TOP 5 TRENDS IN THE INSURANCE INDUSTRY

WNS

Extending Your Enterprise

TRENDS IN THE INSURANCE INDUSTRY

Trend 1: New Models, Personalized Products

Trend 2: AI & Automation for Faster Claims

Trend 3: Advanced Analytics & Proactiveness

Trend 4: InsurTech Partnerships

Trend 5: Mainstreaming Blockchain

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A WNS PERSPECTIVE

The USD 5 Trillion global insurance market[1] is in the midst of a game-changing course correction that will re-define 'business as usual.' A 'digital first' urgency is sweeping across the landscape, driven by a new generation of consumers, data, automation and Artificial Intelligence (AI).

Let's take a look at the top trends that are shaping the insurance industry and how digital technologies are driving irreversible change.

1. New Models, Personalized Products

The digital economy will make usage-based, on-demand and 'all-in-one' insurance lifestyle products more relevant. Customers will prefer personalized insurance covers instead of the one-size-fits-all products currently available.

Today, more than 80 percent of the premiums collected by insurers is lost to distribution costs. Digital models will make intermediaries in the insurance value chain – marked by their excessive dependence on human effort – obsolete.

Flexible coverage options, micro insurance and peer-to-peer insurance will become viable options in the long run. Reinsurers will provide risk capital directly to digital brands, and regulatory frameworks will accommodate shorter value chains.

Lifestyle apps will re-imagine the insurer-insured relationships. Application Programming Interfaces (APIs) will enable the creation of insights-driven offerings as they integrate data from multiple sources. Deeper understanding of customer behaviors will lead to more accurate risk assessments, personalized premiums and value on a sustainable basis for better customer experience and brand loyalty, plus reduced false claims.

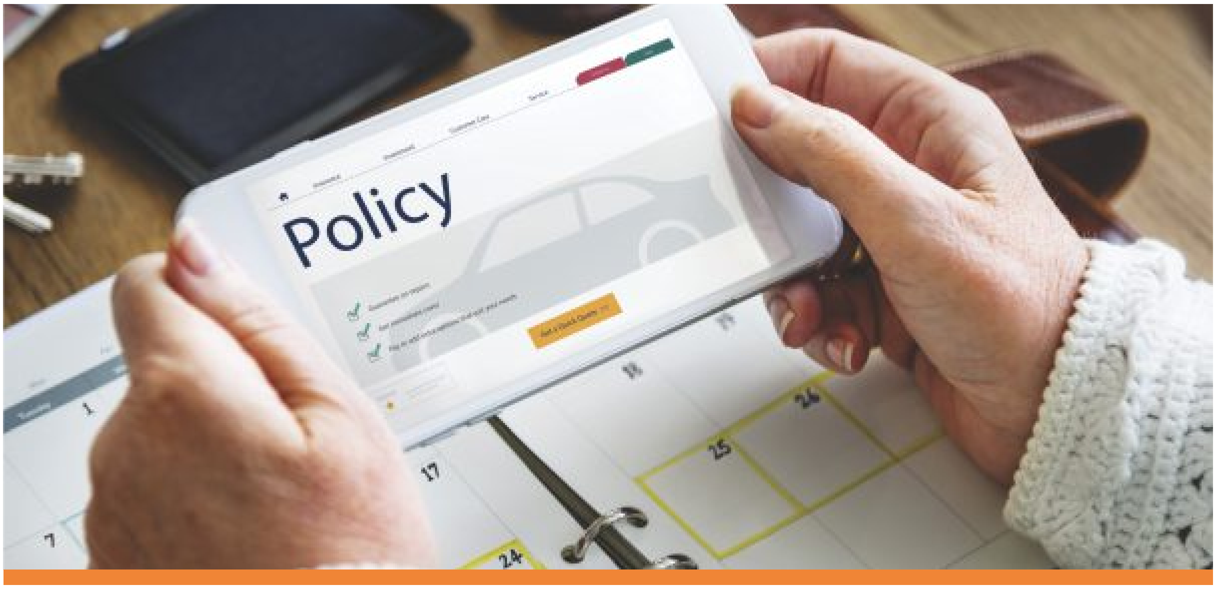
2. AI & Automation for Faster Claims

Robotic Process Automation (RPA) and AI will occupy center stage in insurance, driven by newer data channels, better data processing capabilities and advancements in AI algorithms. For example, InsurTech company Lemonade's business model deploys AI and behavioral economics as its core elements. While AI eliminates brokers and paperwork, its behavioral economics capabilities minimize fraud – leading to reduced time, effort and costs.

Another InsurTech firm Tyche has deployed an AI-infused claim likelihood model in underwriting to accurately determine the risks and achieve higher profitability.

Bots will become mainstream in both the front and back-office to automate policy servicing and claims management for faster and more personalized customer service. For example, a leading U.S. auto insurer's virtual assistant answers customer queries on policies and payments. Lemonade's claims bot Jim assesses and pays out property claims in just three seconds. Automated insurance agent SPIXII interacts with customers through

[1] https://www.businessinsider.in/the-insurtech-report-how-financial-technology-firms-are-helping-and-disrupting-the-nearly-5-trillion-insurance-industry/articleshow/60258913.cms



a mobile app and other messenger platforms to help in the purchase of the right policies.

AI and automation will profoundly impact and improve business outcomes in customer experience, cost optimization, operational efficiencies, market competitiveness and newer business models.

3. Advanced Analytics & Proactiveness

Premiums will become highly personalized, enabled by new sources of tech-enabled data such as Internet of Things, mobile-enabled InsurTech apps and wearables. With the connected devices market poised to grow strongly in the next five years, Property and Casualty (P&C) insurers will be able to extract real-time and accurate data on the loss exposure of individual consumers. This will help them proactively respond with timely and highly personalized interventions.

A Europe-based insurance company's partnership with Panasonic is a good example. Panasonic's sensors provide mobile alerts to both the insurer and its customers for quick and informed mitigation of issues.

Drone and imaging technology will increasingly enable insurers to obtain high-definition images for remote and accurate property estimations and analysis. A few leading U.S. auto insurers deployed drones to assess Hurricane Harvey's damages. An Australian insurance company was able to settle 90 percent of big loss claims within 90 days by deploying drones.[2]

Additionally, insights will be built through data set relationships to create deeper granularity in individual risk profiles and protect insurers from emerging risk exposures. For example, a U.K.-based insurance company leverages predictive analytics to model complex customer behavior, achieve enhanced pricing accuracy and significantly reduce decision time. A U.S. insurer deploys a telematics device to provide drivers real-time feedback to encourage safe-driving. This has helped customers save up to 40 percent on insurance premiums.[3]

Advanced analytics will be deployed to dynamically segment users and needs, model behaviors and identify exceptions, adjust policy prices, optimize business strategies, and identify new growth opportunities. Scale can be further incorporated through automation, AI and machine learning to transform insurers into active risk managers.

[2] https://www.itnews.com.au/news/qbe-deploys-drones-to-assess-insurance-claims-452739
[3] https://www.nationwide.com/smartride.jsp

4. InsurTech Partnerships

InsurTech firms have been showing significant growth in the areas of auto, home ownership and cyber insurance. Such strong growth will stimulate traditional insurers to either acquire technology capabilities or partner with InsurTech companies. With an increasing demand for innovative products and services from millennials, such collaboration will become a critical imperative.

Overall, it will be a win-win situation — traditional insurers will benefit from faster results in establishing a tech culture and InsurTech companies will get access to larger customer bases, funding and domain expertise. It will give rise to newer models and revenue streams for higher profitability and reduced operational costs. Customer experiences will be enhanced with value-added offerings.

5. Mainstreaming Blockchain

The need for huge volumes of customer data to be processed in real time by different insurance functions calls for easy and secure transfer of data across organizations and their diverse stakeholders.

Blockchain technology provides the advantage of secure data management across multiple interfaces and stakeholders without loss of integrity. From identity management and underwriting to claims processing, fraud management and reliable data availability, the technology offers reduced operational costs. Decentralized Autonomous Organizations (DAOs) and smart contracts are additional benefits that blockchain can offer in policy management.

Interestingly, more than 38 insurance and reinsurance companies have embarked on an initiative called the B3i to explore blockchain applications in insurance. The beta version of a blockchain-based insurance solution is expected to be deployed in 2018.

The above trends indicate that new value worth billions of dollars can be created for the insurance industry. The key is to understand how and when to tap into this potential leveraging existing and new technologies.

About WNS

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