

Capgemini Press Contact:

Miranda Sanders (North America)
Weber Shandwick for Capgemini
Tel: +1 212 445 8120
Email: msanders@webershandwick.com

Gemma Coleman (EMEA)
Weber Shandwick for Capgemini
Tel: +44 (0) 207 067 0512
Email: gemma.coleman@webershandwick.com

Efma Press Contact:

Alys Singh
Tel: +33 1 47 42 67 71
Email: alys.pr@efma.com

Insurance industry faces digital disruption on all fronts

World Insurance Report highlights growing popularity of 'InsurTech' services' among consumers, offers insight into opportunities for incumbents

PARIS, NEW YORK, September 13, 2017 – The 2017 [World Insurance Report \(WIR\)](#), released today by [Capgemini](#) and [Efma](#), finds that a wave of new digital technology is confronting most insurance sectors. While disruptive, the InsurTech¹ movement presents more technology-related opportunities than witnessed before, highlighting the need for traditional insurers to design a balanced strategy which ensures return on their investments in innovation without a loss of focus.

Despite their short history, InsurTechs have changed the face of the market. In fact, of the more than 8,000 consumers surveyed worldwide as part of the WIR, nearly one-third (31.4%) of customers said they rely on InsurTechs either exclusively or in combination with incumbent relationships to access insurance services. Respondents also said InsurTechs have earned a reputation for better value for money and timely, efficient service.

InsurTechs appeal directly to the needs and preferences of the highly-prized Gen Y² and tech-savvy customer segments, who seek convenience, agility and personalization in their financial interactions. These segments are more likely to buy additional products from their insurers, making them an important source of potential incremental revenue. Yet the young and tech-savvy also tend to be less loyal, underscoring the need for insurers to build and maintain relationships with them by catering to their preference for digital touchpoints.

¹ Much like the FinTech movement in Banking and Capital Markets, InsurTech is the application of technology to spur savings and efficiency within traditional insurance industry models. InsurTech explores innovations such as customized policies, social insurance, and using data from mobile devices to dynamically price premiums.

² Gen Y refers to people aged 15 to 34; Only customers aged 18 to 34 (born between 1983 and 1999) were surveyed in the VoC survey and therefore reflect the Gen Y customers for the purpose of this document, while non-Gen Y customers are those aged 35 and above.

On the whole, however, customers are not ready to walk away from the ties they have long had with incumbents, citing security and fraud protection (45.9%), brand recognition (43.7%) and personal interaction (41.6%) as areas in which incumbents performed better.. In addition, 39.8 percent of customers say they trust their insurers, compared to only 26.3 percent who trust InsurTechs.

Insurers agree that the complementary strengths of InsurTechs and incumbents form a solid case for collaboration. In fact, of the more than 100 senior executives interviewed from various insurance firms in 15 markets, a strong majority (75 percent) said that developing InsurTech capabilities would help them better meet customers' evolving demands. And more than half (52.7 percent) agreed that having InsurTech capabilities would help them quickly design personalized products.

Jack Dugan, Executive Vice President and Head of Insurance, Capgemini, said, *"Increasingly, partnerships are being viewed as a welcome development in the ongoing effort to address the InsurTech movement. InsurTechs can help incumbents overcome roadblocks such as aging systems and paper-based processes. Meanwhile, incumbents can help InsurTechs face newcomer challenges like high customer-acquisition costs and a lack of risk management experience."*

Efma Secretary General Vincent Bastid, added, *"The continued reliance of consumers on digital technologies that support mobile apps, social networking, on-demand services and the like makes it clear that the mass market has entered a new phase. The insurance industry serves the masses and must adapt to the new terms of engagement. Collaborating with InsurTechs, is an optimal way of incubating and accelerating digital innovation."*

Emerging technologies such as Artificial Intelligence (AI) and blockchain are acting as catalysts for this InsurTech revolution and driving a myriad of innovations in digitization, data and analytics, and insurance-as-a-utility³. Thus, the World Insurance Report 2017 advises insurers to prioritize their innovation investments based on a synergistic technology strategy to effectively navigate the innovation conundrum. Proficiencies useful for one type of innovation are often applicable elsewhere, so a full analysis of the costs and cross-over benefits of each investment is essential. InsurTech influences will increase with time, making it imperative for insurers to formulate a comprehensive, multi-faceted response.

World Insurance Report 2017 Methodology

Now in its 10th year of publication, the World Insurance Report from Capgemini and Efma covers 21 insurance markets featuring primary customer data including more than 8,000 insurance customer survey responses and more than 100 executive interviews.

³ Insurance-as-a-utility refers to new models of insurance that allow customers to consume insurance in a more flexible and agile manner and in effect, as a utility.

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