

The image features a blurred crowd of people in a public space, overlaid with digital elements. Numerous glowing green and white numbers, including binary digits (0s and 1s) and larger digits (2, 3, 5, 6), are scattered across the scene. The background is a soft-focus photograph of a busy area with many people walking.

Digitally driven change in insurance

Fernando Casanova Aizpún, Swiss Re Institute, Nov 2018

Drivers of value in the technology sphere
Data is the new oil



Data is the new pork belly



Marrying qualitative and quantitative data

- Roughly 90% of available data are qualitative and unstructured e.g., articles, blogs, e-mail, regulatory filings, slide presentations, social media, etc.

Key is finding novel data

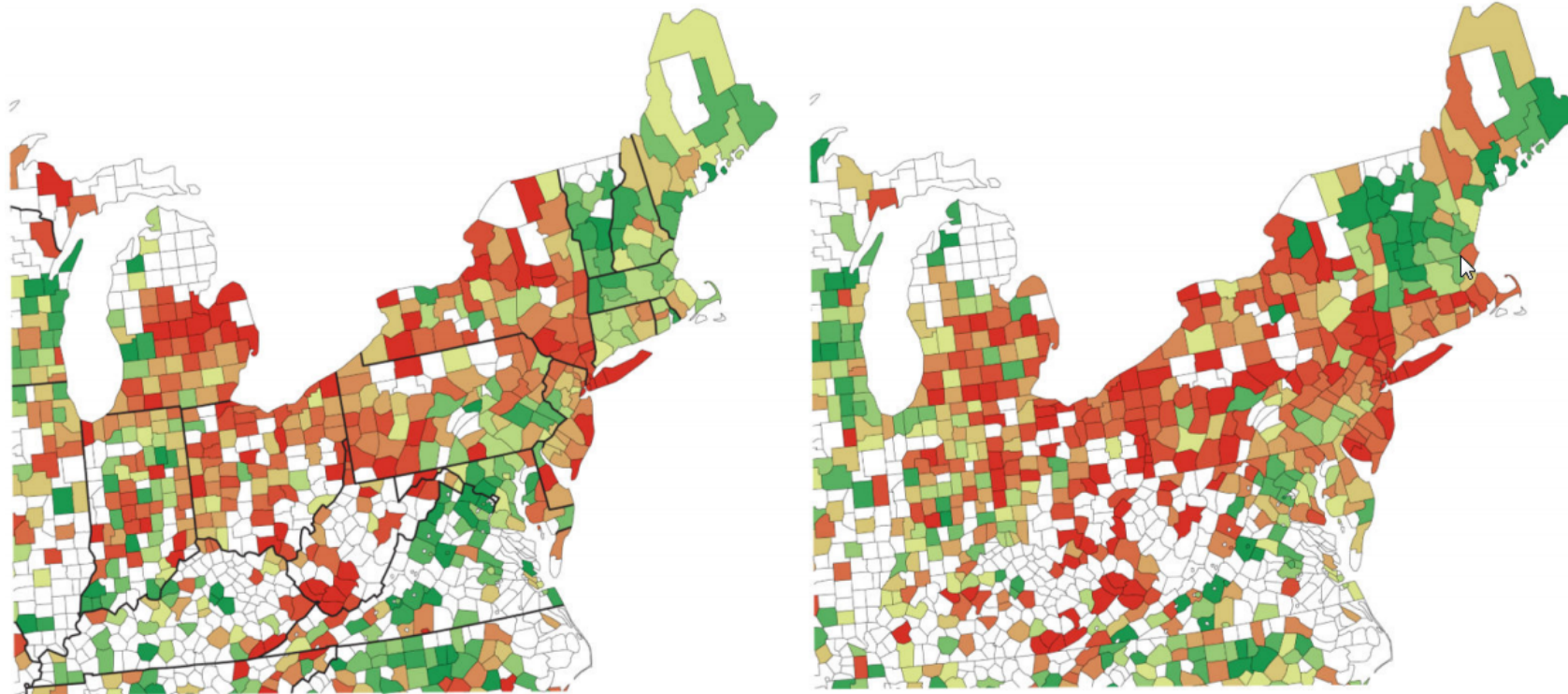
- Transforming qualitative data into indicators and combining with quantitative data may be a path to improving existing models

Key is ensuring data is reliably retrievable in the future



CDC-Reported AHD Mortality

Twitter-Predicted AHD Mortality



10 20 30 40 50 60 70 80 90

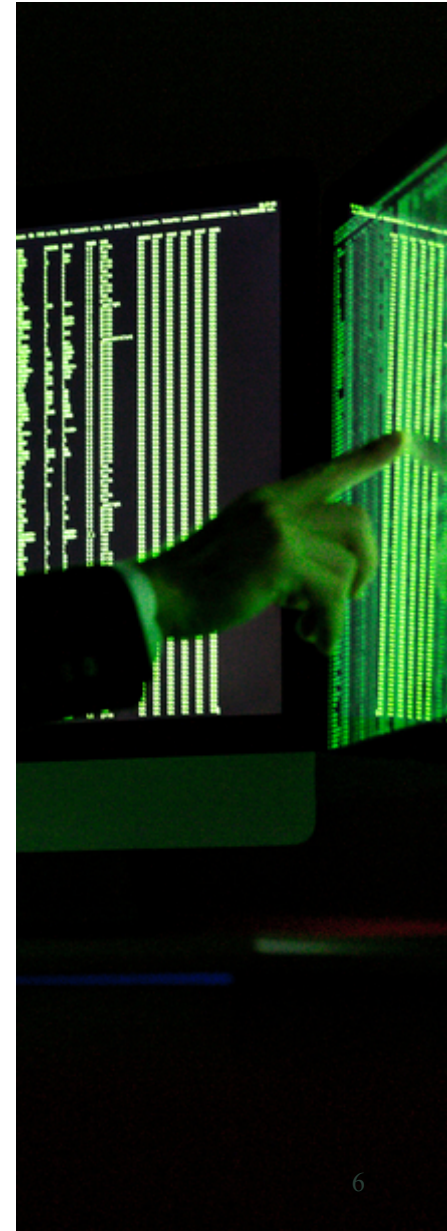
AHD Mortality (Percentile)

InsurTech

Any tool – that using technology – brings innovation to the insurance industry.

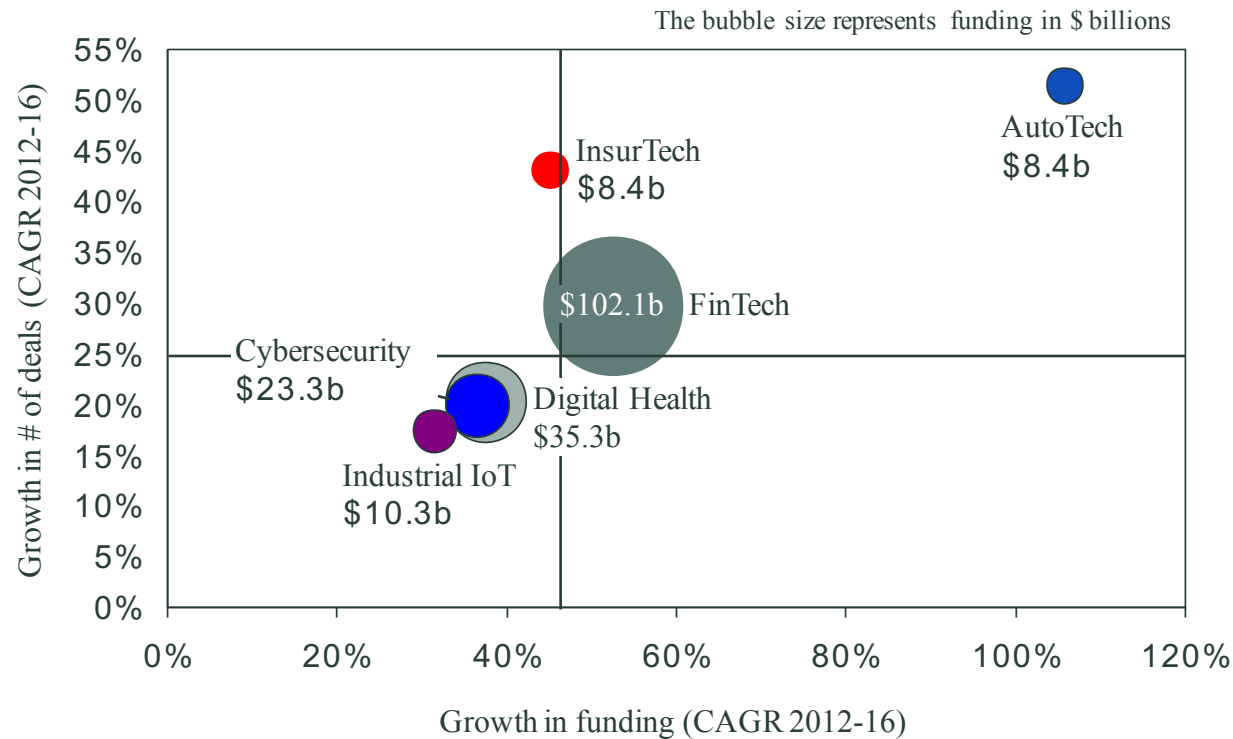
It can:

- 1) Make clients happy
- 2) Minimize costs
- 3) Generate higher growth

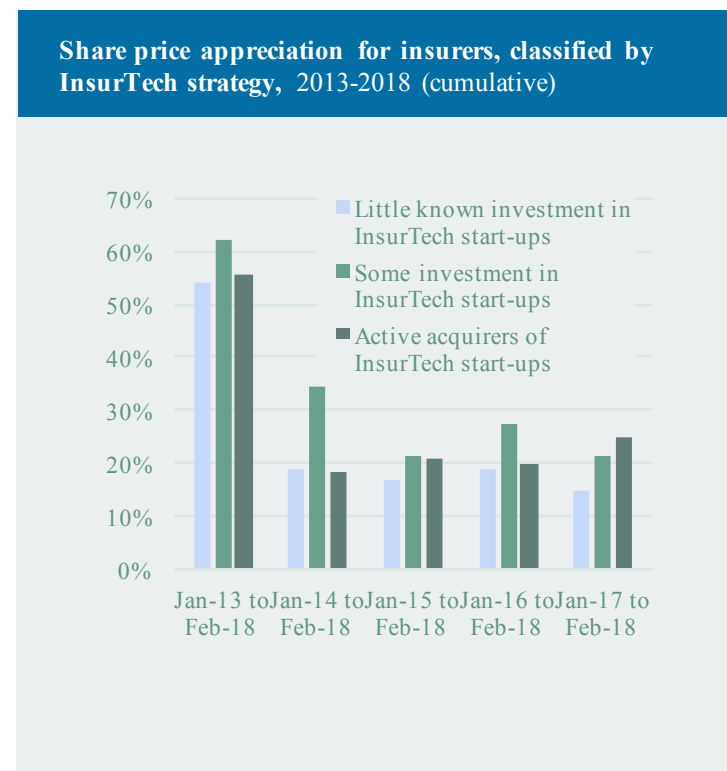
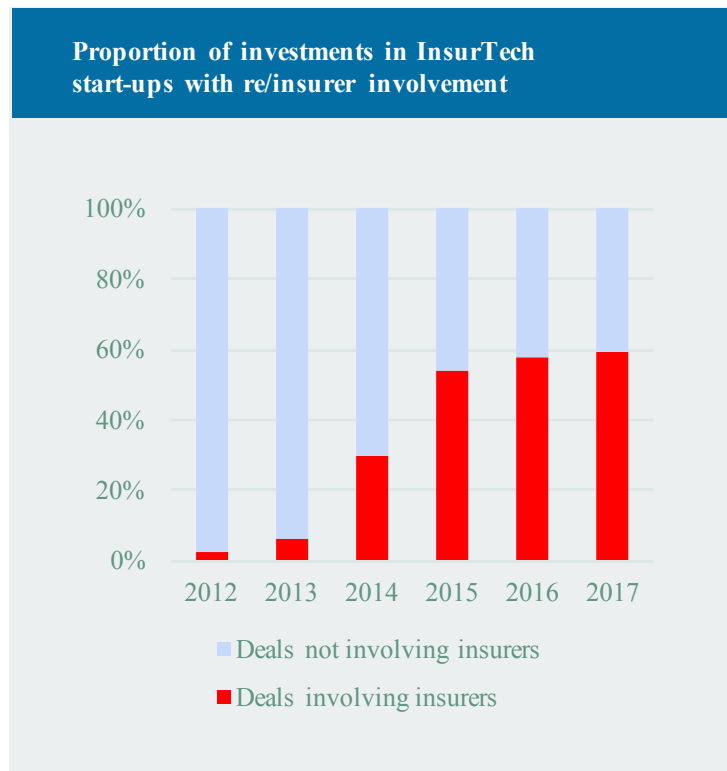


Venture investors put \$102B into FinTech related startups over the last six years, of which \$8.4B was in InsurTech

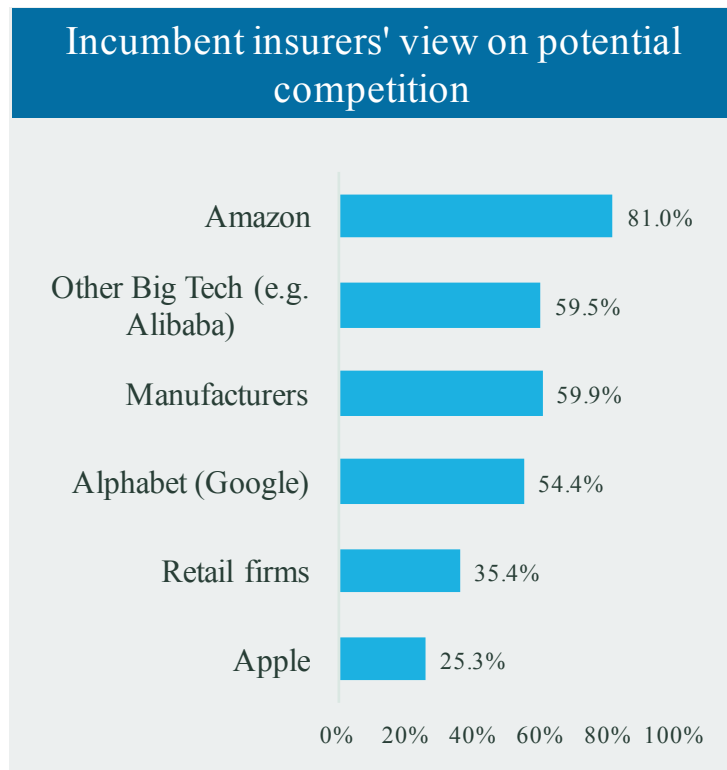
Global Tech Financing Trends (2012 to 2017)



Insurers are investing in or partnering with InsurTech start-up firms

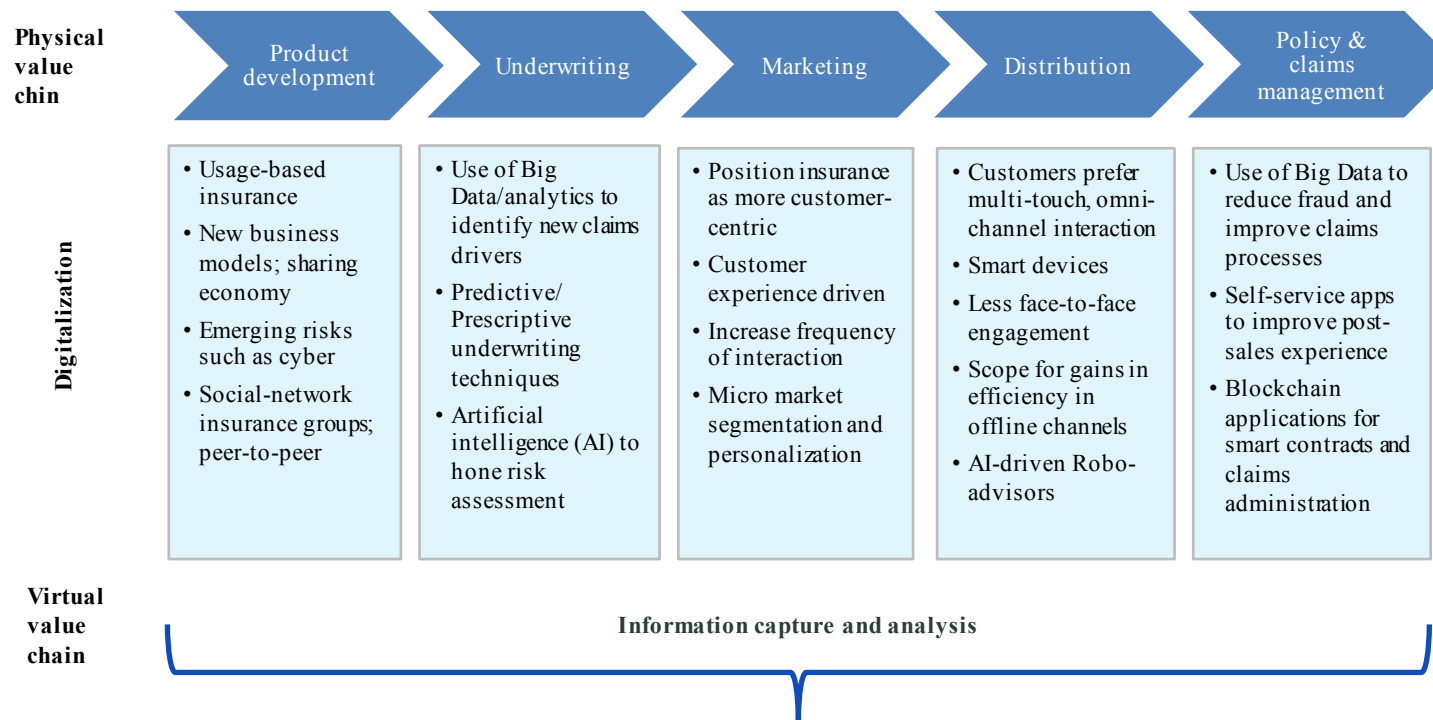


BigTech is ready to disrupt



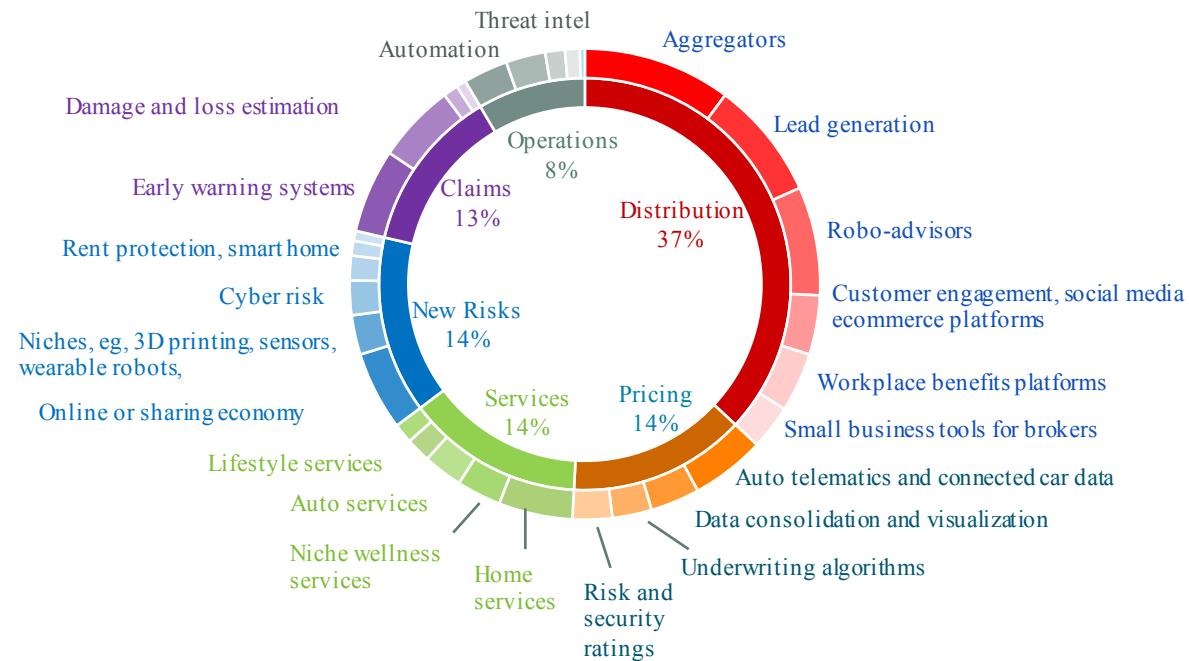
- BigTech is perceived a biggest potential threat for new entrants.
- Advancements in connected cars could turn car manufacturers into potential competitors.
- Non-traditional players are more likely to act as new distribution channels rather than become full carriers.
- Travelers, the 6th largest U.S. Homeowners writer, has created the first insurance industry “digital storefront” on Amazon.

Technology is affecting the insurance value chain



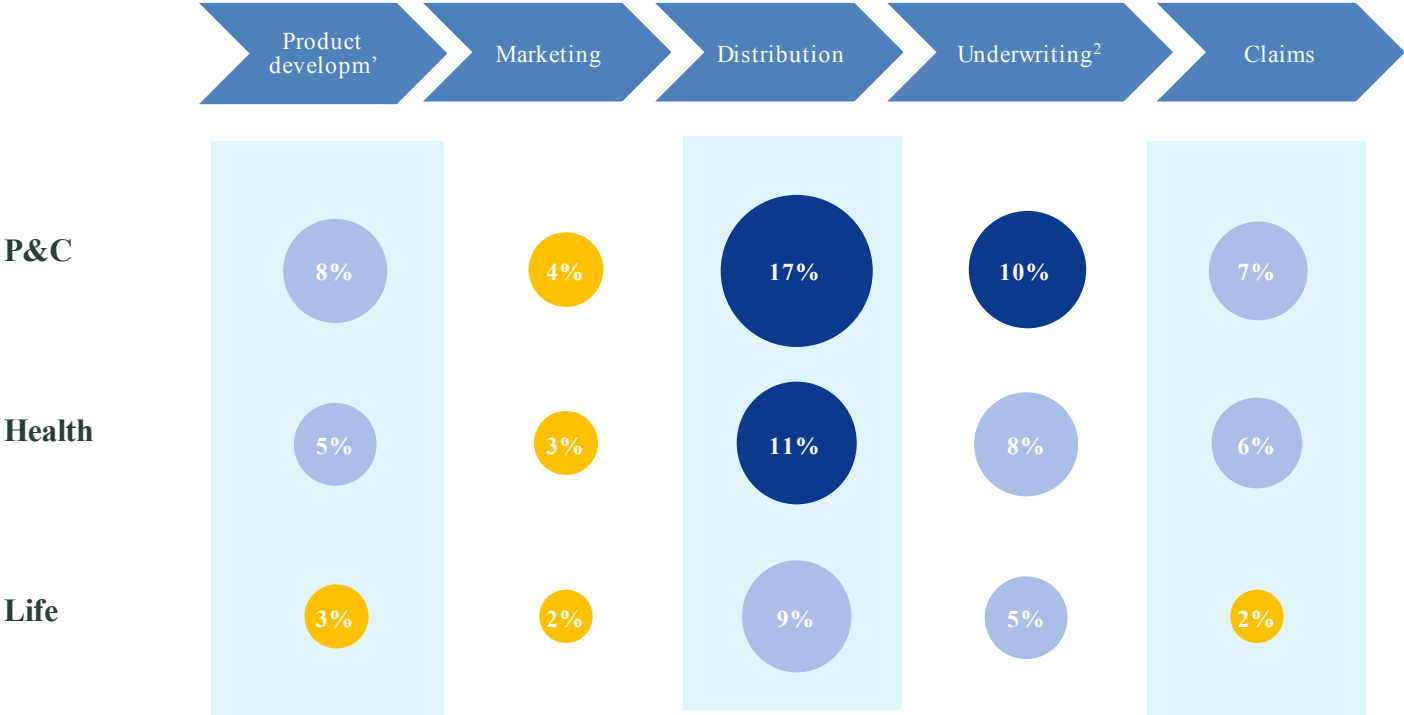
Technology applications have been mostly focused in distribution

Investment focus in InsurTech (% share by number of start-up investments), 2014-2016



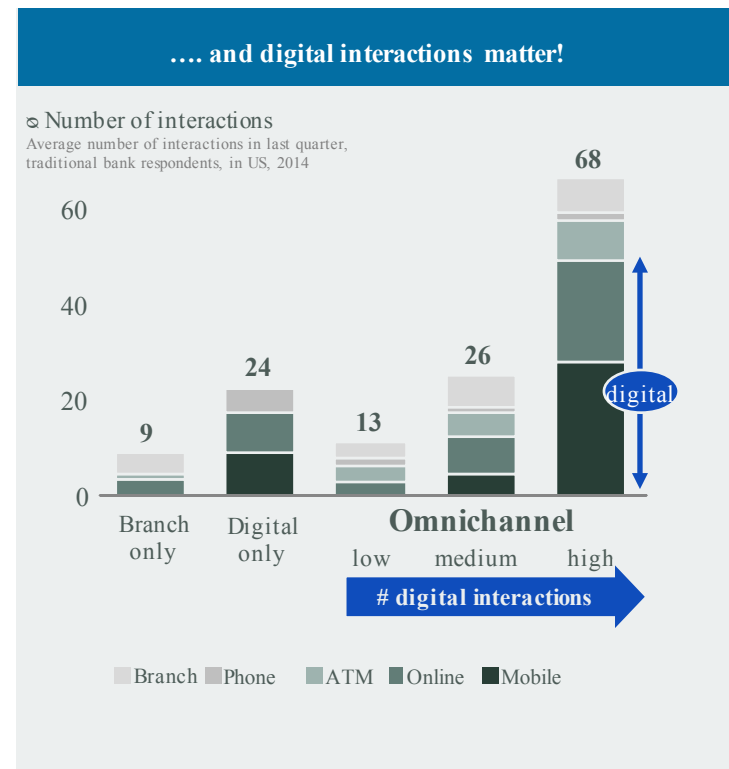
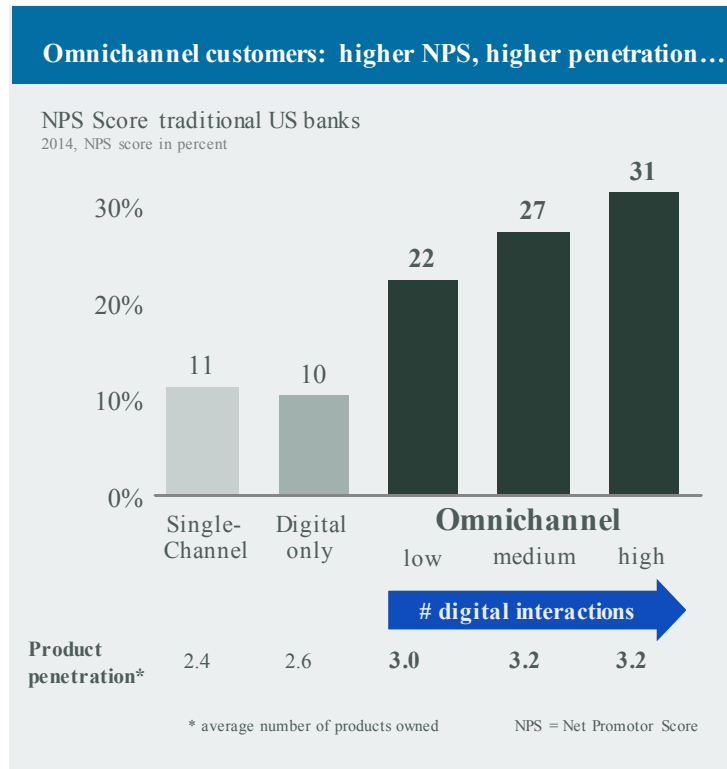
Where insurtechs are focusing

Number of innovations as % of total¹

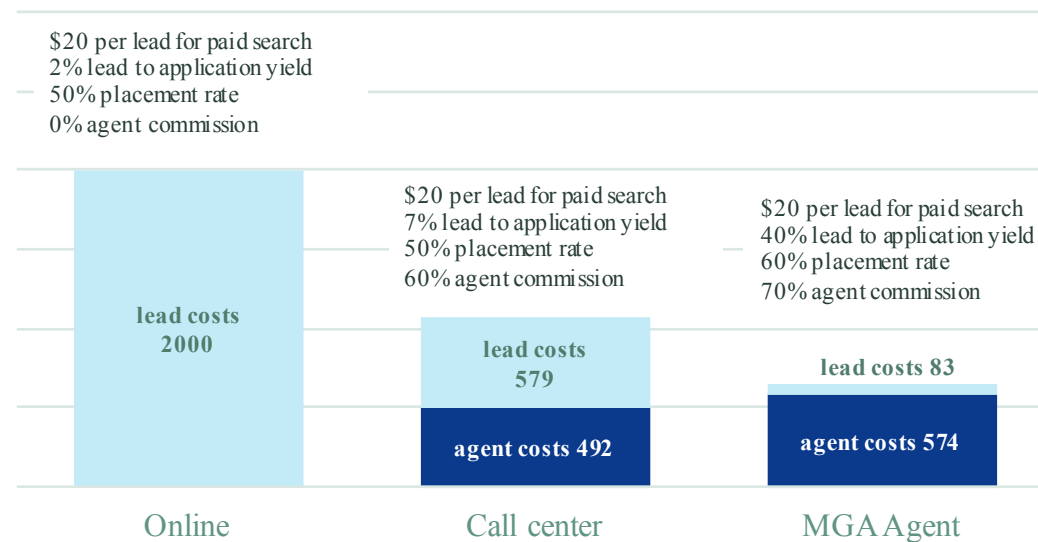


Digital interactions are driving NPS and product penetration

The evidence from the banking sector

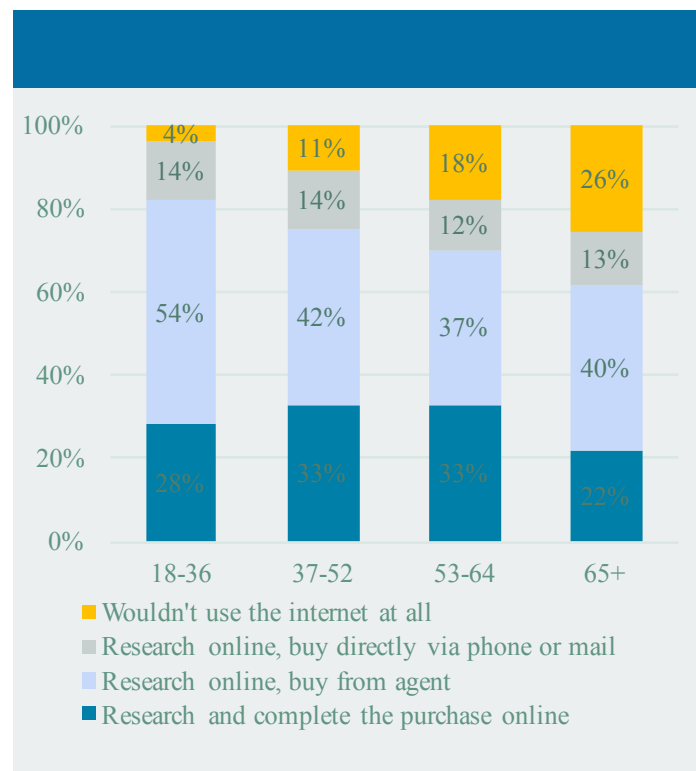
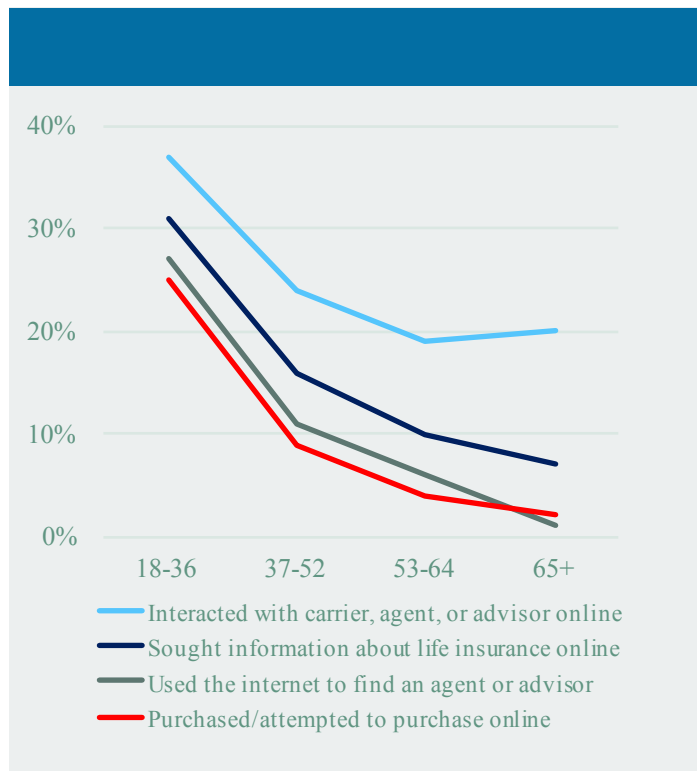


Online self service isn't working for life products ... yet ...



- The cost per acquisition is significantly higher in self service online channels despite commission savings
- MGA /call center distribution outperforms digital only because they actively manage yield at each step

... in line with life consumers' preferences about digital distribution



Outlook: The new value drivers

- **Technological leadership and innovation:** Winning companies will need to go beyond following technological trends and innovation; high speed of obsolescence.
- **Customer ownership:** Customer access and “ownership” are key to profitability; success depends on offering better value (products, services, customer experience) to customers; technical underwriting skills alone will not be enough.
- **Efficiency (cost savings) and effectiveness (better products):** Digital technology puts margins under pressure; need to make operations more efficient and products more relevant for clients.
- **Scale and network effects:** Digital platforms provide the potential for scale economies; network effects help with better access to clients, data, talent etc; become a barrier to entry.
- **Speed and agility:** Incumbents need to move quickly to compete with digital competitors.

Summary

- Data is the new oil – extract, refine, distribute
- InsurTech startup scene is maturing; digitally-driven innovation is arising from within incumbents; BigTech is ready to disrupt
- Most visible changes to the insurance value chain center around distribution; biggest potential lies in underwriting, claims & fraud, operational efficiency and new products
- Accelerating disruption in P&C, harder to be achieved in L&H in the short term
- The share price of those insurers with InsurTech strategies has fared better than those without

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