

A giraffe stands in a library, its long neck and legs extending across the frame. The background is filled with white bookshelves containing numerous white books. The floor is made of dark wood. A red banner is overlaid on the left side of the image, containing the main text.

Digital disruption in insurance... ...isn't just a tall tale.

The Fujitsu European Financial
Services Survey 2016

shaping tomorrow with you

FUJITSU

Insurance that's head and shoulders above digital disruption.

From the evolution of InsurTech organisations to the increase in service offerings from insurance aggregators, the pace of change within the insurance sector is accelerating at an incredible rate. So much so that Fujitsu has commissioned research to better understand the key motivators and influencers of this change in terms of consumer attitudes and behaviour.

The research suggests that consumers might not know precisely what the future of insurance holds but their perception has shifted dramatically. Today, consumers are no longer cautious and conservative. There is a willingness to engage with insurance organisations in new ways in exchange for lower premiums and more relevant products and services. As consumers become more acquainted with technologies that allow them faster access to service, their expectation is reset for higher levels of engagement and more relevance to them as an individual buyer.

These evolving consumer expectations, crucially, are focused on the providers they already know and trust – creating a tremendous opportunity for established insurance brands. By recognising underlying consumer motivations and keeping up with the pace of technological change, Underwriters could deliver innovations that answer consumer needs, even before consumers recognise this themselves.

The sector is up to the challenge. It's shown a degree of adaptability in the face of early digital disruption, tougher regulation and agile new challengers. Yet, there is more to do. Technology itself is often the engine driving consumer expectations forward and the next burst of digital acceleration is already in sight, process optimisation savings will be the next target areas as companies will see the benefits of automation to reduce costs and offer attractively priced competitive products.

As digital further transforms the insurance landscape, this challenge will only increase. Customer relationships and established revenue streams will be squeezed by innovative competitors.

Following on from our original 2016 European Financial Services survey, here we take a sideways look at the amalgamated data to ask what this might mean for UK insurance companies.

Mike Foster - MD Financial Services

Consumer expectations will be ever more informed by experiences outside of the industry, making them increasingly demanding. Cyber security risks will grow as organisations harvest and store customer data in greater volumes and their traditional communication links with customers span multiple access points.

Now is the time for the insurance sector to build on its initial digital success: capturing extraordinary new business opportunities in a whirlwind of transformation where consumers are ready for change, but often won't know what they want until it appears.

To understand more about what insurers must do to remain successful against this dramatic backdrop, this report examines how insurance is evolving and the impact on consumers, data sharing and personalisation, as well as what all this means for customer loyalty.

I hope you enjoy the read.

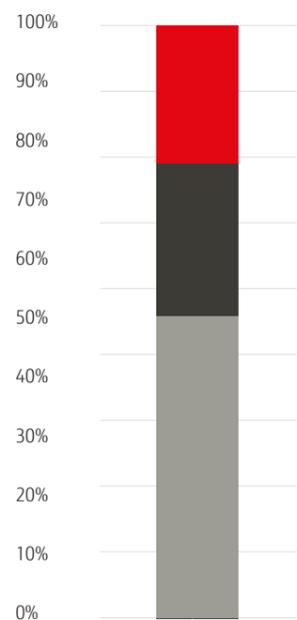




How do consumers choose their insurance provider?

With the advent of comparison websites, how consumers choose their insurance provider has changed beyond recognition in recent years.

In the UK, people are very conscious of their insurance spend, with 50% of them checking comparison websites before choosing a provider. This statistic is also supported by the fact that most UK consumers regard price, features and customer experience as the most important factor when selecting their insurance policy.



I'd like to buy my insurance through a comparison website

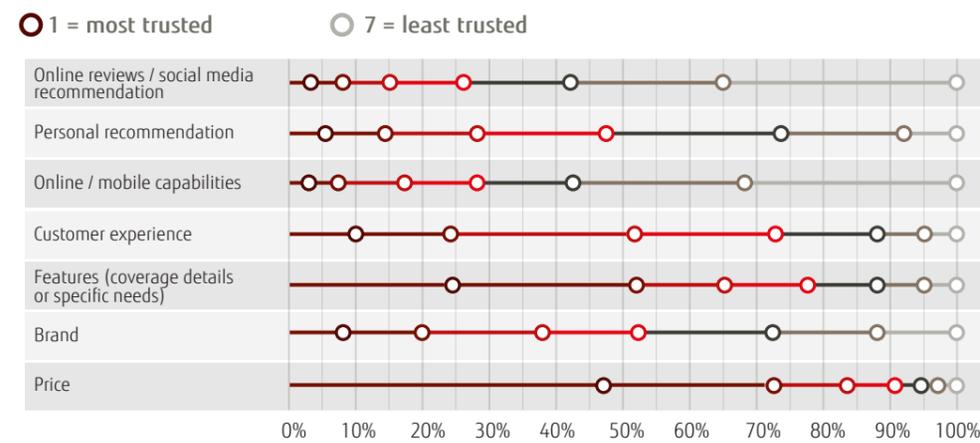
- Disagree
- Neither agree nor disagree
- Agree

Insurance gets personal

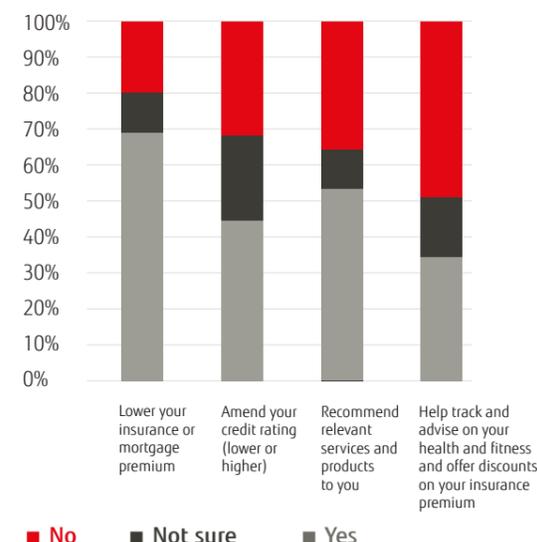
How well do insurers know their customers personally? Do they know how often a customer sets his house alarm before he goes to work? Or if before leaving for a holiday he turns off his water? Do they know how healthy and active he is?

In the age of the consumer, the capability to know and understand your customer at a deeper level and deliver a customer experience to match is key for reasons pointed out by the research.

How important are the following factors when it comes to choosing an insurance package to buy?



Would be happy if their insurance providers used their personal data to:



With access to large volumes of personal data, insurance providers can create new and bespoke services – increasing their share of wallet and dramatically boosting customer satisfaction and loyalty.

Such personalised services will be crucial to attracting and retaining customers, with 61% of UK consumers reporting it's the customer experience that keeps them loyal to their insurer. In addition to this, price is a high priority for customers, with almost 70% of customers willing to provide their personal data if it meant they would receive lower premiums as a result, and 53%, if it meant they received more relevant products and services.



Driving growth with insight-led innovation

In an era of evolving customer expectations, driving innovation through customer experience and insight is a way for insurance providers to gain new competitive advantages, improve customer loyalty and deliver on business goals.

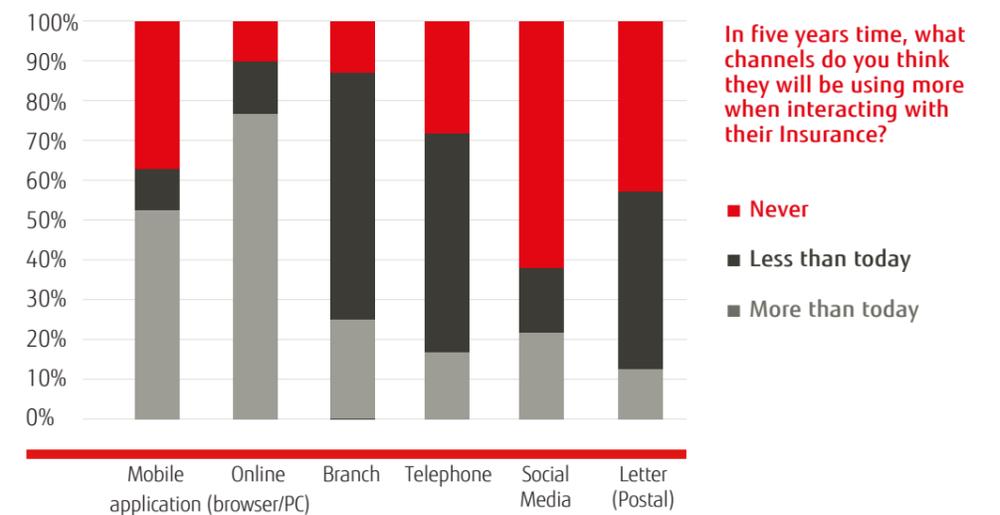
Recognising underlying customer motivations and keeping up with technological innovation, means insurance providers can deliver innovations that answer consumer needs – sometimes even before customers recognise them themselves.

For example, once futuristic concepts, innovations in wearable technology, apps, devices and sensors are beginning to gain prominence as a way to offer customers ‘pay-as-you-live’ insurance products. While their adoption is by no means widespread, forward-looking and top-performing insurance organisations are already innovating with telematics, wearable technology and sensor data. Our research indicates a growing number on consumers would welcome this in the future.

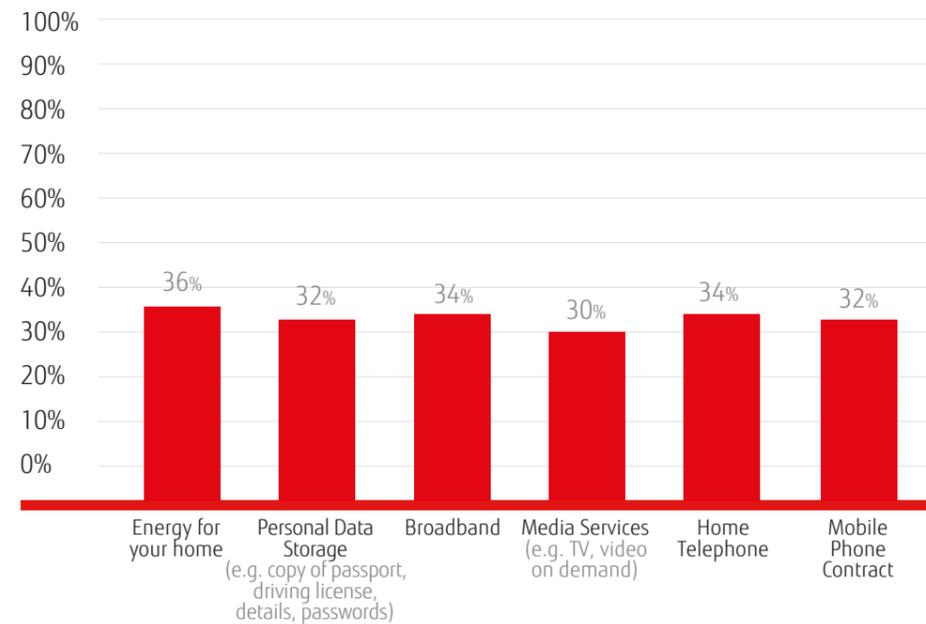
Time for radical thinking?

While the desire for convenience can help insurers shape new channels and services as well as cut costs, consumers are ready to go further – giving insurers the opportunity to innovate, diversify and even transform traditional business models to create entirely new revenue streams.

From utilities to media services, the survey found that consumers are open, ready and willing for insurers to gain new revenue streams from other industries. Customers are willing to purchase home energy, data storage, broadband or mobile contracts from their insurer.



Which would you consider buying from your bank or insurer?



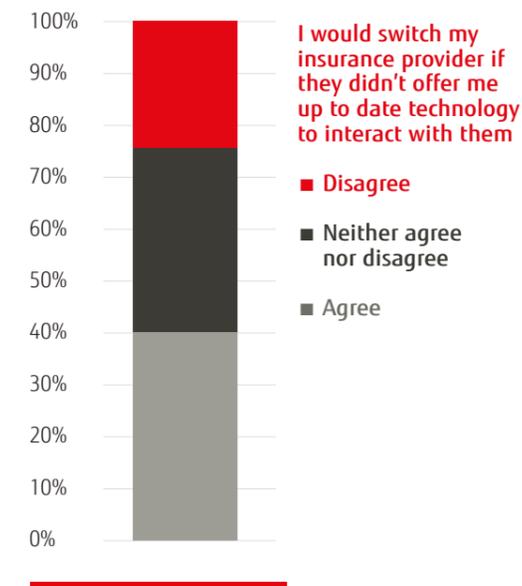
How can you deliver insight-led innovation?

But how do insurers, particularly traditional providers, deliver insight-led innovation? Through the kind of technology-enabled, platform-driven ecosystems that are taking shape across industries. In an increasingly digital economy, these adaptable, scalable and interconnected platforms will frequently underpin success.

With an integrated digital platform, insurers can more easily harness data analytics as well as invent, prototype and launch more innovative apps and insurance models, such as the connected home ecosystem. For example, connected devices could be enabled with advanced capabilities regarding security, remote management and plug and play deployment. Large-scale deployments are made feasible using these features from Fujitsu. Plus, traditional insurers can also find the best balance between legacy infrastructure and third platform digital technologies, effectively unlocking value in their current environment while putting in place a strategic, cloud-based foundation.

However, if established insurance providers fail to seize the initiative and surprise and delight consumers with innovation, others certainly will.

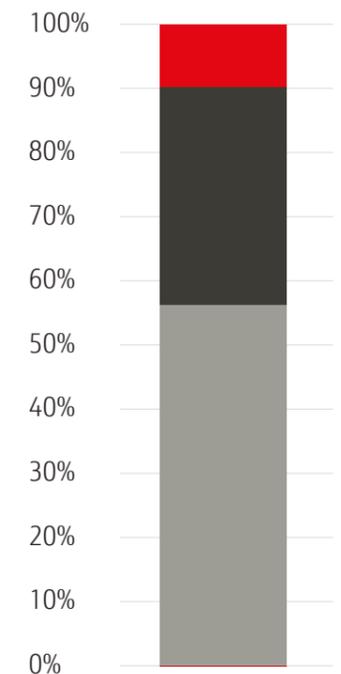
Consumers appear to be receptive to these new possibilities for the insurance sector, but they can just as well seek them from challenger brands, niche players and even other industries.



Securing more customers

Harnessing the huge business potential of customer data brings equally large risks. With cyberattacks now hitting the headlines on a regular basis, and a number of major organisations suffering a breach last year, consumers are growing ever warier. Customer trust has never been so valuable, or so hard to come by.

The research investigated the willingness of consumers to trust insurance providers with their personal data and the challenges and opportunities this creates for the sector.



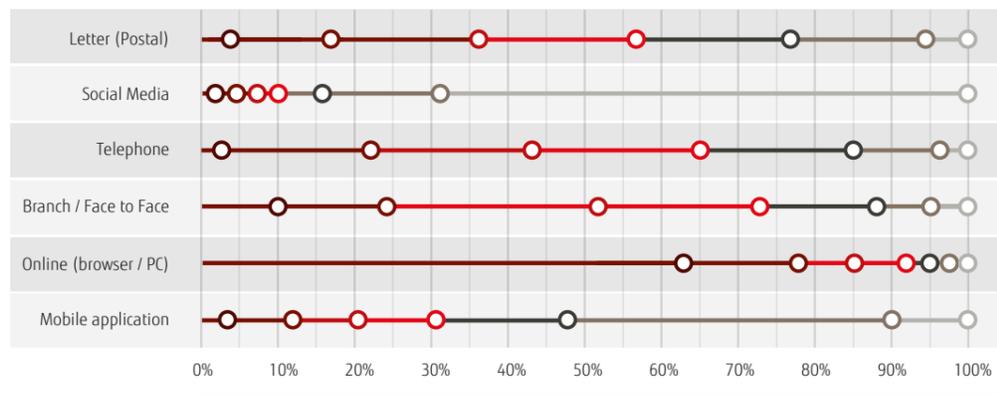
I would switch insurer if it suffered a security breach

- Disagree
- Neither agree nor disagree
- Agree



Which channels do people trust the most in terms of their level of security when interacting with their insurance providers?

○ 1 = most trusted ○ 7 = least trusted



Paradoxically, this security conscious mindset doesn't appear to affect consumer decision making on which channels to use. While face-to-face engagement is regarded as the most trusted channel, more than half (56%) of consumers trust interaction via the web, with mobile apps and social media faring less well. Nonetheless, consumers continue to migrate to these alternatives, ignoring perceived risk in favor of convenience.

We believe the answer lies, once again, in embracing innovation. Just as the financial services sector has harnessed advances like two-factor authentication in the past, new security innovations – such as voice recognition and other forms of biometric identification – can enormously mitigate the risk of pioneering new channels and technologies that delight consumers with their value and convenience.

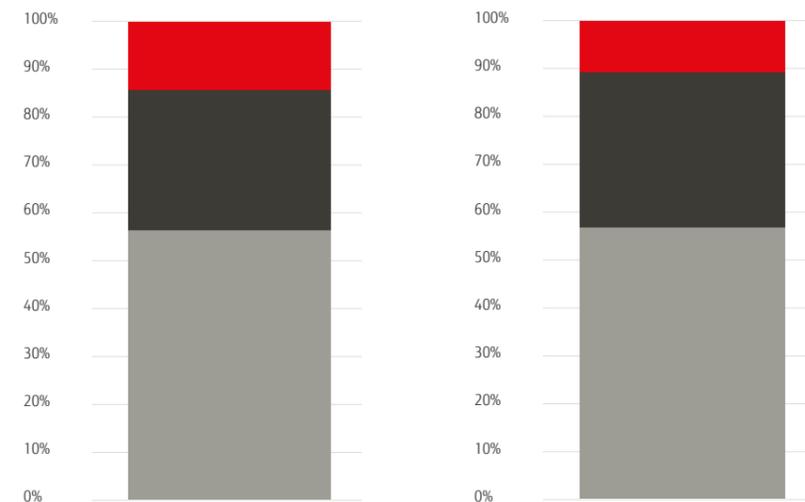
The lesson is clear: harnessing customer data is the huge opportunity underpinning digital acceleration, and consumers are largely willing for organisations to leverage this mass amount of information, where it adds value.

Do shared values inspire loyalty?

Customers place their trust in providers with the right values, who are socially responsible and have a good brand reputation.

Indeed, as the insurance landscape becomes ever more competitive in the digital age, values are likely to become key to competitive differentiation – if you want to spur real change and deliver real value, look at your people and the environment in which they operate. Plus, while regulators may have been reluctant to impinge on culture in the past, it's now high on their agenda as they look to instil greater risk awareness and tighter safeguards for customers.

Again, digital technology is key here as it can support a customer-centric values culture, by enabling people to quickly adapt and learn, create new solutions and drive change.

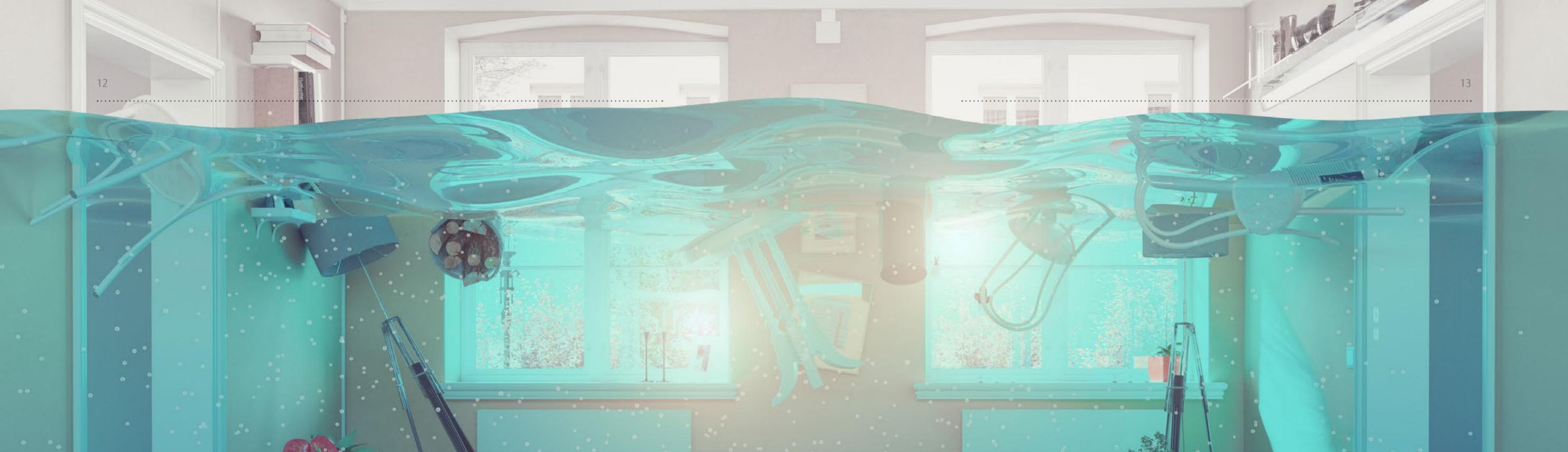


I am loyal to my insurance provider as they have a good brand reputation

- Disagree
- Neither agree nor disagree
- Agree

It is important to me that my insurance provider is socially responsible

- Disagree
- Neither agree nor disagree
- Agree



Conclusion

Accelerating digitisation across every industry has left consumers ready and willing to seek more value from their insurance providers.

Customers are looking to the established insurers they trust for new capabilities, fresh services and that next game-changing innovation they can't live without. This innovation, particularly in mobile, may not be so important to customers at this moment in time but in five years' time customers want more digital interaction so the door is open for a digital disruptor to deliver it.

The next wave of emerging technology will see rapid deployments in the insurance and insurance services sector. Artificial intelligence, software processing and business optimisation technology will present an opportunity for insurers to control costs while introducing additional service capacity. At the same time, insurers will be able to introduce better controls and accuracy on their essential and non-essential business process areas. These automation tools will see the first adopters being able to offer considerable market pricing disruption by creating truly digital business processes. And deliver unprecedented speed in claims resolution, engendering a "claim today-pay today" model, which will create its own issues on identity control, fraud and security.

Now is the time to act

As the countdown continues towards tomorrow's digitally dominated world, now is the time to act. Insurers must work to stay at the forefront of technology, giving them the agility to tap into the 'digital subconscious' of modern consumers and deliver innovations that answer their needs before they even know they have them.

To achieve this, the insurance sector needs to be bold and collaboration is essential. The opportunity to change business models by opening up new revenue streams and increasing value to consumers is apparent. Likewise, the lure of digitisation is here and now and, together, incumbents have the resources and influence to drive mass adoption of new innovations cost effectively and with minimal risk, while also ensuring consistent standards and rock-solid security. To enable this future sustainably it will also require investment to modernise and update legacy technology 'inside' organisations. Fujitsu defines this

transformation as bridging the 'digital disconnect', through the seamless integration of new front-end experiences with processes and information at the operational level. Finding this sweet spot will be unique to every insurer. By joining forces, established organisations can better support tomorrow's digital-first consumers, who expect outstanding and convenient services anywhere, anytime, across a myriad of devices and channels.

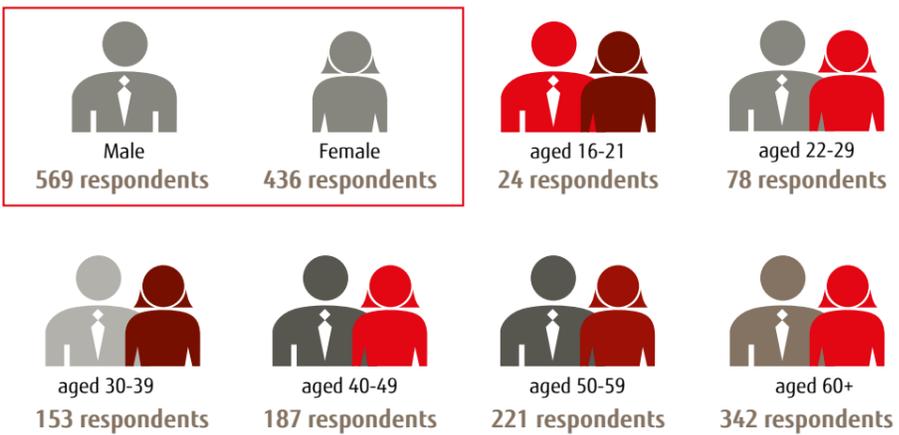
We're already seeing the seeds of this cross-industry cooperation: insurers are now working together to map new standards for driverless cars. Working collaboratively, the dominant players in the UK insurance sector can take the lead in the race for lucrative innovation and pave the way to our global digital future: emerging stronger, faster and more successful. Of course, the clock is ticking: neither customers, competitors nor technology itself will wait.

Research methodology



The study was split into two core activities from November 2015 - January 2016:

- 1. Online interviews with 1005 UK consumers across UK to understand consumer's habits and their views and opinions towards insurance providers.
- 2. In-depth interviews with 16 senior business decision makers in the insurance sector to gain further insights into the key issues.



Are you ready for digital disruption?

Join Fujitsu's insurance lead, Mark Boulton, for a proof of concept workshop to help you develop a digital disruption strategy that works for your organisation.

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