Future of insurance industry

How innovation and technology are changing client interaction and insurance services
Julia Unkel, Insurance Leader PwC Germany
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Major trends in the insurance industry
Limited predictability, high interdependencies

1. Global megatrends
   - Shift in global economic power
   - Demographic shifts
   - Accelerating urbanization
   - Rise of technology
   - Climate change and resource scarcity
   - Renewable energy revolution

2. Insurance-specific trends
   - Digital and customer
   - Environment
   - Multiple
   - Revolutions in Medicine and Healthcare
   - Economy/ Politics
   - Society
   - even more Regulation

3. Local/regional trends
   - Political insecurities (Brexit etc.)
   - Territorial market trends
   - Changes in local fiscal and monetary politics

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Future of Insurance driven by digital and customer trends
How will Technology drive the change?
Disruptions in the insurance sector

Technology & Data enables…

Calculating risk and creating policies
- Machine Learning
  - Identifying and monitoring risks
- Optical Character Recognition (unstructured data)

Customer interaction & claim handling
- Augmented Reality
  - Guided damage reports
- Live video chats
- ChatBots

Fraud detection
- Neuronal networks
- <And more>
What are InsurTechs doing today?
Spotlight on the three main types!

“The new insurance”
Market: Personal life insurance
Benefits: Easy, Direct, Cost effective, Individual, Flexible
Technology:
• Online-Only
• AI (Policies, Augmented Reality, Chatbots, Fraud detection)

“The service provider”
Market: Insurance operation
Services:
• IT infrastructure
• Risk assessment services
• Risk prevention

“The insurance broker”
Market: Customer acquisition
Benefits:
• Highly individual
• Crosschecking
• Always optimizing

InsurTech Funding 2018
• 55% went to personal life insurance
• 20,4% went to customer acquisition
• 17,8% went to insurance operation
• 6,6% went to commercial insurances
Where are we going?
The path to the future insurance industry.
Ability to provide digital, flexible and personalized products

Classic Insurances
- Full Range of Products
- Slow processes
- “Disconnected Silos”
  - Data not accessible cross Company
  - Multiple technology approaches

InsurTech
- Agile, modern, fresh, new approaches
- No Silos
- Disrupting the industry with highly specialized products using technology

Insurance in the Future
- “Reducing risks before something happens”
- Highly specialized products
- Flexible and Fast
- Technology and Data driven
  - “Connected Silos”
  - Leveraging historical data
- Using Providing Services
  - Chatbots
  - Automated claim handling
  - Data Gathering
  - Identifying Risks using Video/Satellite/Drone Data

29% Cost Savings through Digitization
According to a recent study property insurers in Germany can save up to 18 billion euros through digitization, which corresponds to 29% cost savings.


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Regulation must adjust to rapid technological innovation
“New normal” following disruptive trends

Post financial crisis regulation

• Sustainability
• Level playing field
• Market (conduct) regulations
• Data privacy
• Solvency regulations

Disruption

• Non-FS market entrants
• Disaggregation of value chain and ecosystems
• Revolutionized customer experience
• Mass-data enabled automatization
• Customization vs. risk profit pool
• Emerging risks

Adaptation of regulators’ focus

Emphasis on policyholders’ protection
• More sophisticated scope definition to address blurring boundaries of industries, emphasizing sustainability
• Focus on customer’s best interest across omni-channels
• Preventive, risk-centered supervision
• Revamp regulator’s skills and approach to put digitalization in the center
Contact

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Thank you.