



# Digital Disruption in Insurance

Winning by unlocking the value  
of Digitization



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# INTRODUCTION



Traditionally, insurance has been a very conservative industry, including in its implementation of information technology across its strategies and solutions. This sense of innovation has already begun to shift as the insurance industry is incorporated ever further within a number of technological advances which, if properly integrated, could totally alter the current insurance market and its customer interactions. In this context, digitalization is expected to significantly alter the entire insurance environment, affect all points along the value chain of insurance and thus reshape the competitive landscape. By increasing data collection through new digital technologies, companies are better able to facilitate a more granular underwriting of risk insurance. Smart analysis techniques, predictive modelling and connected telematics devices permit insurers to create products and set premiums based on risk profiles rather than on general standards.

Due to increased regulation and competition from new market entrants and existing firms, the decline in profit margins forces existing firms to pursue cost savings and improved efficiencies while seeking better competitive performance through strategies of greater consumer proximity and customer loyalty. New technologies have had a profound impact on the delivery process, where the use of digital platforms and the emergence of new media have significantly altered the service's sales process, mode of use, and, ultimately, customer relationships.

The contemporary digitized landscape will also raise further insurers' concerns around this trend. The growth of the digital economy is also radically changing the expectations and behavior of customers. For instance, increased consumer use of portals and aggregators would improve product transparency and reduce switching insurer's costs. Consumers have a wide range of information at their disposal to help assess risk exposures and become more self-directed in how they choose to meet their insurance needs. Therefore, it is important for companies to change the way they run their businesses in order to keep engaging their customers, who are demanding more individualized offerings and fully integrated sales and service channels.

The rate of implementation of new and innovative solutions in changing the way insurance companies carry out business operations will continue to grow over forthcoming years. Such developments are not just centered around digitizing the legacy company, but also communicating to the enterprise as a whole that there is a better way of working. Such solutions will contribute towards a sense of positive energy yet also introduce a degree of risk, while providing new opportunities and satisfying performances. Businesses are challenging their employees to help facilitate new customer-centered structures, model ideas and goods, and release them under a new management system and set of controls revolving around HR, accounting, operational structures, etc.

Such a system will involve the adoption of a completely new strategy and result in a technological greenfield being built that could allow it to move beyond the existing frameworks and environment to achieve their goals. Digitalization provides a huge opportunity for those insurers who are ready to rise to this initiative. The most profitable businesses are those that use the digitalization drive to rethink all their activities, from underwriting to customer service to claims management. It can have a huge impact on both revenues and costs. By becoming more effective and efficient, pioneers of digital technology will gain an important edge over their rivals.



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## 3 Challenges Facing Insurers Today



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