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TOP 5

INSURANCE TRENDS FOR 2025

A WNS Perspective

Turbulence and disruption from COVID-19 have highlighted the importance of resilience across all industries. In insurance – a sector historically founded on quantifiable risk assessment – unpredictable events and mass uncertainty were felt acutely.

This has resulted in an erratic landscape, with increased demand for some insurance areas – such as event cancellation – and dramatically reduced demand in others, such as travel. Yet, it also brought a much-needed push for insurers to innovate. According to Gartner, 87 percent of insurance CIOs reported an increase in the use of digital channels to reach customers in 2020.¹

Before the pandemic, insurance was being re-invented in line with changing consumer behaviors, demands and expectations. As we look to the future, this shows no signs of slowing, as continued digital transformation enables the industry to keep pace through to 2025 and beyond.

Apart from the accelerated growth of InsurTechs, technologies such as Artificial Intelligence (AI), Machine Learning (ML) and cloud computing will power unprecedented analytical capabilities for the industry. This will bring seismic shifts in distribution, underwriting, pricing and claims, while creating new opportunities for data modernization, predictive insights and enhanced customer engagement.

Here, we explore five trends that insurers should act on today to prepare for the future.





Next-generation Experiences



Transparent Ecosystems



Secure Sharing



Fostering Betterment



Talent-tech Transformation

NEXT-GENERATION EXPERIENCES

Customers used to the digital responsiveness and convenience of technology companies such as Amazon, Google and Uber will soon demand the same seamless experience from insurers. But they'll also expect additional layers of security, ethics and well-being as we move through the decade, even as insurers create next-generation experiences that re-define customer engagement.

Such experiences will manifest in different ways across different types of insurance. Future customers, for example, will expect autonomous vehicles that check the safest routes to automatically reduce pay-as-you-go premiums. In the event of an accident, the same vehicles will instantly assess damage and file claims. Wearables will help consumers monitor their own health for cost reductions, while travel insurance will adapt in real-time with a person's location data.

The technologies that will make these future scenarios a reality already exist, and with IDC predicting connected devices could reach almost 56 billion in number by 2025, generating 73.1 zettabytes of data, opportunities for next-generation experiences abound.² By adopting such functionality early and strategically, insurers can create experiences that successfully disrupt and re-define the industry.

TRANSPARENT ECOSYSTEMS

Seamless experiences are an expectation of everyday life. But to fully harness the power of data-driven decision-making and analytics, insurers will need to create digital ecosystems that go beyond current silos. In response, in the next five years insurers will integrate different kinds of insurance. Pet and personal health insurance, for instance, could become

connected, with wearables tracking activity and each simultaneously reducing in price when a customer takes their dog for a walk.

In commercial insurance, one US provider has already created a digital network that connects products and services for its construction customers in one place. The aim of the connected ecosystem is to encourage customers to adopt innovative technologies that help mitigate risks, improve business outcomes and ultimately enable personalized insurance solutions.

Ecosystems are also beginning to stretch across customer needs. Route, for example, is a visual package-tracking application that allows shoppers to view and track multiple orders in real-time. The service offers users the option to add insurance to an order, backed by Lloyd's of London, for just 1 percent of an item's cost.

"The number one question for two billion people who buy things online is, 'Where's my stuff?' We basically made shipping insurance digital across the Internet," Evan Walker, CEO of Route, explains. "In order for us to do that, Route really started evolving as this kind of post-purchase experience into a fully-fledged customer experience platform."³

SECURE SHARING

In future, more and more insurers and disruptors will create transparent data-driven digital ecosystems for a heightened customer experience. Open-source protocols and distributed ledger technology, such as blockchain, will ensure that data can be shared across companies and industries safely and securely.

Data-sharing between companies will re-shape the insurance value chain by improving operational efficiency, reducing costs and spurring innovation. Assuring security and compliance will be crucial to building the long-lasting relationships required for this future to be realized.

Such assurances will also become a major consideration for customers, with their confidence in insurers' ability to look after personal data integral. One recent study reveals that a majority of global consumers (55 percent) trust financial service providers with their personal data – the most trustworthy of the major sectors surveyed, ahead of hospitals, governments and technology companies – but room for improvement remains.⁴

FOSTERING BETTERMENT

Expectations among consumers for brands to facilitate health and betterment goals will see insurer-customer relationships deepen based on trust. By 2025, there will be a shift from a 'promise to pay' to a 'promise to help'.

For health insurance, this might be an evolution from paying to cure to encouraging proactive prevention measures, such as improved exercise or diet. It could be helping car insurance customers reduce their carbon footprint through incentives to drive electric vehicles. For employer insurance, it might be health and safety tips or posture-monitoring while people work.

One Italian insurer launched an application during COVID-19 to help its users access health services, even amid a surge in demand. A Switzerland-based provider, meanwhile, created an application designed to help new parents. Developed in partnership with a tech start-up, it uses AI to detect a baby's cry and translate it into one of five basic need states.

Both examples show how innovation is being used to look after consumers beyond traditional insurance boundaries. This concern with customers' health and well-being will also lead to more insurers targeting different demographics – such as families or retirees – with personalized insurance deals, products and services tailored to their needs.

TALENT-TECH TRANSFORMATION

For insurance firms themselves, digital transformation will ensure that they not only survive oncoming uncertainty, but build the resilience required to thrive as well. This will not be achieved with technology alone; companies must establish a balance of talent and infrastructure.

They will need cultures that promote digital literacy and democratization of data⁵ through self-service analytics.⁶ This way they can empower their employees to make more confident decisions that lead to business growth and competitive advantage.

In turn, this will enhance both workforce satisfaction and customer experience through more streamlined services. One tech-focused home insurance provider is a case in point. Its adoption of ML goes beyond customer experience and driving efficiencies to underwrite risks and manage claims, empowering employees and freeing up time to focus on the high-value aspects of their roles.

Building Resilience

COVID-19 has spotlighted the need to build resilience, as unexpected events can strike at any time. It's a message that insurers have long used in their marketing to consumers, but now they should heed their own advice. They must prepare for uncertainty by forming partnerships and fostering a culture that enables next-generation experiences, transparent ecosystems, secure sharing, betterment fostering and talent-tech transformation.

(This article was developed in collaboration with The Future Laboratory)

Know more about WNS' transformative solutions for the insurance industry

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