



News release

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Contact Krishna Rao, PR Manager, Global Financial Services, PwC
Tel: +44 207 804 3765
e-mail: krishna.c.rao@uk.pwc.com

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PwC: Disruption is the new reality in the global insurance industry

The pace of change in the global insurance industry is occurring more rapidly than could have been envisaged, concludes a report just published by PwC. The report concludes that the industry is at a pivotal juncture as it grapples with changing customer behaviour, new technologies and new distribution and business models.

In 2010, PwC began carrying out scenario analysis of the trends reshaping insurance and what the industry would look like by 2020, drawing on interviews with more than a thousand executives worldwide. The report, '**Insurance 2020 and Beyond: Necessity is the mother of reinvention**', findings of which will be unveiled today at the **IIS Global Insurance Forum** in New York, reviews ongoing developments against PwC's initial projections. It looks ahead to the major trends that will develop in the global insurance industry over the next five years and beyond, and how businesses can design their strategy to face the future and capitalise on them.

Customer revolution

Customers expect the same ease of doing business from insurers that they do from retailers. Digital developments have enabled the insurers to deliver anytime, anywhere convenience via a seamless multichannel experience, streamline operations, and reach untapped segments.

Digital developments also are helping insurers to enhance their customer profiling, develop sales leads, tailor financial solutions to individual needs and, for non-life businesses in particular, improve claims assessment and settlement. However, and in a threat to the existing order, many new market entrants are using advanced profiling techniques and cost-efficient digital distribution just as or even more effectively than incumbent competitors.

Digitisation

Most insurers have invested in digital distribution. Some are even moving beyond direct digital sales to embedding the company in people's lives (e.g. pay-as-you drive insurance). This has coincided with the proliferation of new sources of information and analytical techniques that are beginning to reshape customer targeting, underwriting, and financial advice.



According to PwC, as sensors and other digital intelligence become a more pervasive as part of the 'Internet of Things', savvy insurers can become trusted partners in areas ranging from health and well-being to home and commercial equipment care. In turn, digital technology could extend the reach of life and pension coverage into largely untapped segments such as younger and lower income segments by reducing costs and allowing businesses to engage with customers in more compelling and relevant ways.

Analytics: The emerging game changer

The combination of big data analytics, sensor technology and communicating networks could allow insurers to anticipate risks and customer demands with far greater precision than ever before. The benefits could include not only keener pricing and sharper customer targeting, but a decisive shift in insurers' value model from reactive claims payer to preventative risk advisors.

Jamie Yoder, PwC Global Insurance Advisory Leader, notes:

“The emerging game changer is the change in analytics, from descriptive (what happened) and diagnostic (why it happened) analysis to predictive (what is likely to happen) and prescriptive (determining and ensuring the right outcome).”

New business models

Many forward-looking insurers – and aforementioned new market entrants – are developing new business models. Prescient companies are striving for a faster and more flexible, data-led iterative approach, similar to what many telecoms and technology companies use. Some of them also are working with reinsurance and investment management companies to create a new generation of health, wealth and retirement solutions. According to PwC, the pace of change will only accelerate in the coming years as new innovations become mainstream in areas ranging from automated driver assistance systems (ADAS) to crowdsourced models of risk evaluation and transfer.

Yoder concludes:

“While more than 60% of the insurance industry leaders taking part in our latest global CEO survey see more opportunities than three years ago, just as many (61%) see more threats. In fact, insurance CEOs see more disruption ahead than any other commercial sector.

The changing market will require considerable product and business model redesign. This won't be easy, but it's the new reality.”

ENDS

Notes to Editors:

*80 insurance CEOs in 37 countries were interviewed for PwC's 18th Annual Global CEO Survey, '[A marketplace without boundaries? Responding to disruption](http://www.pwc.com/ceosurvey)' (www.pwc.com/ceosurvey)



PwC's report '[Insurance 2020 and Beyond: Necessity is the mother of reinvention](#)', is a review of developments in the Global Insurance space against initial projections as set out in PwC's Insurance 2020 report. It looks ahead to major trends that are likely to occur over the next five years and beyond, based on what has transpired between 2010 and 2015.

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