

HARNESSING TECHNOLOGY TO NARROW THE INSURANCE PROTECTION GAP – REPORT

- Technology will pave the way for higher insurance penetration by tackling long-standing market inefficiencies such as adverse selection and moral hazard
- Digital transformation of the insurance industry could enable a dramatic reduction in its transaction costs, including claims settlement, acquisition and administration
- Overall, technology will boost the affordability, awareness and appeal of insurance globally

(Zurich, 17 January 2017) Leading think tank of the international insurance industry, The Geneva Association has published a new report that describes how digital and other modern technologies can be harnessed by the insurance industry to narrow insurance protection gaps in mature, and especially in developing insurance markets, by enhancing the awareness, affordability and attractiveness of insurance products and solutions. *Harnessing Technology to Narrow the Insurance Protection Gap* also offers an in-depth review of key insurance economics concepts, practitioner approaches and specific case studies in relation to technology. The findings are complemented and validated by 23 executive and expert interviews provided in the report.

The impact of digitisation across the value chain is pervasive, permeating the areas of pre-purchase, sales and operations. Firstly, it reshapes the way customers discover and perceive insurance propositions pre-purchase. Secondly, sales are enhanced by dropping costs as a result of disintermediation, and increased conversion of leads on the back of tailored solutions and 'digitally enhanced' physical distribution channels. Thirdly, the adoption of straight-through-processing can lead to a massive reduction in back-office costs. Coupled with big data and predictive analytics, it can also translate into significant improvements of the claims ratio and, therefore, improves the affordability of insurance.

Embracing modern technology such as telematics makes it much less likely that insureds will be more careless and take greater risks, i.e. behave against the interest of other insureds simply because they are protected (moral hazard). Also, big data enables quantum leaps in risk classification and makes insurance more attractive to good risks who benefit from more favourable individual pricing. Adverse selection where primarily high-risk individuals would buy insurance is effectively mitigated. Overall, insurance markets become more efficient and offer a better deal to risk-conscious insureds.

Deputy Secretary General of The Geneva Association and report co-author, Dr Fabian Sommerrock said, "The use of technology is one of the most relevant and topical dimensions of the global protection gap debate. With this report, we want to highlight, gauge and quantify win-win situations for insurers, policyholders and societies at large. On this basis, we hope to sensitise the global (re)insurance community, governments, lawmakers, regulators, standard-setters, development banks, supranational organisations and consumers to the enormous leverage technology can deploy to make societies more resilient through risk mitigation, and protection products and solutions."

Senior Advisor to The Geneva Association and report co-author, Dr Kai-Uwe Schanz added, "Even though the insurance industry's digital (r)evolution has just begun, technology has already contributed to narrowing

protection gaps. Digitisation is a unique lever for insurers to develop more affordable, efficient and customer-centric products and solutions, thereby enhancing the societal value of insurance.”

The report *Harnessing Technology to Narrow the Insurance Protection Gap* is available at: <https://goo.gl/WgjVH1>

A report summary is available at: <https://goo.gl/Gxsiol>

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Notes to Editors

The Geneva Association is the leading international insurance think tank for strategically important insurance and risk management issues. It is a unique platform for dialogue between leaders of the insurance industry and key decision-makers at the international and national levels to evidence the important social and economic role of the insurance industry.

The Geneva Association identifies fundamental trends and strategic issues where insurance plays a substantial role or which influence the insurance sector. Through the development of research programmes, regular publications and the organisation of international meetings, The Geneva Association serves as a catalyst for progress in the understanding of risk and insurance matters and acts as an information creator and disseminator.

The Geneva Association membership comprises a statutory maximum of 90 chief executive officers (CEOs) from the world's top insurance and reinsurance companies. It organises international expert networks and manages discussion platforms for senior insurance executives and specialists as well as policy-makers, regulators and multilateral organisations.

Established in 1973, The Geneva Association, officially the “International Association for the Study of Insurance Economics”, is based in Zurich, Switzerland and is a non-profit organisation funded by its membership.

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