



News release

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Over two-thirds of insurance CEOs see technology as both an opportunity and a threat

PwC: Reinsurers and insurers on frontline of more unstable world

Results from PwC's 19th Annual Global Survey of more than 1,400 CEOs, which includes responses from **101 CEOs in the insurance sector** in 43 countries, reveal **more than 70% of insurance CEOs are making significant changes to the way they use technology to assess and meet customer expectations**. 79% cite data and analytics and 76% cite relationship management systems as providing the greatest potential contribution to improving engagement with customers.

PwC's report '**Seizing the Future**' finds that the threats businesses are facing are becoming more complex, crossing the borders of geopolitics, regulation, cyber security, societal development, people and reputation.

"Reinsurers and insurers are very much on the frontline of a more unstable world," said **Arthur Wightman, PwC Bermuda territory and insurance leader**. "This uncertainty makes it more challenging to manage exposures, but it also opens up opportunities as businesses look to the industry to provide the risk analysis, advice and protective coverage they need to navigate through this difficult landscape. To capitalise on these opportunities, reinsurers and insurers need to embrace new ways of working, novel ways of interacting with customers, and alternatives to traditional products and services."

Stephen O'Hearn, Global Insurance Leader at PwC said: "Findings from our survey underline the fact that those insurers out in front are embracing technological disruption as a growth opportunity rather than a threat. They are harnessing the creativity of their people to tap into new value chains and transform operational speed and cost. They are also seeking out new sources of data and making the most of client touch points to enhance customer experience, outcomes and whole new possibilities in what the business can deliver."

Accordingly, 64% of insurance CEOs are making significant changes to the way they define and manage risks in response to changing stakeholder expectations.

Seventy nine percent of insurance CEOs see cyber threats as a barrier to growth, more than their counterparts in banking and capital markets.



“Helping businesses to protect against cyber attacks offers huge potential growth for insurers – we estimate that annual premiums could reach \$7.5 billion by the end of the decade,” Mr Wightman said.

But cyber risk could also expose insurers to significant losses, both through specific cyber coverage and their technology, errors & omissions, and other existing business lines. A UK Government report estimates that the insurance industry’s global cyber-risk exposure is already in the order of £100 billion² (\$140 billion).

According to PwC, a new generation of analytics is enabling insurers to anticipate what will happen (predictive analytics) and also to shape outcomes such as reduced accident rates or improved health and well-being (prescriptive analytics). This more proactive and preventative approach marks a change in purpose for insurers, which will deliver considerable social as well as financial value.

However, technology is also creating new benchmarks for customer experience, response and cost and making it easier for customers to judge and compare insurers against their competitors. For insurance firms, the ability to meet these challenges is often hampered by slow and unwieldy legacy systems and traditional ways of working.

In fact, nearly **70% of insurance CEOs see the speed of technological change as a threat to growth** and more than 60% are concerned about shifts in consumer spending and behaviour.

Many of these new competitive benchmarks are being set by FinTech entrants, which are constantly probing for gaps and weak points in the marketplace, applying digital insights to sharpen customer understanding, and utilizing cost-efficient digital distribution to undercut incumbent competitors.

Even bigger changes lie ahead as technology creates new sources of collaboration and revenue. For example, data from car and equipment sensors can be shared with manufacturers and repairers and thereby pave the way for new joint ventures in design and maintenance. According to PwC, possible revenue models could increasingly gravitate from premiums to premiums plus subscriptions. **Some insurers may reinvent themselves altogether – from protecting against risk to managing and monetising information**, for example.

PwC’s survey shows economic headwinds are strengthening once again. **Compared to 40% in 2015, only 28% of insurance CEOs now believe the global economy will improve over the coming year**, reflecting a dip in optimism. Interestingly, whilst **38% of insurance CEOs are very confident about their ability to increase revenues, this is down from 44%** in 2015.

Accordingly, **70% of insurers are planning to implement a cost cutting initiative** over the next 12 months and technology is the trend insurance CEOs see as most likely to transform customer expectations over the next five years.

ENDS

Notes to Editors:

PwC’s report ‘**Seizing the Future**’ is based on a summary of findings in the insurance sector, based on the response from 101 insurance CEOs in 43 countries. To see the full results of PwC’s 19th Annual Global Survey, please visit www.pwc.com/ceosurvey



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