

News release

Technology is quietly revolutionising insurance distribution, helping increase consumer centricity, says Swiss Re *sigma* study

- Technology and Big Data are fundamentally changing the traditional insurance distribution model, by re-configuring how insurers and consumers interact
- Intermediaries still play a key role but will need to adapt to their customers' changing needs and preferences
- As competition intensifies, insurers with strong brands and technological capability will thrive

Zurich, 14 May 2014 – Technology is changing the way insurers and consumers interact, says Swiss Re's latest *sigma* study, "Digital distribution in insurance: a quiet revolution". Based on extensive analysis of research material for different countries, the study shows that the internet and mobile devices are empowering consumers. Today, people can search, review and purchase insurance policies without relying solely on the services of intermediaries. At the same time, developments in Big Data are facilitating access to a rich source of data about customers, which insurers can use to enhance sales and marketing strategies. Digital transformation overall can help insurers become more consumer-centric.

A quiet revolution

"A quiet revolution is underway," explains Kurt Karl, Swiss Re's chief economist. In many countries the share of premiums accounted for by online sales is still small, but it is rising. "The statistics on e-commerce insurance mask the profound impact new technologies are having on the distribution process," Karl continues.

Surveys indicate that consumers increasingly research online and that the internet has become a trusted source of advice for insurance. Aggregator or price comparison websites (PCWs), as well as social media, are playing a growing role in the pre-sales process. Ginger Turner, co-author of the study, notes that "with mobile and telematics technology, consumers can now interact with their insurance provider anytime and anywhere."

Moreover, relatively simple insurance products are being sold online more readily. This is most obvious in personal motor and property insurance, especially in developed markets.

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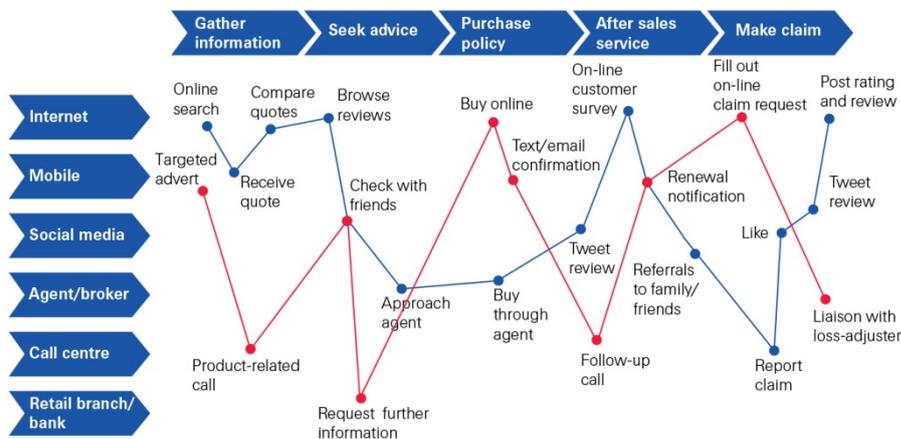
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Direct marketing of term life insurance and some insurance for small businesses (eg, professional liability cover) is also becoming prevalent. Swiss Re analysis shows that even in emerging Asia, where most sales occur via intermediaries, insurers have developed advanced capabilities for direct online platforms. Meanwhile, the buying journey for insurance is becoming fragmented across multiple touch-points (see Figure 1).

Figure 1: The increasingly complex buying journey for insurance: Multiple touch-points



Note: The red line shows an example buying journey initiated by a mobile advert, and the blue line a purchase experience via online search.

Source: Swiss Re Economic Research & Consulting based on insights from "Powering the Cross-Channel Customer Experience with Oracle's Complete Commerce", Oracle (2012)

Not all insurance sectors are at the same stage of this digital transformation, and not all will proceed along the same adjustment path and at the same pace. But the direction is clear: eventually, customers will be able to arrange most of their insurance needs through remote digital channels. The example of the UK motor market, where e-commerce sales have come to dominate in just a few years, shows how quickly consumer buying habits can change. Likewise, in emerging markets, innovative mobile platforms are rapidly expanding access to insurance.

Intermediaries remain relevant

Importantly, digital transformation does not spell the end of intermediaries. Technology has spawned new types of intermediaries such as PCWs. Many consumers will continue to value the personal interaction and expert advice of agents and brokers, especially for complex commercial and life and health risks. The challenge for intermediaries and insurers is to adapt their business models to meet the varying needs and preferences of customers.

The rise of Big Data

Digital distribution is also facilitating access to a rich source of data about customers and fostering advances in predictive analytics, collectively labelled Big Data. This information offers deeper understanding of customers' wants, needs and behaviours, which insurers can use for more targeted product design, pricing and sales.

The importance of customer-centric innovation

Technology-led shifts in distribution increase transparency, empower customers and lower barriers to entry in some markets, which can lead to further commoditisation of insurance products. Insurers who innovate and build trusted brands will succeed in the more price-competitive world.

However, successful innovation requires a culture that fosters experimentation and accepts failure during the design process. The key is to harness the insights from data analytics to improve risk selection and pricing, and to use technology to increase customer centricity in insurance products and services.

Notes to editors

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How to order this *sigma* study:

The English, German, French and Spanish versions of the *sigma* study 2/2014, "Digital distribution in insurance: a quiet revolution", are available electronically on Swiss Re's website: www.swissre.com/sigma. The versions in Chinese and Japanese will appear in the near future.

Printed editions of *sigma* No 2/2014 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.

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