

## News release

### Life insurance at a crossroads: new technologies will change the way how insurers operate and engage consumers

- New technologies and digital data will make underwriting in life insurance more efficient, improve risk selection and pricing
- Life insurers can use technology and digital data to broaden their reach and improve consumer engagement
- They will need to adapt their business models by investing in new technology and updating talent strategies
- Technological advances also present challenges for life insurers, including data privacy issues and the rise of non-traditional players

Zurich, 16 December 2015 — The life insurance industry is at a crossroads: new technologies pave the way for a revolution in the way insurers write business, handle data and engage consumers. Swiss Re's latest *sigma* study *Life insurance in the digital age: fundamental transformation ahead* looks at how life insurers have adopted some of the capabilities now available and how the future may take shape. It explores issues such as the use of Big Data, cognitive computing and how digital data can help insurers broaden their reach. The report also explores looming challenges for life insurers such as creating a positive digital experience for consumers, keeping up with regulatory changes, especially around data privacy, and dealing with potential partnerships or competition from non-traditional players.

The benefits of the digital age are already being felt in life insurance. New data sources and online platforms offer new possibilities to store and mine information. Automation in underwriting is a growing trend enabled by Big Data and new analytical tools. It will be pushed to new frontiers by developments in cognitive computing, which will bring more consistency to underwriting decisions and cost efficiencies to business operations.

"The use of the learning capabilities of cognitive systems, and also their voice recognition and text reading algorithms, will make it possible to extract meaningful information from all sources of data, including unstructured medical reports." says Kurt Karl, Swiss Re Chief Economist. "At the same time, Big Data and new analytical tools will progress the still nascent use of predictive underwriting in life insurance".

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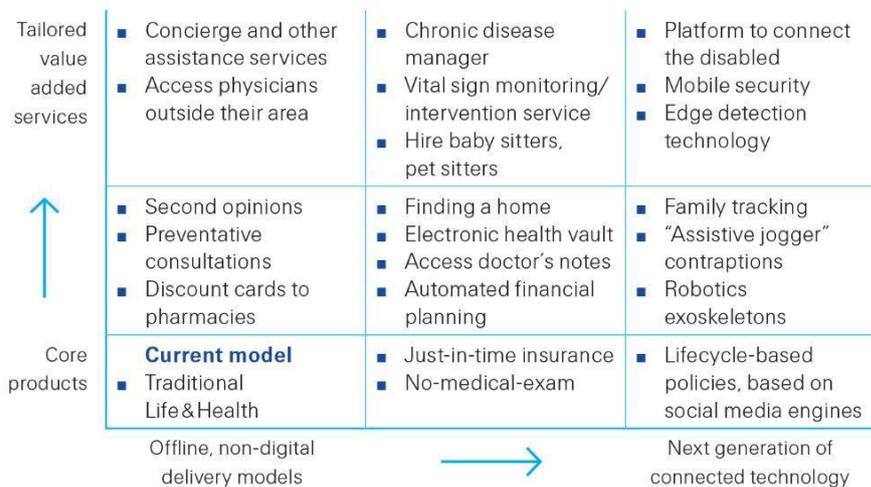
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In addition, new technologies can be used to improve the health status of consumers and, consequently, risk selection for insurers. For instance, to date most doctors have had limited ability to monitor information on health status once a patient leaves a medical facility. In the future, they will be able to monitor patients' heart rates remotely with internet-enabled wearable devices attached to the body, thus improving early detection of heart attack risk. This information can be used to fine-tune and personalise drug treatment, facilitating a shift to real-time risk assessment.

### Engaging the consumer

For consumers, the report discusses how new technologies can make the process of applying for life insurance less lengthy and less invasive. New sources of data and predictive modelling tools offer opportunities for more granular identification of clients' needs. This can help life insurers better engage with consumers. Insurers can also use the new formats of communication and sharing of information to make products more accessible and attractive, such as by using gamification techniques to make the application process easier.

**Figure 1:** Possible tech-enabled product and service offerings open to insurers



Source: Swiss Re Economic Research & Consulting

In addition, technology can facilitate new and more frequent ways of interaction with consumers that provide the opportunity to improve customer retention and spot evolving consumer needs. For example, some life insurers have introduced programmes that reward consumers for healthy lifestyle activities and choices such as exercising, regular check-ups and giving up smoking. Such programmes can be beneficial for both client loyalty and policyholders' health and claims experience.

New technologies also offer the potential to reach new customer segments. This has been the case in emerging markets, where the distribution of insurance via mobile devices has grown exponentially over the last decade, bringing life cover to many who were previously underinsured or entirely uninsured.

### **Opportunities and challenges**

To harness the possibilities of the digital age, life insurers will have the opportunity to review and refine their business models and investments in technology, and rethink their talent strategies. This will involve reconfiguring traditional IT systems into open innovation platforms in order to access new data sources, obtain a unified view of the customer, and offer a consistent experience across consumer touch points.

Life insurers will also acquire adaptive sourcing skills. Procurement teams have traditionally worked with a few well-known vendors, and have little experience of working with specialist start-ups. This situation is already changing. Some life insurers have begun exploring partnerships with smaller technology companies to build their own data analytics capabilities. Technological developments could spur new operating models for existing insurers, allowing them to provide new services beyond traditional insurance.

Amidst the range of opportunities, there are challenges also. Life insurers will need to implement new risk management procedures, importantly around consumer data protection. It will also be essential to monitor and adapt to regulatory changes with respect to the use of digital data and analytics in underwriting, and in cross-border selling. Life insurers also need to respond to the rise of non-traditional players. The new entrants present opportunities for mutually beneficial partnerships, but they could also eventually become direct competitors.

## Notes to editors

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### How to order this sigma study:

The English, German, French, and Spanish versions of the sigma study No 6/2015, "Life insurance in the digital age: fundamental change ahead", are available electronically on Swiss Re's website: [www.swissre.com/sigma](http://www.swissre.com/sigma). The versions in Chinese and Japanese will appear in the near future.

Printed editions of sigma No 6/2015 in English, French, German and Spanish are also available now. The printed versions in Chinese and Japanese will be available shortly. Please send your orders, complete with your full postal address, to [sigma@swissre.com](mailto:sigma@swissre.com)

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