and international CIOs to advise them on IT strategy and solution selection, and has written more than 100 reports on insurance technology issues. He is also the lead moderator of the Novarica Insurance Technology Research Council. Prior to launching Novarica in 2007, he founded the global insurance group at analyst firm Celent and led it for more than six years. His other experience includes hedge fund D. E. Shaw & Co., LP. He holds a B.A. magna cum laude from Brown University. He can be reached directly at mj@novarica.com.

OLIVER LAUER
Head of Architecture / Head of IT Innovation
Zurich
@mobinauten

Oliver has worked for over 25 years as a developer/manager, architect and influencer. He loves technology and technology loves him. Today he acts as a Head of Innovation and Head of Architecture for a large global insurer, currently specialised in transforming and digitising large insurance and banking companies. He also builds up innovation teams in large financial corporations and enables internal incubators. He is a known trendscout within the Fintech and Insurtech scene. Previously, Oliver led the Customer Centric Innovation team at SAP and was the Head of Architecture for HSBC in Germany. He was responsible for several development teams, worked as leading architect, project lead and developer for companies like AXA, Sparkasse and many others. Oliver has founded several successful start-ups and co-founded the world's largest mobile community, and is a speaker, writer and presenter.

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DAMON LEVINE
CFA, CRCMP, ERM Consultant, Writer & Industry Speaker

Mr. Levine is a published enterprise risk-management thought leader, consultant, and industry speaker. He is the winner of the Actuarial Foundation's ERM Research Excellence Award for his whitepaper "Enterprise Risk-Reward Optimization: Two Critical Approaches" and the Joint CAS/CIA/SOA award for practical risk-management applications for the paper "Growth in Stock Price as the ERM Linchpin". Mr. Levine holds a Masters in Mathematics, and is a Chartered Financial Analyst (CFA) and Certified Risk and Compliance Management Professional (CRCMP) with 20 years' experience in risk management, insurance, asset management and actuarial consulting.

SPIROS MARGARIS
VC
InsureScan.net, moneymeets & kapilendo
@SpirosMargaris

Spiros is a senior advisor and investor at InsureScan.net (a US Insurtech company), Kapilendo.com (the only full-service funding marketplace in Germany) and moneymeets.com (the leading German 'Fintech Supermarket'). An advisory board member at Werthstein.com (a unique Swiss digital wealth-management company) and senior advisor at DSER.de (a B2B German Fintech company with a client portfolio volume of over EUR 40 billion), he is also a senior advisor to the Fintech Forum (the first and largest hub for Fintech in Continental Europe). Previously, he worked in banking and money management (hedge funds) and launched two start-ups in New York during the dotcom boom-and-bust period, one of which would nowadays be termed a Fintech. He is a frequent speaker at international Fintech conferences and publishes articles on his innovation proposals, inspirations and thought leadership. Some of these articles include 'The Fintech Agent', 'Efficient-Banking', and 'Future of Fintech. A Combination of Barbarella & 2001: A Space Odyssey'. One of his innovation proposals, 'The Fintech Supermarket', formed a contribution to The FINTECH Book published in April 2016 by Wiley.

NICK MARTIN
Fund Manager
Polar Capital Global Insurance Fund
@NickMart_Insure

Nick is the manager of the Polar Capital Global Insurance Fund, which for 18 years has invested into the global (re)insurance industry. The Fund has over £750m assets and is predominantly focused on the non-life insurance industry. Nick has a global network of contacts with a particular emphasis in London, the US and Bermuda. Nick is active in the Insurtech community, including mentoring on two accelerator programmes. He has been recognised as a Top 50 Global Insurtech influencer by Insurtechnews.

MARGARET MILKINT
Managing Partner
The Jacobson Group

Margaret leads the Jacobson Group's U.S. Executive Search practice, handling executive management and actuarial searches on a global basis in the areas of life, property and casualty, healthcare, reinsurance and consulting (benefits, life and health, property and casualty) for the organisation's retained search practice. She also plays a significant role in the continued development of the entire organisation as a member of Jacobson's Executive Management Team. Margaret is a key player in establishing cross-border relationships and broadening the firm's global reach.

Margaret joined the firm more than 25 years ago and has successfully completed search engagements, including Board of Director members, CEOs, CMOs, CFOs, COOs, CIOs, CROs, Chief Underwriters and Chief Actuaries. Her domestic and international search expertise encompasses disciplines such as actuarial, analytics, underwriting, risk, finance and investment, legal, IT, start-ups, sales and marketing, and claims, and her expertise on career and recruiting issues is widely recognized throughout the industry.

JOÃO NEIVA
Head of Innovation, IT and Business Change
Zurich Topas Life

João leads the Zurich Innovation Centre, IT and Business Change teams, driving the Digital Transformation programme in Indonesia. João has served Zurich for more than 10 years, having worked in 5 different countries (Portugal, Ireland, Switzerland, Hong Kong and Indonesia), mostly in Strategy, Finance and Operations. João holds a Master degree in Economics from Oporto University and a Master in International Management from ISCTE Business School.

DENNIS NILSSON
Assistant Vice President, Head of Advanced Analytics, Insurance
TD Insurance

Dennis Nilsson is a senior management professional with international experience in insurance, pricing, predictive analytics and machine learning in sectors of insurance industries, finance and university. He has over a decade's leadership experience in the development and delivery of advanced analytical capabilities across various industries to solve existing business problems. Dennis holds a Ph.D. in Mathematics from University of Aalborg in Denmark.

GEORGE OTIENO OCHIENG
Claims Manager
Britam General Insurance Company

Having held posts at Equity Bank Limited, UAP Group and Jubilee Insurance, George currently works in claims at Britam General Insurance Company in Nairobi. George's goal in the industry is to possess and apply the relevant professional skills to prospect, generate, retain and organically grow business. Insurance penetration is his key area of focus and this can only be achieved by getting the uninsured public to understand and appreciate the usefulness of insurance through the development of Micro-insurance. This requires an environment of focused innovation, relentless research partnerships and development, as well as an understanding of the insuring public and the development of products around their needs.

DAVID PIESSE
Chairman of IIS Ambassadors and Ambassador Asia Pacific
International Insurance Society (IIS)

Mr. Piesse is the Chairman of the International Insurance Society Ambassador program and ambassador for Asia Pacific reporting to New York Headquarters. Mr. Piesse started his career at Lloyds of London and was a global risk-management consultant with the United Nations for 7 years operating on all continents. He was the Global Head of Insurance and Head of Financial Services for Asia-Pacific for SUN Microsystems 2004-2009 prior to his recent appointments in 2010. David Piesse is a member of the Chartered Insurance Institute and the British Computer Society.

MIKE QUINDAZZI
Business Development Leader and Management Consultant
PwC
@MikeQuindazzi

Mike Quindazzi is the Managing Director for the Southwest Region for PwC. He has 28 years invested in leading teams & global companies on strategy & transformational initiatives. Mike applies a unique perspective on the global megatrends, focusing on emerging technologies providing opportunities for business and society alike.

MONIKA SCHULZE
Global Head of Marketing
Zurich Insurance
and Advisor to Atheer, a pioneer of AiR™ computing
@MonikaESchulze

Monika has served in senior executive positions for more than 25 years in different countries. Her strength is inventing new, more powerful and profitable ways to build strong businesses and brands – especially in the context of massive industry transformation and digital disruption. In 2015, she was part of a strategic project team for Zurich in the Silicon Valley, visiting and discussing with companies such as Google, Palantir, IBM Watson and many others. The outcome of this initiative was a vision of the future customer value chain backed by insights and new technologies. Pilots such as Augmented Reality applications for Zurich's risk engineers and an Artificial Intelligence project for claims have been initiated by Monika with very good first results.

CECILIA SEVILLANO
Head of Partnerships, Smart Homes
Swiss Re
@cecisevillano

Cecilia has been forging partnerships and structuring channel distribution strategies across insurance and the financial sector for more than 10 years. In the last years, she has specialised in the impact of technology in insurance with a focus on the motor and household business. Cecilia is currently Head of Partnerships, Smart Homes, at Swiss Re, leading the market development globally. Prior to Swiss Re, she was Partnership Director at Aon, where she developed the Affinity business for personal lines in France through product innovation. Cecilia holds an MA in Financial Marketing and an executive diploma on Strategic Marketing from INSEAD.

ASH SHAH
Regional Property and Casualty CIO and Chief of Staff
AXA Asia
@Ashshah4

Ash is the Regional CIO for P&C and Chief of Staff for AXA Asia, overseeing IT operations in 8 countries and a regional office in Hong Kong. AXA Asia is a market-leading insurance player offering a differentiated composite proposition in Life and General Insurance with operational presence in Hong Kong, Singapore, Indonesia, China, India, Malaysia, the Philippines, and Thailand. Prior to joining AXA Asia, Ash held a number of senior roles for Whitbread Group, Financial Conduct Authority (UK financial service regulator), Zurich Financial Services and Adecco on a European and global basis. He holds a degree from the London School of Economics as well as having attended leadership courses at IMD in Switzerland.

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MICHAEL SHOSTAK
Chief Marketing Officer
Economical Insurance
@mshostak

Michael Shostak is Chief Marketing Officer at Economical Insurance, and Sonnet. Michael is passionately pursuing a new and exciting focus on customers and creating a brand experience that will help put Economical at the forefront of the industry. Challenging the status quo is his specialty, and his extensive leadership experience at some of the largest advertising agencies in the world has prepared him well for this endeavour. He admits that it's the crossover between creativity and business — human behaviour and marketing — that keeps him engaged. Going forward, Michael sees Economical and Sonnet as setting the industry standard in customer experience — connecting with customers and building the brands into something durable and differentiating.

ANDREAS STAUB
Managing Partner
FehrAdvice
@andi_staub

Andreas Staub is a graduate of the University of Zurich and has more than 15 years of management experience in banking. He is a lecturer and official examiner in several subjects (retail banking, strategy, corporate governance, among others) at several institutes of higher learning (Swiss Finance Institute, IFZ Financial Services Zug). His grounded theoretical knowledge does not prevent him from distinguishing himself in practice in project and programme structures, thanks to his proven ability to realise his plans. He is managing partner and Chief Communication & Business Development Officer of FehrAdvice & Partners AG. His focus in consulting lies in the following themes: compensation and performance management, behavioural change, digitalisation and electronic customer interfaces, marketing and pricing policies, and Smart data.

IAN THOMPSON
Chief Claims Officer, ZIP/EMEA
Zurich

Ian has spent 23 years working in General Insurance (GI), gaining a range of experience in Global and UK roles covering Risk Engineering, Operational Risk Management, Corporate Venturing, Capability Development and Operational Leadership. Over the last 14 years, Ian has increasingly focused on business transformation and strategic change, including leading RSA's Global and UK strategic Claims Change programmes from 2002 to 2006. Ian has a passion for driving customer-service performance, securing the 2012 Insurance Times Claims Technology Innovation Award for his team's work to deliver enhanced automation and customer self-service for 'MORE TH>N' Insurance in the UK. After 19 years with RSA, in 2012 Ian was appointed as Zurich Insurance Plc (ZIP) and Europe Chief Claims Officer (CCO), based in Dublin, Ireland. In 2014, Ian's remit expanded to encompass Zurich's Middle-East and Africa claims teams. Ian is now accountable for more than 4,000 Claims professionals across 31 countries with an annual claims spend of in excess of USD10Bn and reserves over USD15Bn. Ian continues to lead the EMEA GI claims community to build a market-leading claims service.

BELHASSEN TONAT
Head of Non-Life
Munich Reinsurance Company of Africa Ltd

Belhassen has a diverse treasure chest of experience spanning the spectrum of client relationship management to technical insurance skills. He is a passionate entrepreneur– independent of whether he is developing existing traditional clients and products or new innovative reinsurance commodities or new client niches. He has a unique multi-cultural background: he grew up between France and Tunisia, studied in Paris and Munich, and worked in Munich with multicultural clients from Germany, MENA and France. Belhassen is currently responsible for Munich Re's Non-Life business in Africa (except Maghreb). He has acquired a high level of leadership and management competencies in managerial positions in an international environment.

MINH Q TRAN
General Partner
AXA Strategic Ventures
@Minh_Q_Tran

Minh Q. Tran is a VC and entrepreneur of 20 years' experience. As General Partner, he places his unique international expertise and passion for entrepreneurship at the service of funding great start-ups. Minh has lived in Asia, New York, Finland and Paris, and worked for several prestigious VC funds (Bertelsmann Ventures, Nokia Ventures, Truffle Capital) where he led successful investments in tech, media and mobile ventures worldwide. He now sits on the board of several tech companies and focuses on Fintech and Insurtech at AXA Strategic Ventures. Minh is an MBA graduate from INSEAD. In addition to his investment activities, Minh regularly writes and curates news on entrepreneurship, innovation and the state of the Fintech industry on his blog 'The #Insurtech #VC' (www.minhtran.fr).

STEVE TUNSTALL
CEO & Co-Founder
Inzsure.com
@TunstallAsc

Steve has over thirty years of experience in owning, running and future-proofing companies. He has been CEO, Managing Director or equivalent in seven companies in four countries, managing teams of up to 500 employees and based in Asia for over 20 years. Steve's first book "RISK and the Asian CEO" was published on Amazon Kindle in 2016. With a social media presence of over 50k followers on various channels, Steve was recognised as the No.1 worldwide influencer in Insurtech according to the London-based Global Instech 100 early in 2017. He features in the Top 20 Global Influencer lists of Rise, Richtopia and Onalytica in the areas of Insurtech, Fintech and Blockchain and has a significant presence on Twitter, LinkedIn, Facebook, Instagram, Snapchat and Tumblr.

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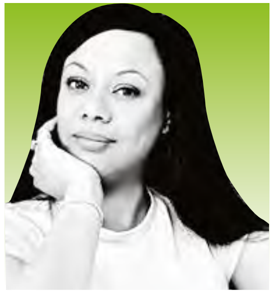

SABINE VANDERLINDEN
Managing Director
Startupbootcamp
@SabineVdL

Sabine is the Managing Director of Startupbootcamp InsurTech, the leading early-stage and independent accelerator for insurance technology start-ups located in Europe. Sabine cultivates the expertise of leading insurers, investors and mentors to bring the innovation of ten start-ups to market within a three-month period. She brings extensive operational and growth-strategy expertise gleaned from her corporate innovation and start-up acceleration activities working with global firms and 100s of well-known financial-services institutions for which she's developed unique growth strategies. Outside Startupbootcamp, Sabine advises and coaches a variety of businesses. Sabine is also a co-editor of the first crowdsourced InsurTECH Book, which will be published by Wiley early 2018.

TIM WILLCOCK
Director of Operations
Lloyds Market Association

Tim joined the Lloyd's Market Association (LMA) in October 2000, holding a number of positions in underwriting, claims and operations before becoming Director of Development in October 2016. He is part of the association's senior management team, whose role is to set the direction and drive the performance of the LMA. Tim identifies how the LMA can best respond to the challenges and opportunities which are emerging across the market in order to enhance and develop the LMA's offering to its members. He works closely with the Chief Executive and senior management team to ensure that the role of the LMA is developed and positioned successfully. In previous roles Tim ensured that the interests of the Lloyd's market underwriting and claims communities were effectively represented in order to influence the Corporation and external groups and government agencies. He managed the technical expertise and resource to actively identify issues and provide solutions to assist members' underwriting and claims activities through working closely with project teams, committees and business panels. Tim is also a Director of the International Association of Claim Professionals (IACP).

ADDITIONAL CONTRIBUTORS

Alongside our influencers, who have provided 'talking heads' commentary throughout this report, we also drew on perspectives from additional contributors to build out our Regional Profiles for the Middle East and Central Asia:

DANI COZER
Reinsurance Operations
I. D. I. Direct Insurance

KEVIN HARTNETT
Chief Operating Officer
Insurance Corporation of Afghanistan

CHERIAN JOHN
2017-18 Regional Chairman - Europe, Middle East & Africa
Million Dollar Round Table (MDRT)

Section 4: Supporting Associations

We would like to extend a special thanks to those associations that helped us with outreach for our survey: **Chartered Insurance Institute** (CII), **American Insurance Association** (AIA), **Insurance Bureau of Canada** (IBC), **Irish Brokers Association** (IBA), **Lithuanian Insurers Association** (LDA), **Hellenic Association of Insurance Companies** (EAEE), **Association of Czech Insurance Brokers** (ACPM) and **Liechtenstein Insurance Association** (LVV).

Section 4: A Note on Method

This document is intended first and foremost to give an account of the global state of insurance and to surface general industry tendencies. It does not provide the basis for any form of investment activity but should rather be a rich source of information and discussion, bringing to the table a wide range of perspectives, qualitative as much as quantitative. We look forward to updating and developing the format over the years to come in order to provide maximum value.

Our outreach to respondents was conducted via a wide range of channels, including email, LinkedIn and Twitter. Not all graphs included here imply a rank order, and many show the similarities (as opposed to the differences) existing between their elements. Where we believe a trend exists, we have drawn attention to this in our accompanying analysis, and we sometimes do this also in relation to figures that are not explicitly stated in the document (so as to avoid clutter). As far as statistical significance is concerned, the comparisons we draw generally operate at 90% confidence and above; most measures we comment on (and any from which we draw inferences) are valid also at 95%.

Alongside comparisons of particular segments, our report also comprises many standalone statistics on a wide range of topics (which you can of course share using the inbuilt widgets). For our more general stats, we are operating at 95% confidence (+/- 5%); for our more specific measures (for example, looking at Insurers & Reinsurers on topics within our Key Themes section), we operate in the main at 95% (+/- 10%) or better. As the purpose of this report is to indicate the general direction in which the industry is moving, we have sometimes tolerated stats with lower confidence / higher margins of error, if the overall tendency they show is clear.

What regional trends we did observe across our assorted stats (and many measures were inconclusive) formed the basis of our much broader qualitative inquiry into our three key regions (North America, Europe and Asia-Pacific), in which we sought to validate, qualify and expand on our initial impressions through discussions with respected regional commentators. On this basis, we believe we are justified in making the broad-brush market characterisations that form the backbone of our Regional Profiles.

All inquiries concerning the methods used, and/or insights presented, in this report should be directed to alexander.cherry@insurancenexus.com

Section 4: Meet The Team

JAMES VINCENT
General Manager
@James_Vincent

With over 20 years of community building, helping various industry sectors address change, I head up overall strategy, partnerships and overseeing the development and direction of the business.

Since its inception, Insurance Nexus has focussed on serving the needs of Insurers and equipping them to meet the challenges, both internal and external, that are being driven by technology, regulation & profitability. I'm particularly interested in looking further ahead to identify the disruptive trends that Insurance will need to meet in the medium term.

When I'm not at work I spend my free time running around after my children, cycling over mountains, boxing badly and playing records.

If you'd like to discuss these, partner with Insurance Nexus or have any ideas and feedback, please feel free to contact me.

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ALEXANDER CHERRY
Head of Research
@AHCherry89

Alex leads the research behind Insurance Nexus' new business ventures, encompassing summits, surveys and industry reports. He is particularly focused on new markets and topics, and strives to render market information into a digestible format that bridges the gap between quantitative and qualitative. Prior to his work in insurance, Alex researched into an eclectic range of industries, including energy, advertising, telecoms and supply chain, across every global region. He stays on top of the latest industry and technology trends through a mixture of phone-based and face-to-face engagement with insurance and Insurtech industry leaders around the world.

Alex graduated with a Modern Languages degree from the University of Cambridge and maintains a keen interest in foreign culture. Outside of work he enjoys travelling around Europe, literary translation, fell-walking and table tennis; previous employers include a software house and a donkey sanctuary. To discuss any aspect of Insurance Nexus content – in particular the Global Trend Map and the Connected Insurance Report 2017 – please get in touch.

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HELEN RAFF
Head of Content
@helen_raff

Helen has a pivotal role in team planning, extending marketing capabilities and stimulating collaboration. She spends her day at the coal-face, finding out what's new in insurance and testing ideas with our community. She knits together our strategy and ensures that we're providing top-notch content to the insurance world. Most recently, Helen has been spearheading the creation of the Insurance Nexus Content Vault, which has quickly become a valuable source of content for the highest echelons of the industry. In addition, Helen led the revamp of our analytics event, transforming it into Europe's first AI conference, specifically for insurance. When she's not at work Helen likes planning holidays and feeding the ducks in the park with her 2-year-old daughter.

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Section 4: Meet The Team

INSURANCE**NEXUS**

MARSHA IRVING
Head of Innovation / Commercial Director
@MarshaIrving

Marsha strives to be a trusted advisor to the insurance community by keeping up-to-date on the many changes affecting the industry. Having worked at Insurance Nexus since its grassroots phase, Marsha has helped to build the business in to a formidable force, serving the industry through in-depth content and events. Marsha is currently focussed on the commercial strategy for the business and is looking at how service providers are evolving their offerings to meet the newly formed insurance community. She continues to develop new delivery initiatives to keep the community informed and engaged. Being Canadian, Marsha loves the great outdoors and going hiking (aka rambling in the UK). She's travelled to over 40 countries and makes a killer watermelon daiquiri.

Get in touch with Marsha if you are interested in learning more about becoming a sponsor or exhibitor at our upcoming events or if you would like to look at involvement in our content outreach!

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+44 (0) 207 422 4353

EMMA SHEARD
Head of Strategy
@emmasheard

Emma creates and runs our North American flagships, working across IoT, claims and analytics in the US and Canada. A psych major, she is passionate about understanding the minds, challenges and priorities of insurance executives, and relishes creating content and events that inspire, educate and enable industry change. Emma is particularly interested in the customer-centric revolution within insurance, and how customer experience is influencing the transformation occurring across organisations. Having researched the insurance industry in her native Australia, APAC, Europe and now North America, Emma is often struck not just by the differences but the similarities in different regions. Recognised within the team for the cheesiest copywriting, Emma is fascinated by ancient civilisations and, as an avid scuba diver, once went diving with bull sharks (no cage!).

Get in touch with Emma about our upcoming Insurance IoT USA Summit 2017, Connected Claims USA 2018, Insurance Nexus operations within North America - or just to have a chat!

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+44 (0) 207 422 4349

MARIANA DUMONT
Head of New Projects
@nanagarcia

Mariana is passionate about innovation and digital transformation. Having worked in e-commerce and retail bank, two industries heavily affected by technology, she is constantly looking for the next sign of disruption. Responsible for delivering tangible use cases for emerging technologies, with a strong focus on customer centric solutions.

Mariana is currently leading Connected Claims Europe (October 24th & 25th, London), a high-level summit bringing together over 250 claims executives to discuss automated and customer-centric claims: http://events.insurancenexus.com/connectedclaimseurope/.

Later this year, Mariana will also be leading Insurance2Customer (November 30th – December 1st, Chicago), the only summit bringing different parts of the business to discuss the customer journey in the insurance and the use of innovative technologies to increase market share and customer retention: http://events.insurancenexus.com/customerengagement/.

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GUY KYNASTON
Commercial Director
@guy_kynaston

Guy studied history at university and then moved on to spend the first part of his career within the financial services sector. He has now been part of our Insurance Nexus commercial team for the last two years and has been at the heart of developing our commercial outreach. In the office Guy is dedicated to building out our Insurance Nexus division from a business-development perspective. He is currently focused on the impact of IoT, Analytics and the Connected Claims space on the insurance community. Guy is driven by understanding this vast vendor ecosystem and trying to get its unique offerings in front of the top-tier insurers.

For opportunities at Insurance AI & Analytics EU (9th – 10th October 2017) and Connected Claims EU (24th – 25th October 2017), please don't hesitate to get in touch.

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+44 (0) 207 375 7187

RACHAEL GORE
Head of Engagement

With a background in ethnographic research, Rachael is keen to understand the everyday impacts of emerging technologies in the insurance market. Passionate about music and politics, Rachael has produced radio for community stations in both London and Manchester. At the weekend, you can find her dancing in her kitchen and cooking up a storm for family and friends.

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+44 (0) 207 422 4377

ZSOFIA KULCSAR
Head of Marketing
@ZsofiHKulcsar

Zsófi studied psychology at university and is currently studying at the Chartered Institute of Marketing. She has headed up the marketing department at Insurance Nexus for the last two years and has been at the heart of understanding our customers' needs and developing and testing new marketing ideas. Zsófi works across all events, content and reports, and is dedicated to building a customer-centric, marketing-driven organisation which serves and helps Insurance Nexus customers. Zsófi is driven by understanding the insurance and technology ecosystem and ensuring that our conferences, content and reports deliver top-quality learnings.

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INSURANCENEXUS

SAM JONES
Marketing Manager

As a Geography undergraduate, Sam moved into marketing by completing a Master's in Business Management and Marketing. He has now been part of Insurance Nexus for the past two years, running our outbound marketing, with a focus on finding the best routes and building partnerships.

If you wish to discuss a marketing partnership, or are part of the press, please reach out to Sam!

sam.jones@insurancenexus.com
+44 (0) 207 422 4379

Section 4: Staying in Touch

INSURANCENEXUS

It's a busy year up ahead at Insurance Nexus, with more industry engagement than ever before, so we wanted to give you a quick taste of what we've got coming up:

EVENTS 2017

- Connected Claims Europe, 24th – 25th October, London Marriott Hotel Regents Park, London, UK
- Insurance Analytics and AI Europe, 9th – 10th October, Hilton Tower Bridge, London, UK
- Insurance IoT USA, 30th November – 1st December, Radisson Blu Aqua Hotel, Chicago, USA
- Customer Engagement Summit, 30th November – 1st December, Radisson Blu Aqua Hotel, Chicago, USA

RETURNING EVENTS FOR 2018

- Insurance Nexus USA
- Insurance IoT Europe
- Connected Claims USA
- Insurance Analytics Canada
- Insurance Nexus Asia

GLOBAL TREND MAP 2018: ADVERTISING AND SPONSORSHIP OPPORTUNITIES

We are already beginning work on next year's Insurance Nexus Global Trend Map; if you would like to put yourself forward as an influencer or contributor, or to suggest a topic for inclusion in next year's report, we look forward to hearing from you! Please feel free to take our Feedback Survey – the more we understand about what makes our readers tick, the better we can make next year's Trend Map!

If you would like the opportunity to advertise within next year's edition of the Insurance Nexus Global Trend Map, please get in touch with Sam Jones at sam.jones@insurancenexus.com.

To discuss opportunities for thought leadership and sponsorship in next year's report, please get in touch with Guy Kynaston at guy.kynaston@insurancenexus.com or Marsha Irving at marsha.irving@insurancenexus.com.

CONNECTED INSURANCE REPORT: OCTOBER 2017

In collaboration with the Connected Insurance Observatory, the Connected Insurance Report 2017 is an exhaustive exploration of IoT in today's insurance industry. While much contemporary literature views insurance IoT through the lens of specific high-profile connected solutions, the Connected Insurance Report 2017 is the first of its kind to conceive of insurance IoT holistically, as a paradigm shift necessitating changes in insurer business models, organisational structures and technology stacks.

This report will be both survey- and interview-based. If this is an area that interests you, please feel free to take the survey here – it requires no more than 10 minutes to complete. For all other enquires relating to the Connected Insurance Report 2017, or to put yourself forward as an interviewee, please contact Alexander Cherry at alexander.cherry@insurancenexus.com.

Find us on LinkedIn: https://www.linkedin.com/groups/8495372

Find us on Twitter: @InsuranceNexus

INSURANCE NEXUS CONTENT VAULT

If you have enjoyed this report, you will be delighted to learn that we have oodles more content – infographics, whitepapers and podcasts – all available on demand as part of the Insurance Nexus Content Vault. For more information, and to see our pricing options, please get in touch with our General Manager James Vincent at James.Vincent@insurancenexus.com.

KEEPING IN TOUCH

For updates on other Insurance Nexus content and events, and in particular next year's Insurance Nexus Global Trend Map, please subscribe to our newsletter, the Insurance Nexus Monthly Digest!

For general inquiries or new ventures, please contact James.Vincent@insurancenexus.com.