

News release

Latest *sigma*: Digitalisation is transforming insurance for consumers and suppliers alike

- Data-driven insights enable real-time insurance transactions, value-added risk mitigation and prevention services across customers' lifetimes
- With growing granularity of insights into customer behaviours, role of insurance is evolving from indemnification of losses to a broader consultative service on risk prevention and mitigation
- Emerging markets lead the way with mobile and multi-channel offerings extending the reach of insurance

Zurich, 29 January 2020 – Digital transformation empowers consumers to be more informed and independent than ever before, and equips insurers with the tools to cater to customers' current and future needs. This leads to the development of new data-driven business models, impacting the entire insurance value chain, the latest *sigma* "Data-driven insurance: ready for the next frontier?" says. While consumer-supplier touchpoints will become predominantly digital, human interaction will continue to play a role: through consumer feedback and analysis, insurers will be able to identify where in-person engagement is most effective. To date, insurers in emerging markets lead the way in optimising the potential offered by digitalisation, as in many of these markets, the starting point is digital rather than analogue.

The availability of internet-enabled devices and universal connectivity has changed consumer behaviours and expectations, particularly among younger generations. Empowered with digitally-facilitated information, consumers expect rapid access to information, transparency, and more personalised purchase experiences relevant to their lifestyles.

"As a result of digitalisation, insurers now have direct connection to their customers", says Jeffrey Bohn, Chief Research & Innovation Officer at Swiss Re Institute. "With the availability of granular data, insurers can better segment customers enabling them to develop new tailored products & services, and refine existing ones in real time. This benefits customers and insurers alike."

Mixing digital and targeted human touch

With the growing granularity of insights into customer behaviours, the role of insurance is evolving from indemnification of losses to a broader consultative service on risk prevention and mitigation covering both private and

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commercial clients' changing needs over time. For example, digital data sources signal changes in an individual's life circumstances such as marriage, a new home or job. In response, insurers can direct personalised guidance to the client on predictive and prescriptive next-step risk mitigation actions.

The direct relationship with customers will evolve as new touchpoints and channels become normalised, and back-office processes like marketing/sales, underwriting and claims administration are increasingly automated. To complement the efficiencies of digitalisation, insurers will be able to make most effective use of the insights and target human engagement to circumstances where consumers expect empathetic response, such as a health crisis or death in the family. The personal touch in sensitive areas will bring a human face to insurance.

New data-driven business models

More and more, insurers will operate in an environment where they have continuous access to different data sources including from connected objects and platform providers, and behavioural insights from consumer and environmental data. This will see the evolution of new-data driven business models taking insurers beyond their existing value chain. True leverage will come from partnerships with key data suppliers.

"Innovation will continue to transform the insurance industry", says Thierry Léger, Chief Executive Officer of Swiss Re Life Capital. "Changing risk environments, shifts in customer attitudes and accelerating advances in technology will be the key drivers of the next few years. We will need to leverage insights from our data and partnerships to upgrade our business practices."

Emerging markets lead the way

To date, insurers in emerging markets lead the way in optimising the potential of access to different data sources and consumer touchpoints. They are partnering with established digital platforms and ecosystems to combine features typically offered by standalone incumbent firms into a one-stop-shop service. Insurers bring underwriting expertise, while platforms and ecosystems offer access to customers through their ability to target specific segments and mine user behaviour, as well as offer multiple touchpoints to capture user attention.

Regulation will play an important role in supporting the integration of new technology and data into insurance business across different jurisdictions. In monetising the potential of digitalisation, insurers will need to manage local data protection and privacy requirements. Longer-term, successful insurers will be those that can leverage insights from their investments and partnerships in data and analytics, and develop compelling risk protection solutions aligned with evolving regulations.

Notes to editors

Swiss Re

The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cybercrime. The aim of the Swiss Re Group is to enable society to thrive and progress, creating new opportunities and solutions for its clients. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally. It is organised into three Business Units, each with a distinct strategy and set of objectives contributing to the Group's overall mission.

How to order this sigma study:

The English version of the sigma 1/2020, "Data-driven insurance: ready for the next frontier?" is available in printed format and electronically. You can download the electronic version of sigma or order printed copies on <https://www.swissre.com/institute/research/sigma-research/sigma-2020-01.html>.