

Change will bring opportunity

While the insurance industry has braced itself for the inevitable digital disruption, it also face the demands of increasingly savvy customers, acquiring new ones and adapting to a changing set of challenges that are transforming the industry. For those able to move swiftly, change will bring significant opportunity.



Image source: Getty/Gallo

While it is not clear what form the shake-up will take, Deloitte's exclusive survey of 200 executives in Europe, the Middle East and Africa (EMEA) region has identified four interlocking trends that could separate the winners from the losers: innovation in product and experience, growth into a deeper service offering, partnering with others in the insurance ecosystem and practical digital solutions.

New world, new customers, new solutions

Customers' needs, knowledge and expectations have expanded exponentially in the past decade and have now become the disruptive force in the insurance industry. In an age of immediacy, constant change and an overwhelming choice where loyalty is no longer a given, insurers need to think about how to adapt to these demands.

"The industry has to extend beyond its core products and services to figure out how to offer customers products and services that are relevant to them at the precise time they need them", says Deloitte South Africa Advisory Insurance Sector Leader, Andrew Warren. "This effort is about creating a more desirable experience that drives up frequency and quality of interaction between the insurer and customer, and retaining the customer base."

The technology exists to help them do this and unlike new technology-based start-ups, incumbent insurers already have millions of customers to work with to build engaging propositions.

A different roadmap for growth

"Our survey reveals growth will come from preventative as well as protection approaches, with a range of new services and products. The traditional approach of selling protection products is not enough for the insurer of the future. Growth will come from new service-based models, innovative products and a greater focus on prevention," he says.

Deloitte's research found that 35% of insurers generate over 30% of business from service-based offerings over product-based offerings. In the next three years this will rise to 60% of insurers focusing on service-based models. Customers are increasingly looking for frictionless services across the board and insurance is some way behind in this respect.

Those that are investing more in technology and offering the market an easy and complete experience that offers clear solutions to the customer problems are in a good position. It starts with, for example, home protection and maintenance, with a wide range of opportunities for add-ons that insurers could provide through partnerships. Insurance will be embedded in a range of valuable services that will help customers live their lives or run their businesses and will no longer be a grudge purchase.

The negotiating table beckons

In a highly competitive environment, executives acknowledge that organic growth alone will not be enough. The industry needs to consider leveraging Mergers and Acquisitions (M&A), equity partnerships and alliances to advance growth. The winners will be those that can forge alliances with innovative start-ups; ally with InsurTech; and consolidate with their peers. A rapidly changing industry will require unprecedented deal-making skills.

Seventy-two percent of insurers surveyed agreed that fifty percent or more of their growth in the insurance industry over the next five years will be from M&A. Against this backdrop, deal activity has figured strongly in the commercial insurance industry trends. Insurtechs have the upper hand when it comes to providing personalised policies and present more advanced aspects which are intriguing to customers – hence to the challenge to the core business of insurers. Over the next three years, insurers need to step up and work on strategies to combat new players in the market and move forward.

Digital disruption – practical not theoretical

“Technological change is a given, but knowing about it and acting on it are very different propositions. Insurers need to think about how the use of technologies such as analytics, blockchain and cloud to their advantage”, says Warren, “According to our survey, 80% of insurers feel that the industry is keeping pace with the rate of technological advancement and ninety-five percent expect an increase in the use of advanced analytics over the next three years. Insurers will need to adopt an ecosystem approach that involves partnerships and outsourcing, as well as in-house teams.”

Insurers will need to move far more quickly to create truly digital organisations if they are to compete in a market that is set for rapid organisations if they are to compete in a market that is set for rapid transformation. And they will need to use the right technology in the right way or risk being left in the dirt by digital narratives.