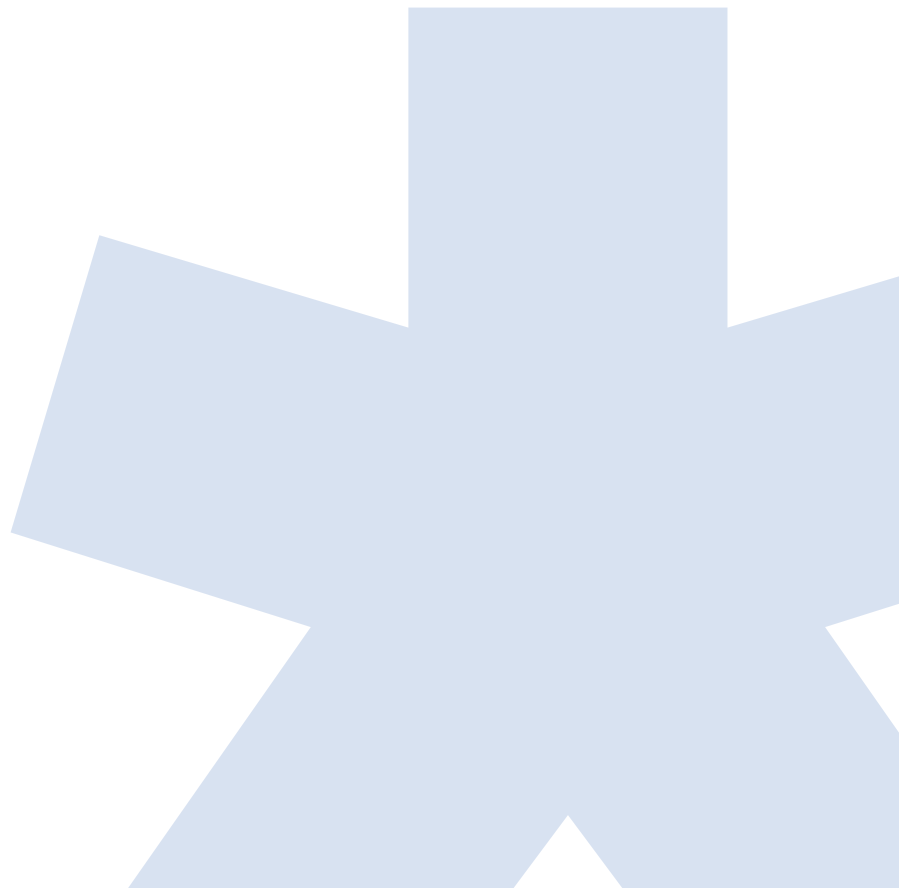




COVID-19 Pulse Check: State of the EMEA Insurance Industry

Johanna von Geyr, Partner & EMEA Lead BFSI
Bryn Barlow, Partner & EMEA Lead BFSI

September 2020
Survey



CORONA WAKE-UP CALL

What lessons insurers are learning from the pandemic and how they are planning to develop their customer business

Eighty-six per cent of insurance companies in Europe expect customer behaviour to change – in some cases dramatically – in the course of the COVID-19 crisis. Demand for digital products and services is expected to increase significantly.

Recent research, by Information Services Group (ISG), surveyed 290 executives in the insurance industry. It revealed that consumer behaviour is changing, which is leading to insurance providers adapting and accelerating the launch of innovative insurance solutions.

COVID-19 is a wake-up call for the insurance industry. Those who do not hear it jeopardise the future of their businesses.

BETTER CUSTOMER EXPERIENCE

Core result 1: Optimising customer experience is the cornerstone of all business decisions.

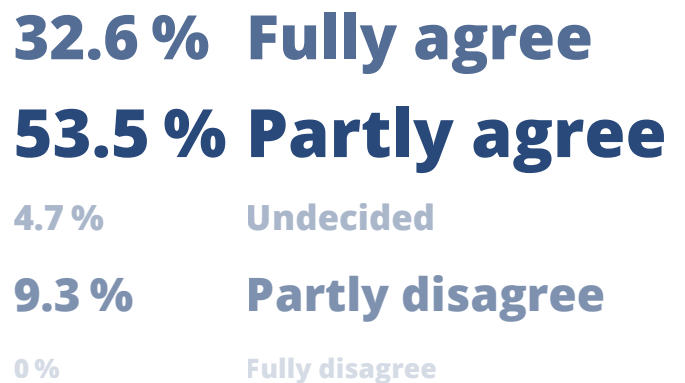
Creating a better customer experience has been one of the main challenges for the insurance industry for years. The lockdown has shown the industry just how important efficient digital services and products are for customers. Efficiency is crucial throughout the customer journey – from sales and underwriting, to claims processing, contract management and the generation of follow-up business.

None of this is new. But customers and employees now know how resilient their solutions and services are. COVID-19 has given the insurance industry a much deeper understanding of how much insurance business models depend on the quality of customer experience, and it's shown them the extent to which it's supported by digitalisation.

Almost all study participants confirmed that there would be significant changes in customer experience due to the pandemic.

- A third of respondents agree that customer experience will change significantly as a result of COVID-19.
- Around half of those surveyed are more cautious, but broadly agree with the basic statement.
- One-in-eleven respondents predict little change in their customer experience.

Customer Experience is going to change significantly after COVID-19



WILLINGNESS TO INVEST IN BETTER CUSTOMER EXPERIENCE

Respondents were open-minded when it came to assessing the significance of the customer experience in their investment decisions. Three-quarters (76.9 per cent) of decision-makers surveyed attached above-average importance to the “customer experience” factor in future investment decisions. Meanwhile, 74.4 per cent placed equal importance on “automation and going digital”.

How strongly will these criteria guide your future project and business investments?

Customer Experience Improvement



76.9 %

Automation & Digitization



74.4 %

We’ve seen that respondents feel that improving customer experience should be a focal point for improvement. But what areas of technology should they invest in to improve customer experience levels?

Nearly two-thirds of those surveyed consider digital customer experience technologies, like online servicing platforms, to be important areas for investment. They indicated that “cloud transformation” (51.3 per cent) and “data, machine learning & AI” (46.2 per cent) were other areas that merited significant investment to improve customer experience.

Please rank the following potential technologies you would like to invest in.

Digital Customer Experience



61.5 %

Cloud Transformation



51.3 %

Data, Machine Learning and AI



46.2 %

Insurtech Ecosystem



20.4 %

Only one-in-five of those surveyed consider the insurtech ecosystem one of the most important areas for investment, as other factors take priority. But the respondents realise that the ecosystem needs investment and insurtechs will continue to make a significant contribution to idea creation and the implementation of digitalisation strategies in the future.

DIGITALISATION AND AUTOMATION

Core result 2: The coronavirus crisis is giving the insurance industry's digital strategies a boost.

Why do the respondents think that customer experience will change significantly as a result of the pandemic?

The respondents almost unanimously believed that their companies' digital strategies presented new opportunities

to design insurance products and customer services in line with demand. As a result, more than 95 per cent of respondents expected that most customers would welcome the introduction of new digital products and services.

"MOST CUSTOMERS WELCOME THE INTRODUCTION OF DIGITAL PRODUCTS AND SERVICES"



The much greater desire for digital services and electronic communication channels is, for the vast majority of respondents, the most important change on the customer side: 83.7 per cent of respondents attach the highest importance to this factor. Only 6.7 per cent see it as “rather unimportant”. The remainder are undecided.

The importance of digital services and electronic communication becomes even more evident when we look at other areas. For example, when asked about the importance of changing needs for insurance products, (which includes a stronger emphasis on health policies) almost half of all experts that responded (46.5 per cent) rate this as an important area of change. However, the agreement is significantly below the comparative value of digitalisation.

There’s an even greater gap when respondents were asked about different risks to be insured, and the desire to use different sales channels. Twice as many respondents (risks to be insured) and three times as many (different sales channels) see digitalisation as an area in which customer demand behaviour will change particularly significantly.

HOW DO YOU EXPECT CUSTOMER DEMAND TO DEVELOP?

More demand for Digital Services and communications

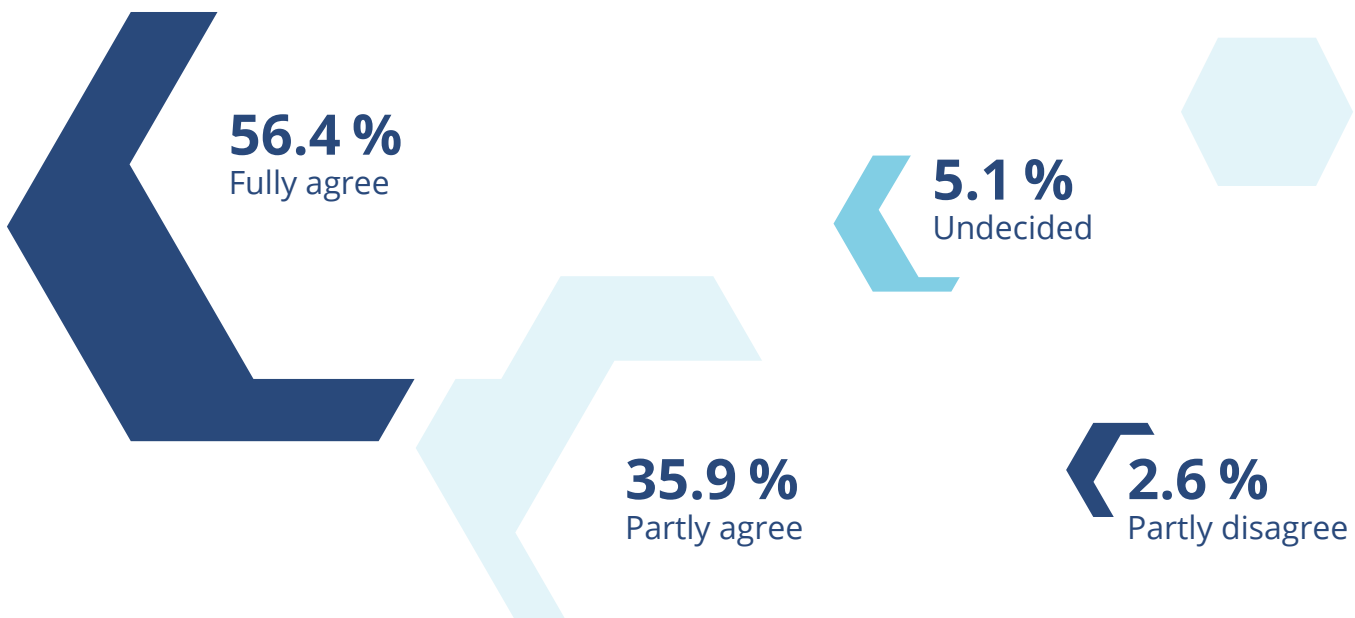
83.7 %



NEW IMPETUS FOR INNOVATION

One thing that most of the respondents agree on is that the pandemic will accelerate innovation management in the insurance industry. While just over half of the managers surveyed “fully agree” with the statement, one-third at least “partly agree”. In total, more than nine out of ten study participants believe that the pandemic will increase the rate at which new products and services as well as product improvements are brought onto the market – mainly due to the simplification of their previous product portfolio.

“THE CRISIS WILL ACCELERATE INNOVATION.”



SIMPLIFICATION OF INSURANCE PRODUCTS

Core result 3: Insurance companies will go on simplifying their product portfolios as a result of the pandemic.

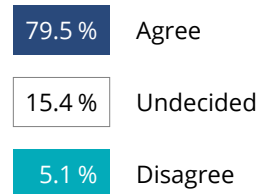
The insurance industry is facing a massive organisational challenge: it must simplify its product portfolio drastically. It's been far too complicated for decades – and the legacy IT systems that keep the services running have been a significant cost.

Simplification not only results in cost savings, but also increases business agility enabling businesses to tap into the ecosystems that are central to the future of their market strategies.

However, the existing products are still managed very differently. Two-thirds of respondents say that they've already started simplifying their portfolios, but will be doing some further work in this area. Four out of five insurance experts expect the portfolio simplification process to intensify further.

The remaining respondents are mostly still undecided. Only 5.1 per cent see no additional need for product simplification in their companies.

“OUR ORGANISATION IS PLANNING TO FURTHER SIMPLIFY ITS PRODUCT PORTFOLIO.”

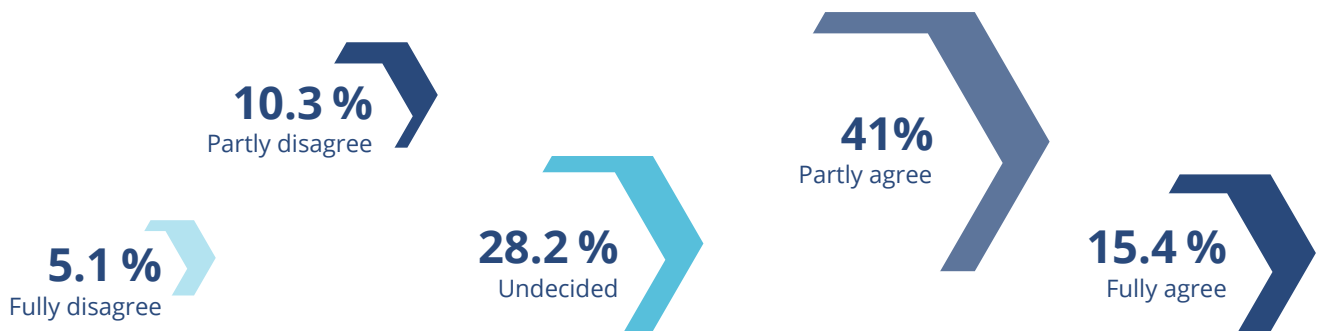


ECOSYSTEM CHANGE

Core result 4: Insurers' ecosystems will change significantly as a result of the crisis.

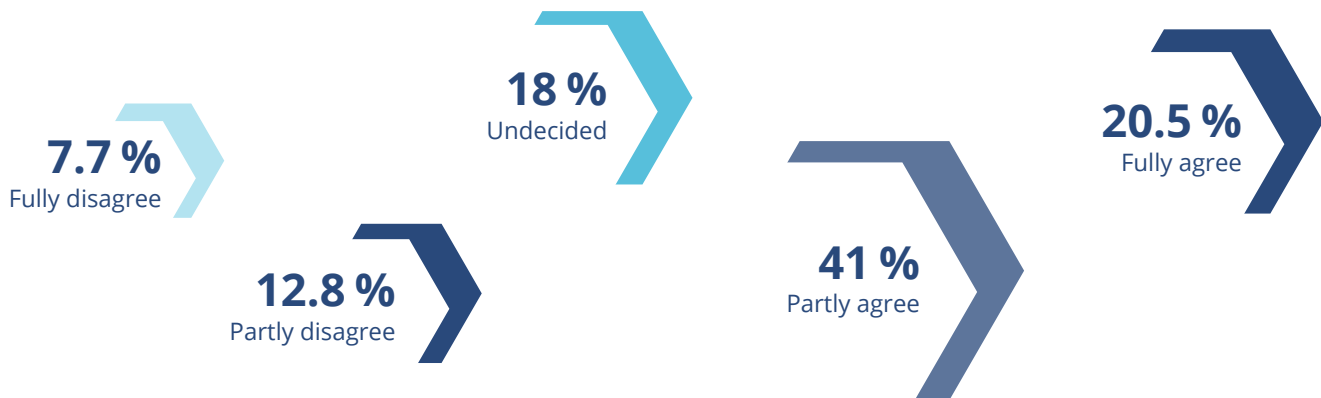
The study also shows significant changes in the area of the ecosystems already mentioned. More than half of those surveyed expect a significant change in their ecosystem. A similar number of respondents expect partners to exit the market in the course of the COVID-19 crisis, while others will replace them with new services – be it business vendors, insurtechs or IT service providers.

"EXISTING INSURANCE ECOSYSTEM WILL CHANGE SIGNIFICANTLY."



Let's take a closer look at the expected market exits. Nearly two-thirds of respondents expect to lose a number of partners. Only one-fifth of them expect hardly any market exits or none at all.

"WE EXPECT SOME OF OUR CURRENT PARTNERS (VENDORS, INSURTECHS, ETC.) TO EXIT THE MARKET."



What about the fact that just one in five study participants sees the Insurtech Ecosystem as an important investment area?

Given the high number of expected exits from the insurance market, this rather low estimate is even more interesting. Let's remember: respondents currently attach much greater importance to the areas of digital customer experience, cloud transformation and artificial intelligence when it comes to the allocation of investment budgets.

The majority of the experts surveyed currently assign a much higher priority to the areas mentioned above, with an increased tendency towards in-house solutions.

We predict that this shift in priorities will be temporary.

There is no doubt from any of the respondents that insurtechs will continue to play an essential role in solving the challenges of digitalisation in the future. Respondents agreed that providers offering new services will be more prominent in the future. This is because the number of potential newcomers is seen as almost a mirror image of the extent of the expected market exits: exactly one-third of study participants expect their ecosystems to fundamentally change as a result of this shift. On the other hand, only 12.8 per cent of respondents expect only a few market entrants and 7.7 per cent expect none at all.

"WE SEE OTHER PLAYERS (INSURTECHS, ONLINE DISRUPTORS/START-UPS, COMPETITORS) COMING UP WITH NEW SERVICES IN RESPONSE TO THE CRISIS."



In the EMEA region, there have already been around 2,500 new start-ups in the insurance sector over the past two years. The main function of these start-ups has been to supplement the product portfolios and value chains of the established market leaders with innovative services.

As of August 2020, no valid assessment can be made as to which start-ups will make the most of the opportunities presented by the coronavirus crisis and whether the high level of ecosystem fragmentation will continue or decline again.

Since early 2019, we have seen that transactions with established ITO and BPO service providers have declined sharply, while the demand for as-a-service has increased exponentially. This trend will continue.

Automation and data analysis services have particularly high growth rates. The main driver here is the overriding goal of improving customer experience. Insurers will focus on creating innovative end-to-end processes along the entire customer journey – if nothing else because this also improves the starting situation for managing crisis situations more successfully. After all, as soon as a process can go through the value chain largely automatically, companies are no longer dependent on whether the employees responsible for the process are in the office or working from home.

But how well do respondents currently rate the resilience of their companies?

RESILIENCE

Core result 5: The insurance industry can adapt well to the changes brought by the crisis. However, the majority of respondents are likely to develop their risk and resilience skills further.

Respondents to the survey reported that their systems had coped with employees working from home during the pandemic. More than half of those surveyed said that their company had been “very well prepared” to deal with the business impact of the pandemic.

A further 38.5 per cent still see themselves as well equipped, for the most part.

In total, over nine out of ten insurance experts believe that their employers’ arrangements are sufficient. Only 5.1 per cent express some concerns. None of the respondents, however, go so far as to fully question the adequacy of the preparations.

Respondents to the survey agreed that company management has done a good job as crisis managers. For the majority of respondents, this was due to their employers’ high investment in digital transformation, business continuity and risk management strategies over several years.

“OUR ORGANISATION IS FULLY PREPARED TO COPE WITH THE BUSINESS IMPACT OF COVID-19.”



Agree
92.4 %



Undecided
2.6 %



Disagree
5.1 %

ADDITIONAL NEED FOR RISK & RESILIENCE CAPABILITIES

However, the respondents don't want their employers to become complacent. They know that there is more work to do. More than half of those surveyed rated the further development of risk management capabilities and the strengthening of business resilience as important investment criteria.

HOW WILL OPERATIONAL RISK/RESILIENCE GUIDE YOUR FUTURE PROJECT AND BUSINESS INVESTMENTS?

53.8 %
Important

17.9 %
Neutral

28.2 %
Less Important

OUTLOOK

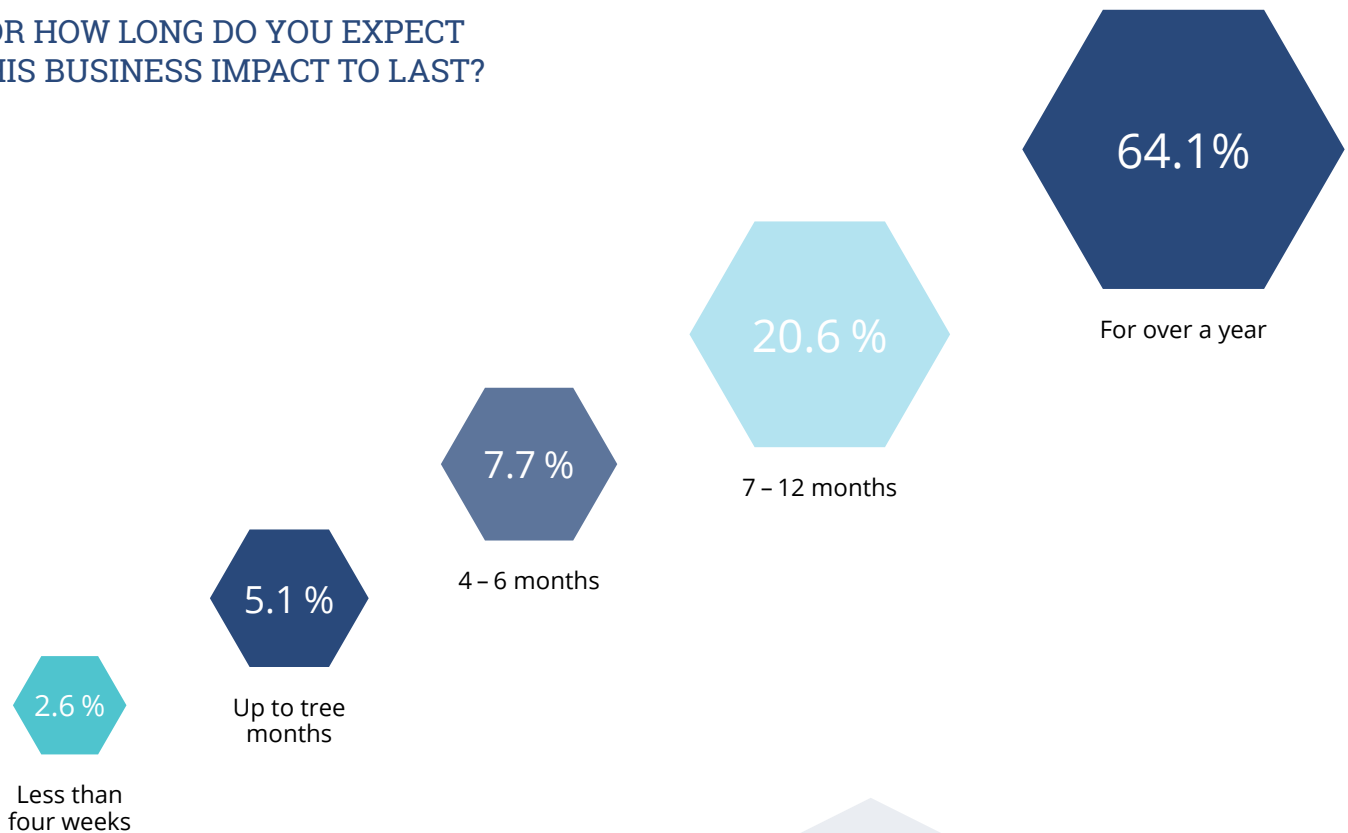
Companies are preparing themselves for new developments with regard to state supervision. Particularly at European level, there are increasing signs that work is being carried out to heighten regulation – and this could start being introduced as early as autumn 2020. EIOPA has already published a staff paper on [resilience solutions for pandemics](#).

As well as strengthening resilience, insurers are also expanding their scope to optimise the customer experience and better position themselves in competition with purely digital newcomers.

The survey shows that the European insurance industry is aware of the scope with which the COVID-19 crisis is currently accelerating the already imminent changes in its business.

This is also demonstrated by the estimates of how long the business impact of the pandemic will last. Two-thirds of those surveyed expect the impact on the insurance business to last longer than a year. Another fifth assumes seven to twelve months. Only one in seven expects a quicker return to normal.

FOR HOW LONG DO YOU EXPECT THIS BUSINESS IMPACT TO LAST?



ABOUT ISG



ISG (Information Services Group) (Nasdaq: III) is a leading global technology research and advisory firm. A trusted business partner to more than 700 clients, including more than 75 of the world's top 100 enterprises, ISG is committed to helping corporations, public sector organizations, and service and technology providers achieve operational excellence and faster growth. The firm specializes in digital transformation services, including automation, cloud and data analytics; sourcing advisory; managed governance and risk services; network carrier services; strategy and operations design; change management; market intelligence and technology research and analysis. Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,300 digital-ready professionals operating in more than 20 countries – a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry's most comprehensive marketplace data.

For more information, visit www.isg-one.com.

Contact ISG: contact@isg-one.com

ABOUT INFOSYS



Infosys is a global leader in next-generation digital services and consulting. We enable clients in 46 countries to navigate their digital transformation. With nearly four decades of experience in managing the systems and workings of global enterprises, we expertly steer our clients through their digital journey. We do it by enabling the enterprise with an AI-powered core that helps prioritize the execution of change. We also empower the business with agile digital at scale to deliver unprecedented levels of performance and customer delight. Our always-on learning agenda drives their continuous improvement through building and transferring digital skills, expertise, and ideas from our innovation ecosystem.

Visit www.infosys.com to see how Infosys (NYSE: INFY) can help your enterprise navigate your next.

Contact Infosys: askus@infosys.com



An ISG Report in collaboration with Infosys

September 2020

Proprietary and Confidential
ISG Confidential © 2020 Information Services Group, Inc All Rights Reserved



www.isg-one.com