

TOP TRENDS IN INSURANCE



WNS

Extending Your Enterprise

TRENDS IN INSURANCE



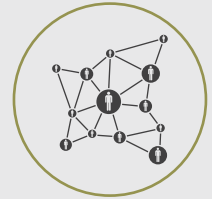
Trend 1:
Servicing
Digital
Customers



Trend 2:
Technology
Modernization



Trend 3:
Sharing
Economy



Trend 4:
Disaggregation
of the
Value Chain



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A WNS PERSPECTIVE

The insurance industry is on the edge of a new wave of transformation. Driven by changing customer needs, digitization, strict regulations, and new competition, this conservative industry is witnessing disruption more than any other sector. The evolution of a new breed of insurtech companies are leveling the playing field, while shifting marketplaces are contributing to newer business models. Technological improvements combined with demographic changes and the emergence of the sharing economy are keeping insurers on their feet.

Despite these headwinds, the industry is set to grow by 4.5 percent per annum.¹ But these figures may be indicative for the short term, as sustainable, long-term growth still appears to be elusive for the industry. There is an immediate need to address the many internal and external forces transforming the industry's dynamics if insurers want to stay competent in this uncertain environment.

So, let's look at some of the top trends sweeping through the industry and see how the traditional insurance business model is being transformed.



Trend 1: Servicing Digital Customers

Changing demographics, technology innovations, protective regulatory measures and the growth of insurtech have led to more demanding consumers. Customers want transparent, personalized and customized insurance plans that seamlessly integrate with their overall lifestyle and financial goals.

This calls for insurance companies to build greater digital capabilities for their customer-facing processes including omni-channel support and the use of advanced analytics. It also requires them to relook their traditional operating

models. By adopting a multi-channel strategy with high emphasis on the need for flexible and direct insurance, insurers can engage better with their digitally savvy customers.



Trend 2: Technology Modernization

Increasing regulatory scrutiny, persistently low interest rates, intensifying competition and other macroeconomic factors are forcing insurance companies to ruthlessly trim their operational costs. Technological interventions are often the most elegant solution to address challenges related to complex business processes, legacy systems and costly operating models.

Robotic Process Automation (RPA), Artificial Intelligence (AI), machine-learning and big data analytics present a fantastic

¹ <https://www.munichre.com/en/media-relations/publications/press-releases/2017/2017-04-20-press-release/index.html>



opportunity for insurers to streamline their business workflows and implement innovation, and drive better cost efficiencies.



Trend 3: Sharing Economy

While technology is definitely making sweeping changes to the financial services landscape, the marketplace has also been slowly and steadily going through its own disruptions. One such rapidly emerging shift in consumer practice, which has a far-ranging impact on the insurance industry, is the sharing economy. A PwC report on the global sharing economy,

which predicts sharing platform revenues to grow to USD 335 Billion by 2025,² indicates that the sharing economy is set to become mainstream over time.

Unlike in traditional models, where consumers own a particular asset and insure it to cover for risks, the insurance requirements for a sharing economy are quite different. Evolving business models such as pay-per-use insurance and peer-to-peer insurance are becoming the norm, pushing insurance companies to come up with innovative products and practices to cater to the new landscape.



Trend 4: Disaggregation of the Value Chain

Traditionally, the insurance industry owned most of the insurance value chain except for the distribution. However, with multi-channel distribution channels, direct insurance, and the emergence of insurtech players offering flexible bundling of insurance products and features, the insurance value chain has disaggregated.

Right from distribution, where online enterprises and e-aggregators are raking in a large chunk of commissions, to underwriting and claims, where

² <https://www.pwc.com/us/en/technology/publications/assets/pwc-consumer-intelligence-series-the-sharing-economy.pdf>

developments such as self-driving cars are changing the risks associated with driving, an array of new players are entering the insurance value chain. Leveraging data and analytics, these insurtech companies are beginning to displace larger players from parts of the value chain by accurately profiling customers and offering tailored insurance products.

Even as insurers focus on improving customer experience and overhauling business operations, they are also simultaneously

investing in newer technologies such as Internet of Things (IoT), blockchain and predictive analytics to be ready for a connected future. Concepts such as smart homes, connected cars and wearables herald the next round of disruption, and early movers in the insurance industry can firmly establish their competitive advantage by offering new and relevant products and services.





About WNS

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