Opportunus

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The Future of Insurance:

The Insurance Customer and the Future Market

Contents

Executive Summary

The insurance and insurtech sector is ready for disruption. The digital revolution that is currently underway within the UK and wider afield, is threatening many within the insurance industry, especially as a result of the increasing number of innovative new entrants and the rapid rise of comparison websites.

Customer expectations within the insurance field are changing almost daily which in turn is clashing with the rigid and traditional processes of the big name firms. Insurance needs to become more agile and customer focused.

This report will consider some important concerns such as the rapid change in consumer expectations and what this recent ramped up digital adoption means for the future of the insurance sector.

Introduction

As it stands, the insurance sector is ripe for disruption. As per Deloitte, the digital revolution is felt to be a threat by many in the insurance industry, especially following the increase of innovative new entrants and the rapid rise of comparison websites.

Insurers are being challenged to adopt new technologies and are facing increasing challenges from digital-first businesses.

Looking towards the end of the decade, insurance has to become more agile and customer centric. Insurers are trying to meet customer expectations that seem to change daily, something that clashes with the rigid processes of the big name firms.

Accenture's "Disruptability Index" shows insurance performing poorly compared to other sectors, with slowing average top-line growth rates and growth rate of net assets decreasing. This all serves to strengthen insurtech value propositions. In 2018, venture capital investments in insurtech rose by 80 percent to $4.3 billion and between 2017 and 2020, unicorns with the potential to disrupt insurers grew in number from 7 to 14.

Further to this, investments in insurance from platform players such as; Amazon, Rakuten, Softbank and Tencent have also skyrocketed, from $0 in 2017 to $642 million in 2018.

These burgeoning insurtech firms are becoming important industry disruptors and are in a fantastic position to capitalise on next generation insurance consumers. Looking at Prophet's "The Insurance Customer of the Future.

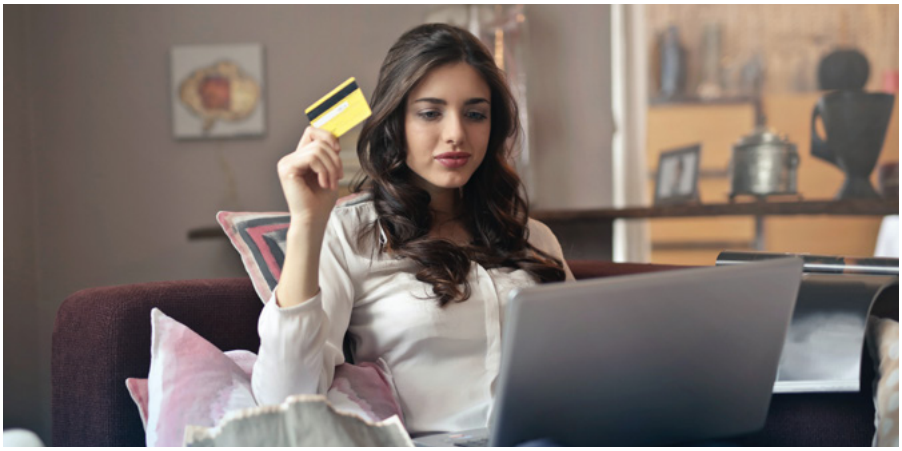
Introduction

Welcome to 2030" report on the future of the market and the persona of a key user in the near future, we will run through some important concerns such as the rapid change in consumer expectations and what this recent ramped up digital adoption means for the future of the insurance sector.

How Will Your Customers Change in the Next Decade?

The Customer:

Consumer expectations have changed quickly in the past year. In fact, some experts estimate some types of digital adoption, such as online retail, have jumped ahead five years in just 12 months.



Consulting firm, Prophet, have produced a report, looking specifically at the digital transformation trajectory of the industry. Within the report, Prophet has cultivated a persona to represent the insurance customer of 2030 by conducting interviews with 27 people who own (or are considering) life, home, auto, renters and pet insurance.

A primary feature of the next generation insurance customer is the desire for digital convenience. Their apps and devices are connected to the insurance products they already own. “Digital convenience makes their world go round” with groceries being delivered on a bi-weekly basis by drone, through an app that shares purchases with their life insurance provider, so they get a break on premiums for their healthy choices.

They do not own a car, instead renting one by the hour when needed. This is also linked to their insurance policy, just like their electric scooter. They are committed to wellness, using an implant for

everything from workouts linked to their biometrics to send data to their healthcare provider.

Thus, the next generation insurance consumer uses smart devices and utilises the Internet of Things (IoT).

Looking at such smart devices, KPMG believes that as these systems are developed and IoT is fleshed out, telematics will likely have an increasing role to play within underwriting and pricing. The nature of insurance is changing across the globe, as individuals tend to lease or rent cars and are offered their motoring as a service.

Moving forward, this service is expected to include auto coverage automatically as manufacturers operate like a distribution platform. This is increasingly likely since consumer trends show people prefer to pay for things monthly. Perhaps this presents a B2B opportunity for insurtech players, becoming corporate insurance partners as the service becomes integrated with car leasing and so on.

Looking again at our key persona, we can consider their apartment as a “digital castle” controlled through digital app solutions. Some data is shared with her rental insurer, but she prefers to shut some of them off when it either feels like an invasion of her privacy, or like she is not getting fair value in return.

Bottom line, data can be relinquished only in exchange for value and security. Our key user, who Prophet affectionately refers to as “Jamie,” does not want more insurance. She seeks a better way to protect the people and things she loves.

Millennials are the largest generation in U.S. history and will account for 40% of the U.S. population in 2030. Thus, it is imperative that insurers understand them better, or lose market share.

Generational Thinking

The next gen consumer will value social progress and diversity, demanding such values from every company they engage with. This includes a thirst for wider perspectives and ideas.

In 2030, the key insurance user will also be an active participant in the sharing economy. This includes an expanding appetite for gig work and side hustles.

The sharing economy is estimated to reach $335 billion by 2025, and millennials use these services at four times the rate of baby boomers.

Wants and Needs of the 2030 Insurance Consumer

On the whole, users are sick of being overwhelmed by choice. Future customers will be smarter about avoiding decision fatigue. As e-commerce and data sharing shift more power to people (and away from businesses), they'll use it to tame complexity.

Thus, the average user will utilise easy to understand solutions in order to make educated fiscal decisions. They will make a conscious effort to ensure that their decisions have the best impact on their entire life–not just work, but also home, health, relationships and financial freedom.

This craving for freedom and the expected development of the sharing economy means insurance must become more flexible.

Many successful disruptors have entered the market, however in the next decade, it is likely that our key users will seek a one stop, flexible insurance solution. Excessive paperwork and numerous policies is an archaic process that the next gen consumer will simply expect to be replaced. Thus, this presents an opportunity for insurtech firms that specialise in one type of insurance to grow their offerings to generate a more agile insurance solution for the next gen user.

With insurance, for the most part, customers are often limited to rigid products that aren't necessarily what they want or need and they can often be difficult to understand.

Such a large sector with such outdated processes, the insurance industry is ripe for disruption.

The use of data, analytics and technology to better predict and understand insurance risk, not just helping to calculate a premium, but doing more for the customer and making insurance something they really value, is set to grow significantly.

Customer needs and expectations have shifted, risks are changing and insurance providers need to keep pace through the use of data. Insurance companies must radically dial up their ability to create products that are adaptable and flexible. The traditional insurance sector is becoming increasingly outdated and the more agile and user-centric businesses are

eating up market share.

They are also in a fantastic position to grow their businesses by offering subsequent insurance solutions and become a digitised home for next gen consumer insurance policies. It is important to remember that millennials are digital natives and are used to on-demand, frictionless, instant-access experiences.

Yet when it's right, they also crave the personalised service and human connection they can only get from face-to-face interactions. A perfectly agile business can provide both. Digital solutions are generally preferred but when alarm bells ring, it is always nice to speak to a person.

Thus, it is imperative that insurtech firms master this balance between automation and digitisation with a personal and "human" touch.

The next generation of key insurance users, as mentioned before, will be much more inclined to pay for insurance services monthly. This means insurance could easily be added as part of their monthly car payments or pay for their insurance in a flexible manner in line with the future flexibility of car usage. Thus, there are tremendous B2C and B2B options for insurtech firms that are rallying against the rigidity of the long standing insurance institutions.

It is imperative that business leaders in the field leverage their agility and inherent forward thinking approach to continue to grow and serve the emerging millennial insurance market that should be reaching maturity in 2030.

Generational Thoughts

As we continue to pursue and expect automation, machine learning and AI will become increasingly prominent. Gartner, the US IT service management firm has warned that many organisations are woefully underprepared.

Gartner also quoted the Head of Security at one of the largest banks in the US stating that, “we want to protect client information used in machine learning models but we don’t know how to get there.” As per Harvard Business Review, most major companies, including Google, Amazon, Microsoft, Uber, and Tesla, have had their artificial intelligence and machine learning systems tricked, evaded, or unintentionally misled.

As companies inevitably race to satisfy a growing appetite for automation for processes that are historically paperwork intensive, such as those in banking and insurance, we must also be aware of the long term, security and trust matter. There is immense pressure on tech companies to race to market and introduce sector leading technology, but this must not come at the cost of people’s security and privacy.

Your future insurance customer will also value ethics and the public image of your brand highly. Insurers are already starting to make positive changes, such as Lloyd's of London cutting ties with fossil fuel companies, taking a clear stand in the industry's long standing debate over the industry.

Tech firms have an advantage in being able to engage the younger generation with their effective branding and communication and can leverage this through elements of personalisation and digitally driven solutions.

As per Deloitte, customers naturally want their problems solved quickly and firms that can achieve this are putting themselves in the driving seat. Customers are beginning to expect their problems to be solved in such a manner, without a laborious debacle consisting of excess paperwork and phone calls.

The ripples that insurtech firms are making are abundantly apparent. As per a Deloitte report, 73% of insurance managers believe that mergers and acquisitions will drive at least 50% of industry growth within the next five years. This is clear evidence that the long standing firms acknowledge that they cannot compete with the agility of insurtech start-ups and believe it would be more advantageous to simply acquire the burgeoning companies.

Of those interviewed, 95% expected an increase in the use of advanced analytics within the next three years which provides an interesting insight to the changing future of insurance, driven by technology and data.

Shaping the Future of Insurance

Five important demands that next gen consumers will make as they navigate important financial choices.

1. I must be in charge of my personal data

Our key persona sees the protection of their data as part of their everyday life, using data intermediaries as a shield between them and the companies that want them as a customer. It is important to regard the aforementioned power of advanced data to drive down insurance premiums in the future, effectively rewarding certain user's choices.

Thus, customers may give up more information, but only on their terms and if they are getting tangible value from doing so.

In 2020, around 86% of consumers were a victim of identity theft, credit or debit card fraud or a data breach. Thus moving forward it is imperative that insurtech firms build trust and communicate effectively with their users.

By 2030, our key persona should see themselves as the rightful owner and distributor of their data, demanding tangible value for relinquishing it and if companies can't demonstrate that value or use it to punish the user, like increasing home insurance rate because the house was unlocked, they know they can stop sharing.

2. I want to feel as if the product was made just for me

By 2030, as consumers navigate their digital world, everything morphs to their specific needs. Products and services reconfigure based on the user's

environment.

This level of demand and expectation, by the end of the decade, will require businesses to be agile. This is why insurtech must make a conscious effort to capture more of their users' insurance products.

Having a one stop digitised insurance solution for the next gen user allows much for flexibility and ease of use.

Not having to be in contact with various providers and dealing with paperwork, simply interacting with an automated process and handling any admin via an app is exactly what this generation wants and will expect from their providers. Insurtech firms are in an advantageous position to offer this style of service, giving them an opportunity to grow considerably.

An interesting quote from a Gen Z insurance customer perfectly summarises the generation's feelings on automated processes and human discussion in insurance, stating that "I expect a user focused experience with an app that's simple. I appreciate talking to a real human for some things. But for insurance, I only need to talk to someone if I have an issue."

It is reassuring to have a person to speak to when things go wrong, however, when unnecessary, it is an irritation, especially when every day digitised processes are so seamless.

As per Prophet, our key user expects this deeply individualised, even humanised, experience with every company in their life. They want insurers to seamlessly serve them in each unique context, from a self-driving car they rent by the day to smart-

home technology that senses their lighting and heat preferences. As this expectation continues, it is advisable for insurtech firms to invest in digital-to-human exchanges, including AI bots.

3. I must trust and verify the brands that I support

McKinsey reports that customers are more likely to trust a company that asks only for information relevant to its products or that limits the amount of personal information requested, with about half revealing that speedy responses to breaches also have incredible impacts on trust. This is very unsurprising but insurtech firms must not simply expect the user to trust them blindly from the start.

It is imperative that a conscious effort to nurture trust between service and user is made continuously, not just neglecting users after their onboarding.

Come 2030, our key users will be seeking products they can easily understand and verify independently, with users carefully considering tradeoffs and researching market offerings. In addition to this, it is likely we will be seeing all in one, digitised insurance policies, so retaining users will be very important, especially as insurance starts to be seen as a monthly cost as opposed to yearly. Perhaps this trend will go even further and become entirely flexible, beyond even monthly payments.

Furthermore, our key users will value the reassurance of their coverage. Users will verify that commitments are kept and that they get what has been promised. This will serve as validation for digitised insurance as

firms continue to provide and deliver their services successfully through a new digital medium.

Our key audience wants companies to share signs that the technology is working as it should, this can be achieved through polite, personalised notifications, for instance wishing the user “Good Morning” and reminding them that they are “protected” should they choose to drive today.

Interestingly, in Prophet’s report a Gen Y insurance customer stated that they prefer texting with their insurance provider, “That way, I have easy proof.” Thus, again the sense of mistrust and uncertainty around their coverage is something that will be addressed this decade.

Our target audience strongly values independent information when choosing between providers, therefore an acute and effective PR strategy is essential to attaining competitive advantage and capturing users.

Aside from external factors, it is incredibly important that the user feels in control when engaging with the

platform.

Successful fintech and insurtech platforms provide an effective interface that delivers the service in a manner that both resonates with the user and puts them at ease, something especially important for platforms in the financial sector.

Moreover, as insurtech moves into a monthly payment service, churn rate will be an important metric. With less of a focus on yearly policy end dates, putting users in control and at the centre of the service design, means not giving them any reason to switch.

4. I expect companies to follow me everywhere

By 2030, digital services will not be a "one size fits all approach." Customers will expect their digitised solutions to evolve with them. In Prophet's report, a Gen X insurance customer stated that "as your life changes, your insurance needs change. It would be great to have a subscription model covering anything from home to life to renters to auto." Thus, our key user will "value possibility" and will want to work with companies that they know will support them wherever life takes them.

This sense of possibility and flexibility is reflected in our user's commuting habits, commuting through a ride-share, a bike, train, bus, scooter or car, if they go to the office at all. This also reinforces the point that insurance is becoming another monthly subscription service, something the generation in question are more comfortable with.

Thinking in terms of yearly policies seems too rigid and can make the user feel trapped.

McKinsey have also published their forecast for insurance in the Year 2030, featuring some interesting scenarios for adaptive, digitised insurance.

As a side note, the amount of literature from big consulting firms forecasting the industry's overhaul shows the impact that insurtech firms have had in disrupting insurance, acknowledging that innovation has to occur within the sector, overhauling long standing archaic processes that are not in line with their end user's expectations.

McKinsey invites insurtech entrepreneurs to imagine their key persona, a young man named "Scott," who uses his digital personal assistant to order a vehicle with self-driving capabilities for a meeting across town. Upon hopping into the arriving car, Scott decides he wants to drive today and moves the car into "active" mode.

Scott's personal assistant maps out a potential route and shares it with his mobility insurer, which immediately responds with an alternate route that has a much lower likelihood of accidents and auto damage as well as the calculated adjustment to his monthly premium.

Scott's assistant notifies him that his mobility insurance premium will increase by 4 to 8 percent based on the route he selects and the volume and distribution of other cars on the road. It also alerts him that his life insurance policy, which is now priced on a "pay-as-you-live" basis, will increase by 2 percent for this quarter. The additional amounts are

automatically debited from his bank account.

This represents ultimate flexibility, with insurance being paid for and utilised efficiently. This is also the ultimate adaptability that Prophet's key persona discussed, expecting to be supported everywhere they go, no matter how their circumstances or environment changes.

The automated changing of policies may seem slightly dystopian in concept, however, it is likely that there will be autonomy on the user's side regarding the sharing of such information, with Scott sharing this information only when he gets value back.

Prophet's key user "Jamie" has adopted something of a nomadic lifestyle. Remote working and a deep desire to travel means she's less interested in protecting physical items, like family heirlooms or collectibles that tie her down. She puts more value on experiences and connections with friends and family.

This is backed up by a quote from a Gen Z female in the report, stating "One of my goals is to travel a lot, so I definitely do not want to have too much stuff to hold me down."

This lifestyle means our key users will demand more flexible policies that fit what they need in the moment while not limiting choices in the future.

As per McKinsey, in the next decade, if Scott happened to bump into a parking sign in his car the internal diagnostics will determine the extent of the damage. His personal assistant instructs him to take three pictures of the front right bumper area and two of the surroundings.

By the time Scott gets back to the driver's seat, the screen on the dash informs him of the damage,

confirms the claim has been approved, and reports that a mobile response drone has been dispatched to the lot for inspection.

If the vehicle is drivable, it may be directed to the nearest in-network garage for repair after a replacement vehicle arrives. This scenario seems almost trivial now, but as McKinsey points out, all the technologies required above already exist, and many are available to consumers already.

Thus, McKinsey believes that integrated user stories will emerge across all lines of insurance with increasing frequency over the next decade.

5. I need to be assured that companies I invest in are behaving ethically

At the end of this decade, Prophet believes it will be abundantly clear that customers demand transparency on fairness practices and shun businesses that don't do so.

Thus, investing in effective PR and communicating ethical business practices effectively is imperative. As per Prophet, 90% or more of Gen Z consumers expect companies to do more to protect the environment, promote racial justice, combat sexual harassment and create more jobs.

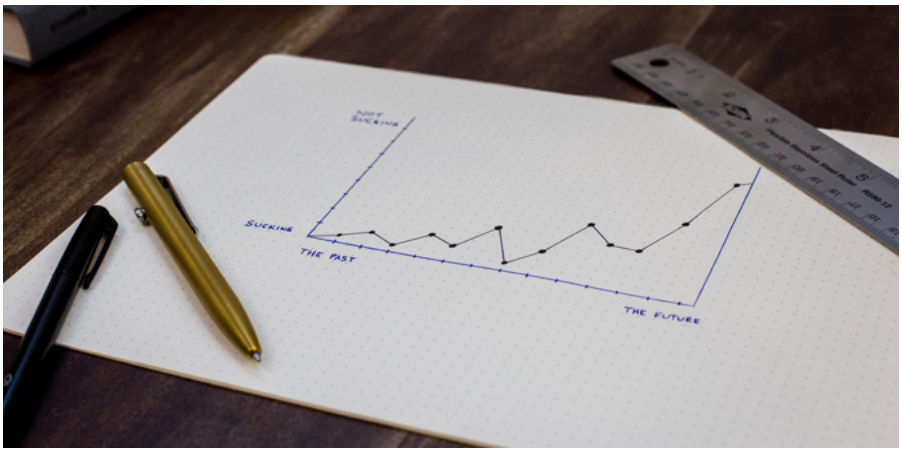
Being the Insurance Company That Jamie and Scott Want to Choose

What Will it Take to Win Jamie & Scott's Business?

Traditional insurers are facing immense competition from insurtech firms that offer the flexible approach that young professionals identify more with. Thus, it will not be easy to become the insurance firm that Jamie and Scott want to choose.

As per Prophet, the insurance sector faces colossal changes in the coming decade, driven by seismic shifts in generational demographics and consumer expectations. This has been accelerated by burgeoning, digitally enabled insurtech firms storming to market. Thus, established insurers are desperately feeling the need to keep up with these digitally native companies and their innovative products that have been triggered by breakthrough data access and availability from millions of devices.

This ongoing AI revolution and its cognitive technologies offer countless possibilities. Therefore, it is imperative for these fintech market entrants to keep innovating and growing their insurance offerings to expand their business, to become more than just a stone in the shoe of the long standing insurance firms.



Continue to grow and these insurtech firms can culminate in a large buyout or even an IPO, becoming

a mainstay in the next gen of insurance. As per Prophet's report, there are some key transformations that leaders can make to promote sustained competitive advantage.

1. Beyond personalisation

Tech players continue to raise customer expectations for dramatically increased personalisation to deliver individualised, continuously adaptive products, services and experiences. This in turn is creating higher standards for businesses to match. This future may include individualised health coaching for life insurers and for Property and Casualty insurers, it is paving the way for lock the door reminders and suggesting safer driving routes. For the long standing, cumbersome insurers, adopting this will take immense overhaul, which is why the agile insurtech firms are ripe for buyouts and immense growth this decade.

These nimble startups can easily integrate these adaptive services, for instance setting up an API to utilise Waze's navigation software, to alert drivers of dangerous roads or other accidents, complimenting the user's insurance policy.

As per Prophet, in order to win in this adaptive insurance market, insurtech firms will have to build more sophisticated dashboards to provide transparency and win customer confidence.

With this trend of information sharing it is imperative that user privacy is not compromised.

As per McKinsey, the rapid evolution of the industry will be fueled by the extensive adoption and

integration of automation, deep learning, and external data ecosystems. While no one can predict exactly what insurance might look like in 2030, firms must take steps to prepare for inevitable change.

This will likely include; investing in a deep understanding of AI related technologies, understanding how they can participate in the IoT ecosystem at scale, running pilot programs and developing AI underwriting systems that use proprietary data.

There should be a defined customer data value exchange strategy in place for budding insurtech firms and across the board, especially the long standing institutions, insurers will need to rethink their customer engagement and branding, product design, and even their core earnings.

Insurtech firms must continue to optimise their UX, becoming ultimate user-centred products and incrementally increasing their service offerings and tech integrations.

Thus, the agility of the insurtech players must be leveraged against the cumbersome nature of long standing insurance firms.

2. Finding partners and building an ecosystem

As our key user's life continually evolves, so must their insurance. To stay with them, insurers will need to serve them seamlessly in all areas, even when it extends beyond their core business boundaries. However, as mentioned before, insurtech firms do not need to build every capability, they can work to form meaningful partnerships and integrate existing

software into their insurance platform, creating an important tech ecosystem.

In the short term this could include integrating wearable tech, data intermediaries and car sharing platforms, whereas thinking more in the long term, this ecosystem is likely to expand to other risk aggregators, underwriters, health organisations and identity-protection firms with a rich universe of partners, which further enlarge the ways insurers can support them. Thus, it is important to work to define a partnership ecosystem strategy that clarifies how your organisation will create value and competitive advantages whilst effectively communicating value propositions effectively to your partners.

In addition to this, businesses must develop the relevant technological capabilities for digital interoperability, including an upgrade to lightweight architecture built on microservices and APIs to enable bidirectional integration. Working to implement such a strategy will make firms agile enough to achieve sustained competitive advantage in this rapidly changing sector.

3. Business model transformation for the next gen insurance customer

The fact that our key user demands and expectations are not being met by the insurance industry presents tremendous opportunity for enterprising market entrants. As per Prophet, to win this emerging battle for the next generation's insurance,

Insurers must develop simpler, accessible products, like lower face-value life insurance or personal pension plans.

As we mentioned before, this transformative approach to an insurance business model includes the ultimate leveraging of technological capabilities. Prophet suggests that this may include streamlined product development with smaller, smarter portfolios, efficient lead gen capabilities, digitally enabled, self-directed service models that also balance a need for empathy and automated claims handling systems that leverage AI for fraud detection and prevention.

Customers today are fundamentally different from their parents and grandparents. The blending of technology with our everyday lives has created a new kind of consumer, the digital native.

Customers are quickly becoming the disruptive force within the insurance sector, with a desire for instant gratification, endless choice and consistent change omnipresent. With comparison sites, ratings and testimonials merely a click away, customers are quick to abandon sign-up processes as soon as they encounter friction.

To succeed in this brave new world of insurance, instant and flexible digital solutions must be adopted.

With millennials propelling the rapid growth of subscription models, co-ownership, resale and purchases that promote a circular economy, they'll be drawn to any company offering an unexpected business model. Successfully adapting insurance to suit these next generation demands will promote sustained competitive advantage. Thus, going forward, it is imperative to expand distribution models, enabling your customers to access their coverage in more ways.

Furthermore, exploring more efficient insurance models, such as usage based insurance, is also becoming increasingly prominent. As we have mentioned throughout, the prominence and widespread expectation for services to be paid for in a monthly manner is only expanding.

"Bundling" other benefits and services with individual insurance can only lead to growth, and increase customer retention in the long term.

Since there will be less emphasis on yearly renewal dates, users are far more likely to simply let their insurance roll on, instead of a yearly visit to a comparison site.

Insurers could also partner with car companies and simply have insurance offered as part of the monthly cost of the vehicle. The beauty of such agility is that there are endless options regarding delivery methods and ways to access the service.

4. Double down on capital light, value adding services

Personalisation capabilities are a new competitive edge when it comes to acquiring and keeping customers in the next decade and they are crucial to winning new users. Building on this notion of personalisation, creating a customer journey within a platform, is offering value added services. This can help insurers improve profitability, own the customer interface, and reinvent their product offerings.

To capture these benefits, companies must understand the changing needs of customers and brokers and expand with new services beyond a core offering.

McKinsey notes that legacy insurers are under pressure as in recent years the sector has suffered from declining profitability and cyclical growth. Brokers are increasingly owning the customer interface and excess capital is diminishing margins. Insurers must reinvent their products and services offerings to remain competitive. Value-added services hold enormous potential to react to changing customer and broker needs, but insurers will need to define offerings that go beyond the current core to truly monetise. Insurers can also promote wellness for their users through targeted services.

As per Prophet, such add-ons can create meaningful revenue and margin opportunities for insurers, especially amid persistent low-interest-rate environments. The primary vectors for such benefits include health and wellness, allowing our key user to use biometrics to lower their life insurance premium. Adding access services can allow “auto-resolution” in the instance of a cyber-attack, where their insurer secures accounts and recoups losses.

Further to this, developing a lifestyle management platform that aggregates the user’s data into a single dashboard would allow one to monitor their entire ecosystem.

Finally, smart home devices can notify users about

potential fire hazards, thus driving premiums down through reduced risk. Working to hone a business like this will increase the odds of sustained competitive advantage.

Developing human centered product and service design capabilities to build, pilot and ultimately scale non-insurance based services makes products far more attractive to the younger generation of insurance customers who expect more from their services beyond its basic functionality.

5. Reimagining an existing organisation

Creating the right talent and technology infrastructure is imperative to winning in the emerging insurtech market. The next generation of successful frontline insurance workers will be in increasingly high demand and must possess a unique mix of being technologically adept, creative, and willing to work at something that will not be a static process but rather a mix of semiautomated and machine-supported tasks that continually evolve.

Adoption of a human centred approach will breed a human centred platform that meets the next generation insurance consumer's needs.

As per McKinsey, developing an aggressive strategy to attract, cultivate, and retain a variety of workers with critical skill sets will be essential to keep pace. These roles will include data engineers, data scientists, technologists, cloud computing specialists, and user experience designers.

Retaining this talent whilst also ensuring the business has the new skills and capabilities necessary to compete, many organisations will design and implement reskilling programs. Thus, working with

partners to cultivate a strong culture is increasingly important and something we find we are helping our clients with more and more, helping them cultivate an innovative and prosperous ecosystem.

Rapid technological changes in this decade and continually changing consumer expectations will cause major industry disruption.

The winners in this new world of insurance will be carriers that use new technologies to create innovative products, harness cognitive learning insights from new data sources, streamline processes and lower costs, and exceed customer expectations for individualisation and dynamic adaptation.

The firms that look at this disruption as an opportunity instead of a threat are far more likely to achieve competitive advantage this decade.

Thus, we are looking to help our clients expand their organisation's transformation strategy to ensure it takes a human-centered, comprehensive and structural approach that should be reflected in the user journey within their platforms.

Closing Words

The Next Decade

Digitalisation, new forms of risk and new customer demands are radically changing the insurance industry with the promise of lower prices and better products for consumers and more profitable business for insurers. Companies must adapt to this new world and create sustainable business models for the next decade, warns KPMG's Mark Longworth.

At Opportunus, we share this sentiment. To adequately serve the 2030 customer we need to dig more deeply into generational trends and technological possibilities, understanding the many different ways ever-evolving consumers want to live their lives, both digitally and offline. Many insurtech startups in the UK and in the US are confidently disrupting the insurance industry.

Coming from the technology sector rather than from traditional insurance, they use their considerable strengths in data analytics to improve risk management and customise offerings to the market. Ed Klinger, CEO of insurtech firm Flock, states that focusing on this data will mean the end of traditional annual policies that are both a gamble for the insurer and a hassle to renew for the customer, and the advent of insurance that is, as he puts it, automated and invisible.

Abolishing the yearly policy is more of a shift towards the expectations of the millennial and older Gen Z customers, who are much more expectant of monthly recurring payments and wholly digitised solutions. The CEO of Wrisk, Nimeshh Patel, states that "customers in the 25–34 age group, which is who all insurers should be trying to attract, want to do everything on their smartphone."

Opportunus agrees with the sentiment that millennials are the generation that insurers should be targeting as a top priority, especially since millennials are the most populous generation in US history.

In order to capture this valuable generation of customers it is vital that solid digital infrastructure is developed. Insurance firms must also adapt their offerings in line with emerging demand, such as developing capabilities for commercial fleets and shared ownership of electric cars.

Leading businesses must also develop insurance that considers the rise of self-driving vehicles. Mark Longworth, partner and head of insurance consulting at KPMG in the UK, believes that "right now, many incumbents are tinkering rather than reimagining.

They need to be acting now and creating a fully connected enterprise with data at its heart.

They need to bite the bullet and build a picture of what they want their company to look like in this digital future."

Incumbents are facing the inevitable inertia that comes from established systems and procedures. Many are held back by legacy technology systems. Mark Longworth states that in order to win "companies will need to make a cultural shift."

However due to the rigid nature of these long standing insurance institutions, the likely outcome is big money acquisitions of strong insurtech firms,

allowing them to continue operating with the culture that made them successful, under the umbrella of a legacy insurance institution with hundreds of years of scale.

End Notes

Endnotes

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Thank You.