

REPORT



Defining your digital strategy in a disruptive world

UK Insurance Underwriting Digitisation Study 2017

MAY 2017



Introduction

In January 2017, LexisNexis Risk Solutions released a comprehensive study on how digitisation is affecting the UK insurance market today. Conducted anonymously, the survey included a variety of insurer perceptions, attitudes and market insights – from defining digital strategy and digital risks, to understanding the value of using data enrichment and contributory databases.

Using a mix of online panel and telephone interviews, we collected data from 107 insurance professionals, all of whom answered questions specific to their insurance line. **Respondents spend at least 30% of their time in underwriting-related activities, with the majority spending over 80% of their time pricing and underwriting policies.** LexisNexis Risk Solutions was not identified as the sponsor of the study (conducted 8th December - 9th January 2017).

The study examined current views between Personal Lines Motor and Home and insurers across a wide range of issues, such as whether insurers think digitising processes will create stronger opportunities across their business, and how prepared they are with using new technology.

Overall, it's clear that to improve the customer journey, manage profitability and attract better risk, a more automated digital strategy is the best way to keep up-to-speed in the face of growing market competition.

Are insurers up to digitised speed or stuck in manual mode?

As more and more UK InsurTech startups break through the insurance landscape, traditional insurers risk falling behind as these new entrants expand. To stay ahead in this highly challenging market, insurers must integrate digitised and more efficient underwriting capabilities into their overall strategy – if they don't, they risk falling behind the curve and missing out on new customers.

31% of Personal Motor insurers say their underwriting processes are mostly manual



While Personal Home insurers say that **25%** of their underwriting processes are mostly manual



Currently, only roughly half of personal lines insurers use an equal mix of manual and digitised processes. Based on the survey results, it's clear that there's opportunity for all insurers to increase the level of digitisation within their organisations.



in total claim to be all, or nearly all digitised

The highs, lows and surprises in the insurance process

We asked insurers how much the different parts of their underwriting processes (application, claims, and quoting) are digitised or manual. The application process scored highest across both insurance lines as being the most digitised, while quoting was the least. Based on the results, there appears to be some unexpected disparity between the processes. With Personal Home, for example, 81% of applications are all, or nearly all, processed digitally. Yet, when it comes to Quoting, this drops to only 27%. Claims for Motor in particular offers opportunity for more digitisation considering that only 38% for this part of the process is nearly all digitised, compared to 73% for Application.

Digitisation helps increase accuracy

Completing insurance application forms can be time consuming and costly, for both insurers and consumers. One reason for the higher proportion of application digitisation in Motor and Home insurance could be that many of these insurers are already exploring the benefits of using solutions such as the US insurance market does with LexisNexis® Data Prefill. Data Prefill works by providing critical information at the initial point of contact with the consumer, using just their name, address and date of birth as data points. So it not only improves the customer experience by already having key information filled in for them, it helps the insurer quickly and more accurately assess risk before quoting a policy.



Focus on the future

When respondents were asked which parts of the insurance process their business was focusing on digitising further, applications were actually the most commonly cited area at 65%, despite being the least manual part of the process. And while a significant number of insurers plan to digitise other parts of the process as well, such as 51% in Quoting, yet only 44% are interested in improving digitisation within their underwriting process, considering 28% claimed that their underwriting processes are currently mostly or all manual.



For Personal Motor insurers, 58% plan to digitise their Claims process more, but only 48% of Personal Home insurers are thinking about digitising their claims process

Reality check

When asked how digitised insurers *perceive* themselves to be in comparison to their competitors, it's interesting to note that these results seem at odds with other findings in the study. In fact, the largest proportion of insurers across all the lines surveyed – 63% in total – see themselves as operating with a greater degree of digitisation in underwriting, compared to their competitors, while only 10% believe their business uses less digitised processes than that of their competitors. Personal Home insurers, in particular, stood out as considering themselves the most digitally confident, at 79%.



in Personal Motor see themselves as operating with less digitisation, compared to their competitors

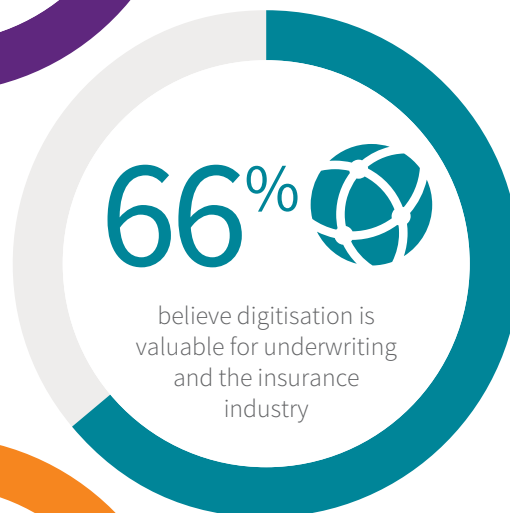
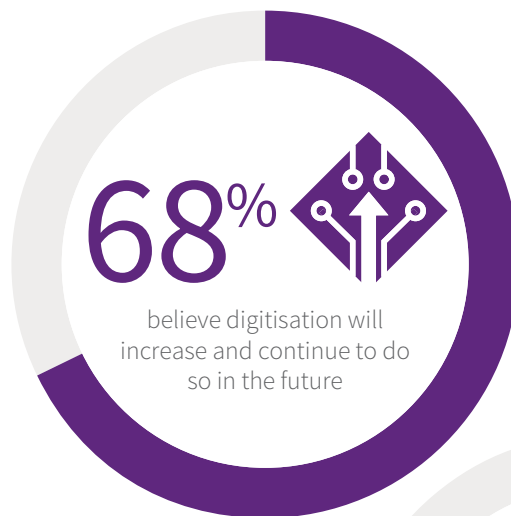


in Personal Home see themselves as operating with less digitisation, compared to their competitors

Claims account for over 50% of what Motor and Home insurers want to digitise further

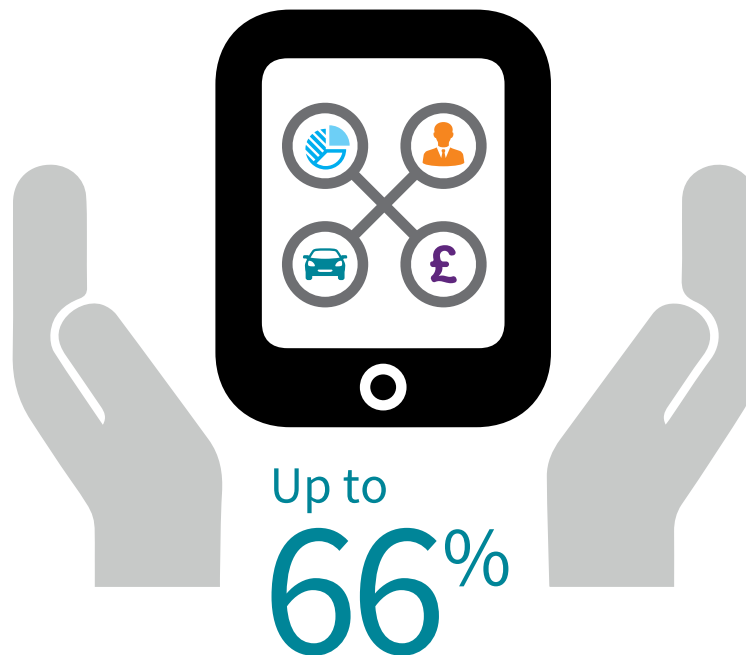
Understanding the value of digitisation

In the last few years alone, it's clear just how much digitisation is helping make life easier for insurance professionals: fewer time-consuming manual tasks, lower operational costs, less chance for human error and improved pricing accuracy, to name a few of its benefits. And the results of the study confirm the prevailing attitude, with most insurers agreeing that they feel increasingly positive about digitisation.



Open for business opportunities

Insurers see digitisation as offering great potential and opportunities for growth in different areas of their business. One third 'very strongly' anticipate that it will help them price policies more accurately – this is on par with the top benefit of improved speed to market for new products, of which a huge 78% see as a benefit.



agree that digitisation will also lead to better customer retention rates, operational savings, an enhanced customer journey and access to new market segments

Only 15% of Personal Home insurers consider digitisation as a very strong opportunity to enhance the customer experience compared to 24% in Motor. Yet Personal Home insurers see nearly twice the value in digitisation helping to price policies more accurately - 46% compared to 27% in Motor.

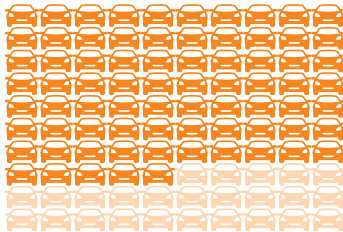
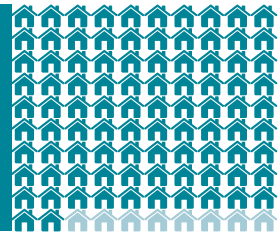
81% of Home insurers claim that they have digitised the Application process, in comparison to 73% of Motor insurers, showing that both lines of insurance may have focused on improving the customer experience and application process already, and are now planning to digitise different parts of their processes further.

Out with the old and in with the new

Whether it's social broking or P2P companies, the majority of insurers (92%) believe that digitisation has allowed new types of insurance to emerge and disrupt the market.

92%

of Home insurers very strongly agree they need to prepare further for the changes digitisation might require

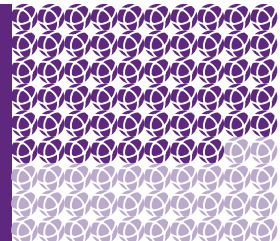


75%

of Motor insurers think they are already prepared for these changes

68%

of both Motor and Home insurers say they are much more or somewhat more prepared for the changes digitisation might require versus their competitors



With so many new challengers biting at their share of potential customers, 88% of Personal lines insurers agree that there's a need for the industry to prepare for the changes that digitisation demands. Despite this, 77% of insurers believe they are better prepared for change than their competitors.

Taking on the challenges

There has been a seismic shift in technology in just a few years with Smartphones, Connected Cars and Smart Homes continuing to increase opportunities for insurers to interact with customers. But these incredible advancements in automation bring with them new challenges for insurers.

Nearly 43% of respondents feel data protection and security are a top concern, followed by ease of customers switching to other insurers and dealing with social media complaints. Cyber risk and payment fraud follow on closely behind at 37% and 36%. Despite all this, 91% of insurers display a moderate level of confidence in their ability to compete against the new digitised entrants.



of Motor insurers see the biggest challenge facing them created by digitisation is ease of consumer switching



of Home insurers see ease of consumer switching and complaints on social media as the biggest challenges facing them

The big picture

Digitisation is also key to providing valuable insights into a customer's policy history. 64% of insurers see this data as an important way to improve the customer journey and 57% see policy history data as useful for helping them price more accurately.

It seems both Motor and Home insurers rely on policy insights to reduce application fraud with Home insurers slightly more inclined at 64% to regard them as useful in attracting better risk.

When it comes to assessing what solutions insurers consider as most likely to improve the customer application experience, prefill is rated 48% for bringing about the greatest improvement for home insurers. But making a website even easier to use scores highest with Motor at 44%.

In conclusion

The study has highlighted how much and how quickly insurance is changing through the evolution of technology and new digital disruptors – which many believe have been born through the digitisation of manual processes. And while insurers report moderate levels of confidence in their ability to compete against these purely digital offerings, they appreciate that complacency isn't an option.



So, it seems as part of their business strategy, their goal is to digitise further and generally they think their organisations are prepared to do this.

Insurers know they'll experience bumps along the way in things such as data protection and security. General Data Protection Regulation (GDPR) is also going to be a challenge over the next 12 months – with its provision for certain types of profiling, the challenges around the right to data portability, and the need to embed wider ethical considerations, it is set to impact all insurance providers. Added to this, insurers are still encountering the switching behaviour of customers in a digital world that makes competition even greater.

Overall, personal lines insurers are confident in their abilities to handle digitisation and its various challenges, which leaves them feeling more prepared and ready than other players in the market.

For more information, call +44 (0) 800 130 3002 or visit
lexisnexisrisk.com



About LexisNexis Risk Solution

At LexisNexis Risk Solutions, we believe in the power of data and advanced analytics for better risk management. With over 40 years of expertise, we are the trusted data analytics provider for organisations seeking actionable insights to manage risks and improve results while upholding the highest standards for security and privacy. Headquartered in metro Atlanta USA, LexisNexis Risk Solutions serves customers in more than 100 countries and is part of RELX Group plc, a world-leading provider of information and analytics for professional and business customers across industries. For more information, please visit www.lexisnexisrisk.com.