

An aerial night view of a city skyline, likely in Asia-Pacific, featuring numerous illuminated skyscrapers and buildings. The sky is a deep blue, and the city lights create a vibrant, glowing effect. A prominent, tall, stepped skyscraper is visible on the left side of the frame.

NAVIGATING THE NEW

Insurance in the Asia-Pacific

1. The COVID-19 pandemic has affected industries globally, including insurance. Research pre-dating the pandemic showed the Asia Pacific (APAC) region's insurance industry led the world in growth for life and general insurance premiums, and predicted both would keep growing faster than the global average.
2. That research forecast that by 2022, APAC's life insurance market would still be the world's largest, and that APAC's general insurance market would remain its second-largest.
3. Although it is too early to calculate the impact that COVID-19 will have on APAC's insurance market, we remain bullish as recovery in many countries in this region is ahead of much of the world.
4. China, India and the Southeast Asian (ASEAN) nations are all well-positioned given that, prior to the pandemic, the majority of countries had relatively high rates of insurance growth and low levels of insurance penetration.
5. At the same time, demographic and economic changes are altering the industry, as is the impact of digitalisation on consumer expectations.
6. Pressures on profitability and the industry's extreme susceptibility to disruption are among the reasons insurers should take pre-emptive action to protect their market share – and to position themselves against competitors. That starts with understanding shifting consumer demands, and using data to anticipate needs and provide relevant services.
7. Given that consumers in key APAC markets are more open to integrated propositions than their global peers, insurers should look at opportunities for cross-industry bundling of products and services.
8. Insurers must also improve their digital delivery of products and services, and make them more accessible – COVID-19 has hastened the urgency of acting – with the emphasis on technologies such as artificial intelligence (AI), data analytics and cloud services.
9. To survive and thrive, APAC insurers must:
 - i) Adapt their business models to better incorporate the winning strategies being used by digital competitors – including the use of ecosystems and marketplaces;
 - ii) Adopt a “future systems” approach, strategically integrating technology across their organisations;
 - iii) Become “Living Businesses” – future-proofing themselves by being able to adapt to changing customer needs and move seamlessly from one opportunity to the next.



1.

GROWING MOMENTUM

Although COVID-19 has upended markets and industries globally, our research indicates that APAC is better placed for economic recovery than the rest of the world. That in turn will underpin what we expect to be a return to premium growth in APAC.¹

In each scenario, GDP growth in APAC is projected to fare better than Europe, North America and the global average. We forecast that APAC insurers would see strong life and non-life premium growth compared with their peers elsewhere - even in the worst-case scenario – with life and non-life insurance premium growth returning to 2019 levels by 2021 and 2022 respectively (see charts for an L-shaped recovery).

OUR FOUR RECOVERY SCENARIO TYPES ARE:

BEST CASE

V-shaped recovery, where recovery is relatively fast and with a one-time sharp fall;

MODERATE

U-shaped recovery, where recovery is slower but where there is no second pandemic;

MODERATE

W-shaped recovery, where recovery is slower but where there is a second pandemic;

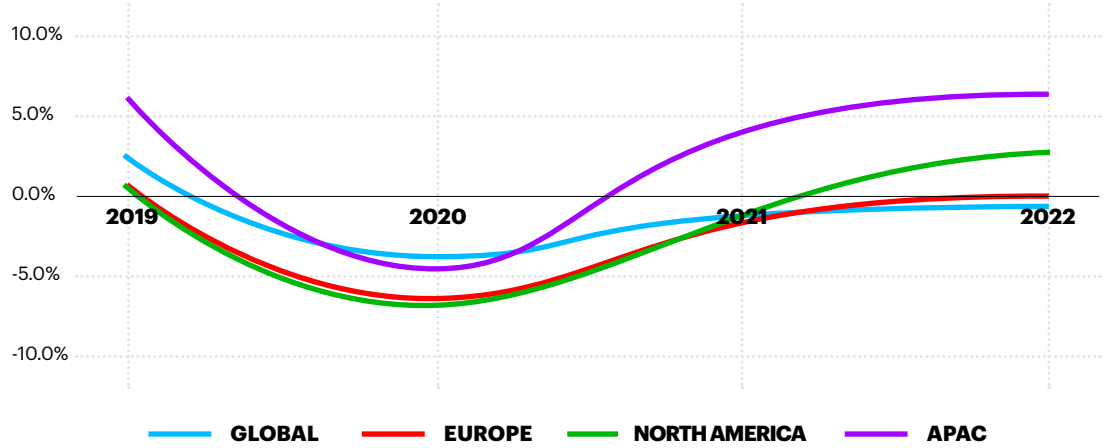
WORST CASE

L-shaped recovery, where the pandemic crisis is prolonged.

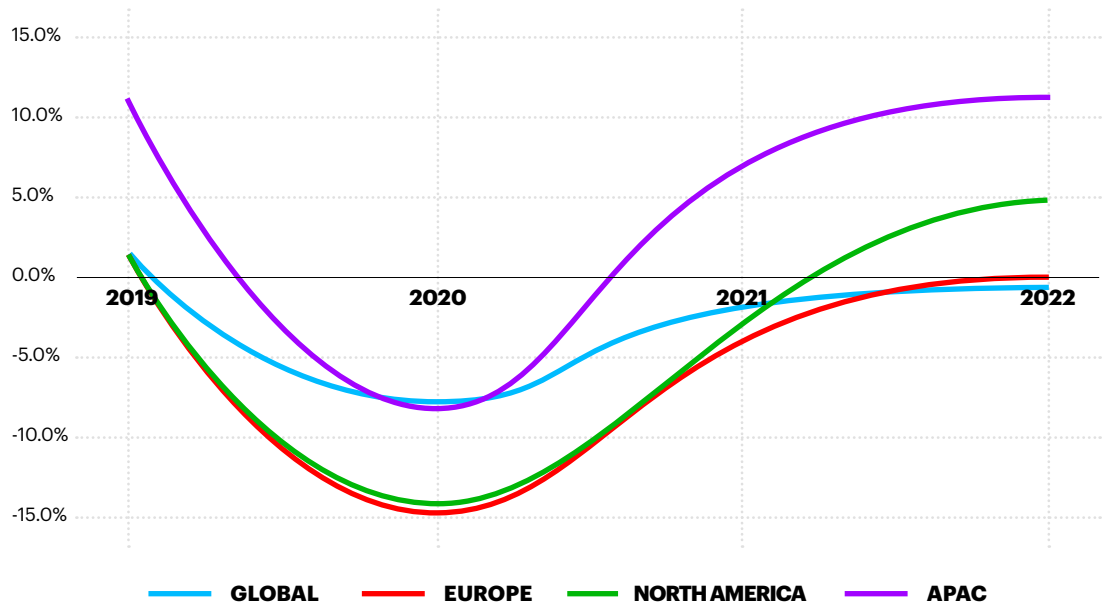
¹ The insurance premium forecast is based on simple linear regression with constant currency GDP across regions and countries.

The charts show growth by life and non-life premiums for an L-shaped recovery, compared across geographies - Global, Europe, North America and APAC.

L - SHAPE (LIFE PREMIUM GROWTH)



L - SHAPE (NON-LIFE PREMIUM GROWTH)



Thus, the longer-term outlook for the insurance market in the Asia-Pacific region remains positive, and it is set to continue outpacing its peers elsewhere in the coming years.

That performance already comes off a strong base: APAC is the world's largest life insurance market, with 42 percent of premium income in 2019, and the second-largest general insurance market, with a 17 percent share.²

In dollar terms, APAC's premium income in 2019 totalled more than US\$1.6 trillion. But that hides an important point - premiums are not evenly distributed across lines and markets. Premiums for APAC's life insurance market are worth about US\$1.1 trillion,³ more than twice the size of the US\$505 billion-worth of premiums in its general insurance market.⁴

Looking ahead, we expect life insurance premiums to retain their dominance, growing faster than general insurance premiums. We also expect that both lines in APAC will comfortably exceed global averages.

Another point is that APAC is not a uniform market - some countries are more robust and have better prospects than others. Before the pandemic, the rising stars in this landscape were Greater China, India and ASEAN:⁵ all boasted high rates of insurance growth. Although forecast CAGR of 7.6 percent through to 2022 for life and 6.2 percent for general insurance (see chart) is expected to be lowered due to the impact of COVID-19, APAC will remain strong relative to the rest of the world.⁶

2. Source: GlobalData insurance database.

3. Ibid.

4. Ibid.

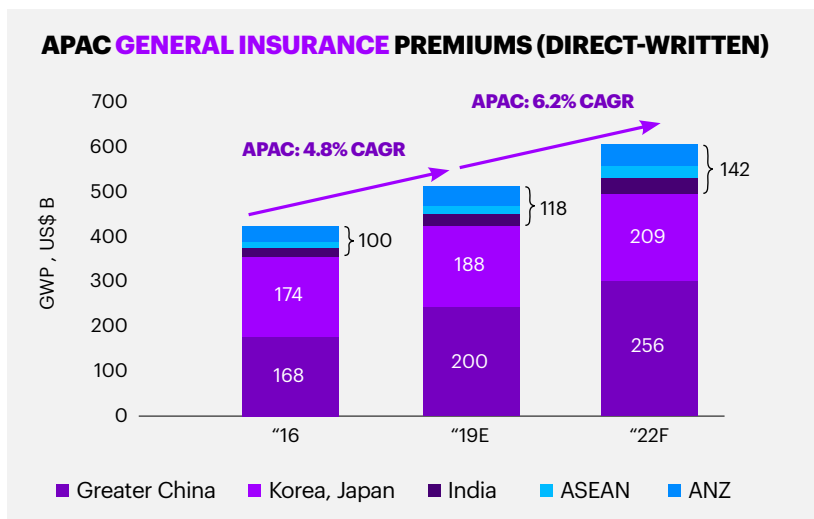
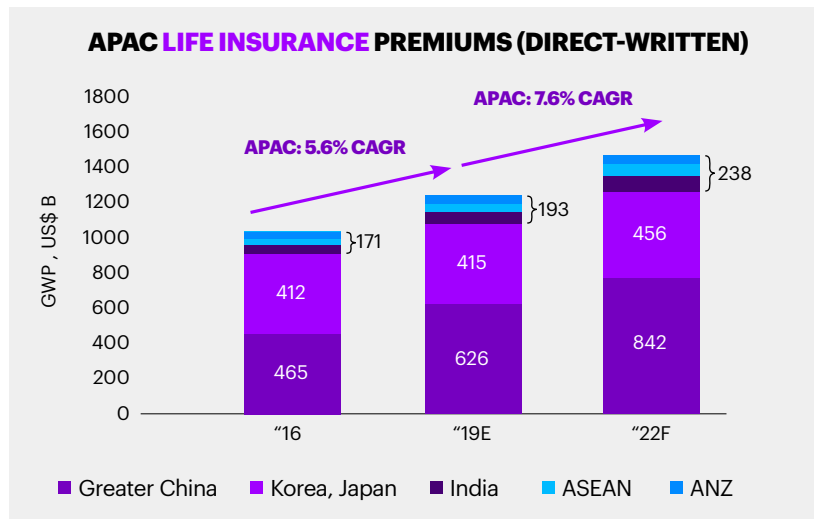
5. The 10-member ASEAN grouping comprises Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

6. Ibid.

It is also the case that all have relatively low insurance penetration rates – defined as insurance premiums as a percentage of per-capita GDP. Mainland China, India, Indonesia, the Philippines and Malaysia, for example, have life insurance penetration rates under 3 percent as of 2018.⁷ That compares against Taiwan (18 percent⁸), Hong Kong (15 percent⁹) and Japan (7 percent¹⁰).

In short, the long-term outlook is positive, with China set to dominate the growth story. Less well-appreciated is the potential for growth in, for example, ASEAN, whose nations can broadly be characterised as having low insurance penetration rates along with fast-growing economies and insurable markets.

Regardless of the markets in which companies operate, the question for incumbents and newcomers alike is whether this insurance growth can be sustained – and how they can ensure they secure market share.



Source: GlobalData Insurance database and Sigma Explorer – taken from 'Insurance in Asia: Navigating the New, Accenture (SAS APAC Frontline Experience Keynote, January 21, 2020)

7. See: <https://www.sigma-explorer.com/index.html>

8. Ibid.

9. 2018 China Insurance Review, Winston & Straw LLP (April 8, 2019). See: <https://www.lexology.com/library/detail.aspx?g=ecd67fba-25ea-4ff2-8011-7d8ecfd9da84>

10. See: <https://www.sigma-explorer.com/index.html>

Broadly positive ...

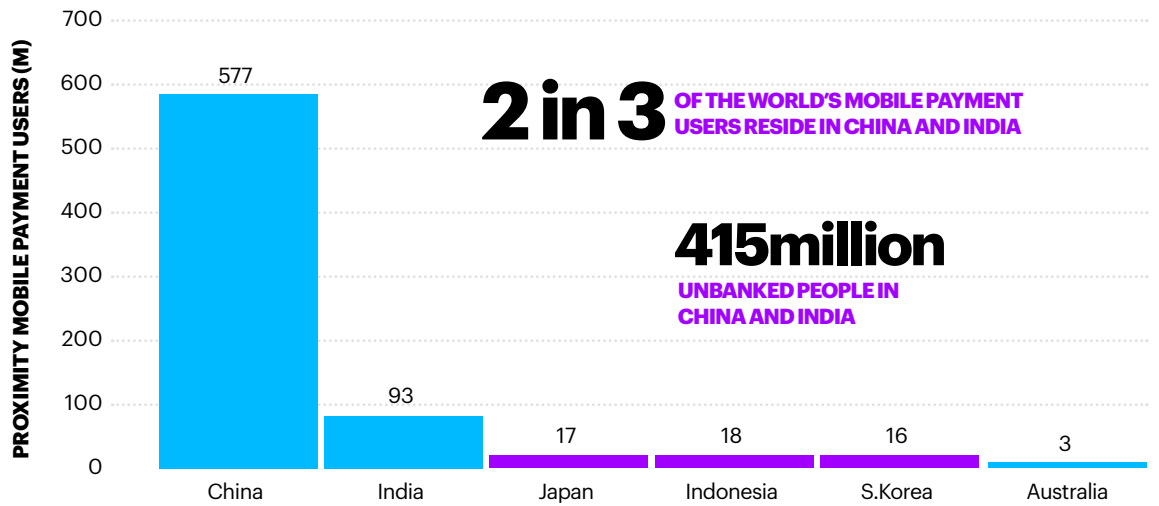
Despite the challenges facing incumbents in the broader financial services sector – the need to digitise, for instance, growing competition from FinTechs, and the impact of COVID-19 – there are good reasons to believe that APAC's insurance growth can be sustained, due to the following tailwinds:

1. The increased demand for, and consumption of, healthcare in APAC. Citizens of both developed and emerging nations are more affluent and living longer, and can therefore better afford insurance to ensure they can access quality healthcare should they need it.
2. The region's economic growth has seen rapid industrialisation and a rise in the number of small- and medium-sized enterprises (SMEs), with a consequent increase in demand for indemnity products. Despite challenges in the short-term – such as the effects of the U.S.-China trade war, as well as the coronavirus pandemic - economic growth is likely to continue in the years ahead.
3. The predominance of “digital” in the financial services sector, shown by the rise of FinTechs locally and the entry of others from abroad. Operating in a Digital Age means that, more than ever before, insurance providers can use technology to unlock value, including, for example, by analysing data generated by businesses and individuals to target them cost-efficiently with bespoke insurance products and services.

That said, companies should expect some obstacles: the very nature of the insurance market is changing fast, and that is as true in APAC as it is anywhere. Incumbents would be wise to become adept at using digital technologies to create new revenue pools and keep competitors at bay.

It is worth looking more closely at how that can work. Operating in the Digital Age not only allows firms to devise products and services based on customers’ individual needs; it has changed how those services and products are distributed, making digital a far more cost-effective solution. This fundamental change in how products and services are conceived, designed and distributed is especially resonant for Asia, which is highly digitally aware. For example, two-thirds of proximity mobile payment users worldwide are in China and India (see chart).¹¹

TOP PROXIMITY MOBILE PAYMENT USERS (2019)



Source: Statistics on the unbanked are drawn from "Implications of Asia's Gender Gap in Financial Inclusion", Federal Reserve Bank of San Francisco (July 30, 2019).
 See: <https://www.frbsf.org/banking/asia-program/pacific-exchange-blog/implications-of-asias-gender-gap-in-financial-inclusion/>
 Source: All other statistics: <https://www.sigma-explorer.com/index.html>

The advance of digital technologies can be an opportunity or a threat for established players, and that outcome largely depends on how they respond.

On the positive side, it has facilitated online purchases of products and services, including in the insurance sector, and it improves trust between the buyer and the seller, which cuts fraud. That is already common for personal lines, and will become increasingly prevalent across other retail and SME lines.

Indeed, the Digital Age could, and should, see providers tap previously unreached groups, with products simplified to facilitate digital purchases, including the development of micro or bite-sized products that are affordable and easy to sell.

¹¹. China and India Lead in Proximity Mobile Payment Usage for 2019, eMarketer (December 19, 2018).
 See: <https://www.emarketer.com/content/china-and-india-lead-mobile-payment-adoption-for-2019>

... Yet some challenges are unmet

Among the central challenges is that industry lines are blurring. Outsiders are moving into the insurance space, and customers are more willing to buy from non-insurance providers – as we shall see later.

For life insurers in Asia, tackling these challenges requires that they:

1. Counter shortcomings in the distribution of products and services, including by improving how they provide advice through their platforms to increase the appeal of such offerings.
2. Widen their product suite to ensure that offerings are easier to understand and compare, and better-suited to platform distribution.
3. Increase awareness of protection products, given the generally limited knowledge of such solutions in the market.

That will not be easy for everyone. Some life insurers are hamstrung by regulatory regimes whose capital and reserve requirements render some products uneconomical, and whose lengthy and inflexible approval times hinder innovation.¹²

An additional complication for most insurers is that, given the current low-interest rate environment, they are struggling with low yields in traditional investment assets, like bonds, and being forced to diversify in order to maintain profitability,¹³ and – in the case of life insurers – to better match terms when it comes to liabilities versus invested assets.¹⁴

Low rates also make their universal life products, for instance, less appealing compared to other available instruments.

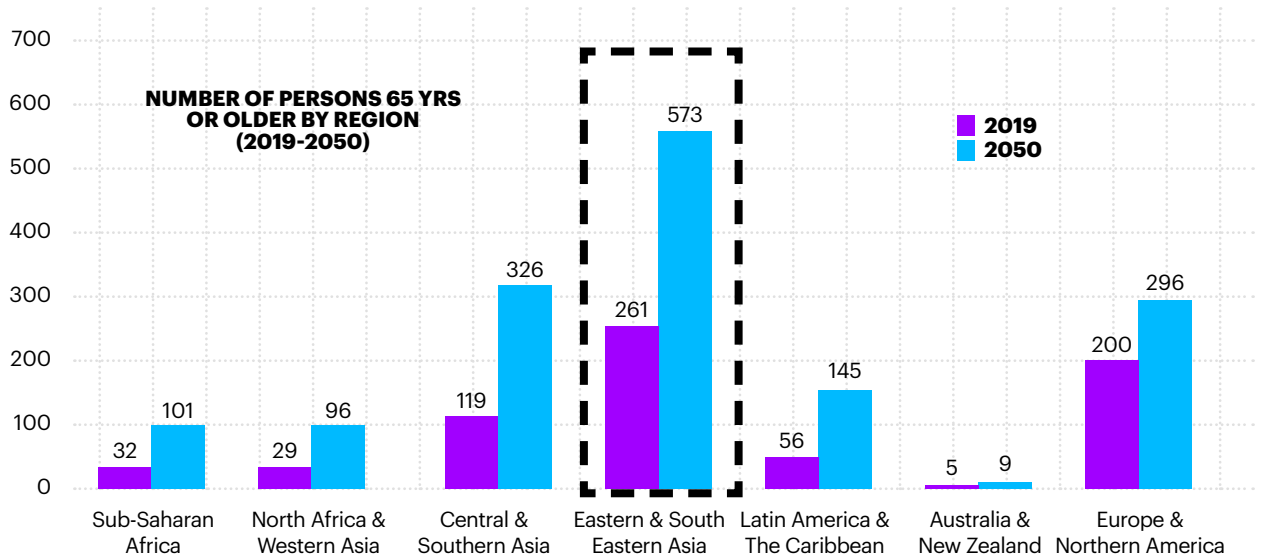
At the same time, declining birth rates and longer life expectancies mean population pyramids are becoming top-heavy (see chart), with East and South-east Asia projected to have the greatest increase in the number of “over-65s” in the years to 2050.

12. Emerging Asia Life Insurance Pulse 2019, Dr. Schanz, Alms and Partners (2019). See: <https://insuranceasianews.com/wp-content/uploads/2019/03/Insurance-Pulse-2019.pdf>

13. Asian insurers looking to shake up investing strategies, Insurance Business Asia (November 27, 2019). See: <https://www.insurancebusinessmag.com/asia/features/interviews/asian-insurers-looking-to-shake-up-investing-strategies-193153.aspx>.

14. Asian insurers' alternatives allocation nears \$1trn – report, Private Equity International (November 27, 2018). See: <https://www.privateequityinternational.com/asian-insurers-alternatives-allocation-nears-1trn-report/>

INCREASING AGEING POPULATION. OVER THE NEXT THREE DECADES, ALL REGIONS WILL SEE AN INCREASE IN THE SIZE OF THEIR OLDER POPULATION. THE LARGEST INCREASE IS PROJECTED TO OCCUR IN EASTERN AND SOUTH-EASTERN ASIA.



Source: United Nations World Population Prospects 2019 (see: https://population.un.org/wpp/Publications/Files/WPP2019_Volume-L_Comprehensive-Tables.pdf)

Changing mortality and morbidity mean growing demand for retirement products to cover the fact that people are living longer, and critical illness cover and private medical insurance to cover the risk of lifestyle diseases that correlate with increased age.

In short, there is rising demand for healthcare consumption, and that means increased pay-outs by insurers. Already the cracks are starting to appear in some mature markets, with insurers facing combined ratio pressures as premiums fail to keep up with loss ratios. In Singapore, for example, underwriting profits dropped from 11 percent of gross written premiums in 2014 to 1 percent in 2018,¹⁵ with this segment – the second-largest component in the country’s general insurance market – losing S\$11.2 million in 2019.¹⁶

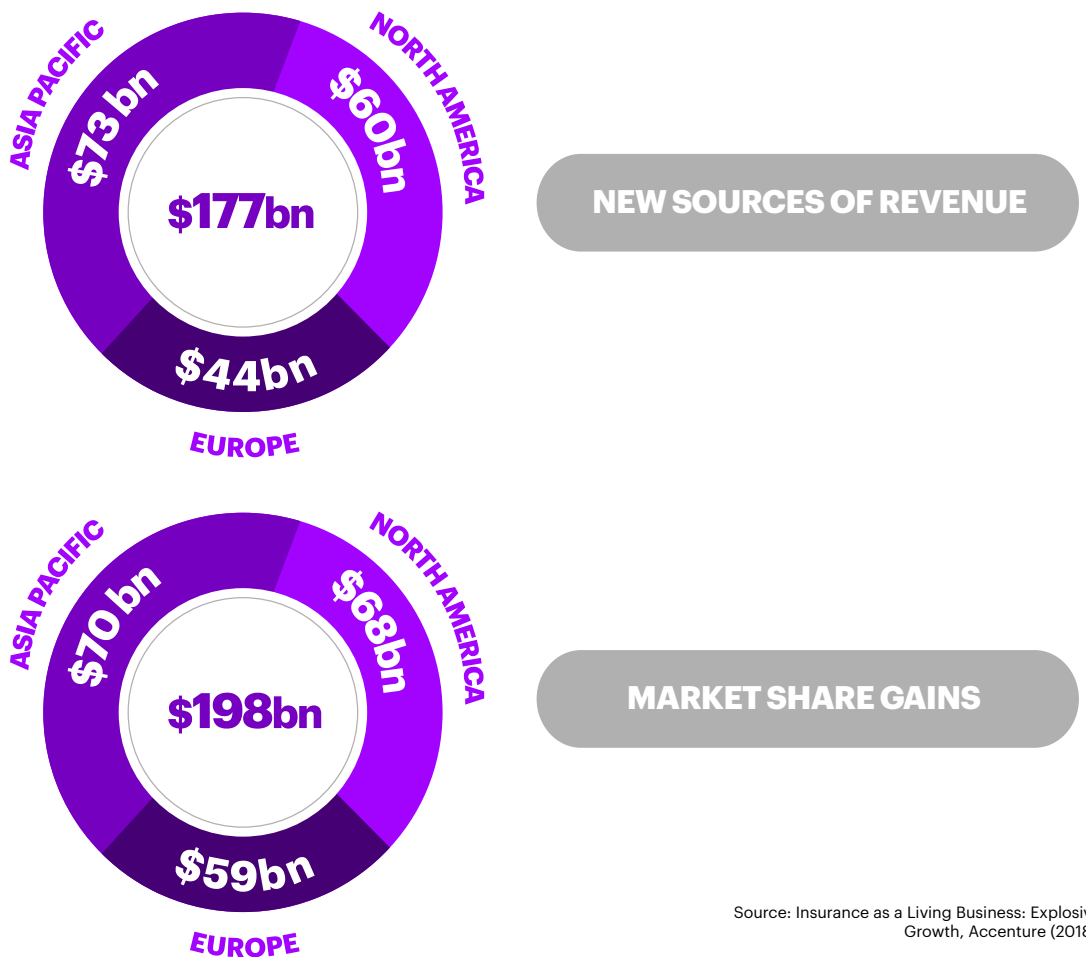
15. 2018 Annual Report, General Insurance Association (2019). See: <https://gia.org.sg/images/media-center/annual-reports/GIAAR2018.pdf>

16. Singapore general insurance sector in the red with \$28m underwriting loss last year on higher claims, The Straits Times (March 24, 2020). See: <https://www.straitstimes.com/uncategorized/singapore-general-insurance-sector-made-28m-underwriting-loss-last-year-on-higher>

The solution is for insurers to find ways to take on healthier risks or to influence customer behaviour to reduce those risks - for example, by rewarding health insurance clients who exercise regularly. Much of this rebalancing and behaviour-influencing can be done using digitisation and other technological solutions, as insurers in Europe and elsewhere have shown.

Ultimately, the insurers that take action to remain competitive are the ones that will thrive. Those that do not will find there is a price to be paid for complacency and inaction: Accenture’s calculations show that, by the end of 2022, half of APAC’s insurance opportunities will come from new sources of revenue; the remaining 50 percent will involve taking competitors’ lunch (see chart).¹⁷ Simply put, less-effective competitors will lose heavily.

FIGURE 2. REVENUE GROWTH POTENTIAL HAS TWO KEY COMPONENTS



Source: Insurance as a Living Business: Explosive Growth, Accenture (2018).

17. Insurance as a Living Business: Explosive Growth, Accenture (2018). See: <https://financialservices.accenture.com/rs/368-RMC-681/images/accenture-insurance-living-business-pov.pdf>

Even those that consider themselves effective need to think carefully about their resilience: the Accenture Disruptability Index ranks the insurance sector as “volatile” and “vulnerable”, making it one of those most susceptible to disruption (see chart).¹⁸ Insurance was ranked as the fourth-most disrupted out of 18 industries in 2018, and as the industry most susceptible to future disruption.¹⁹

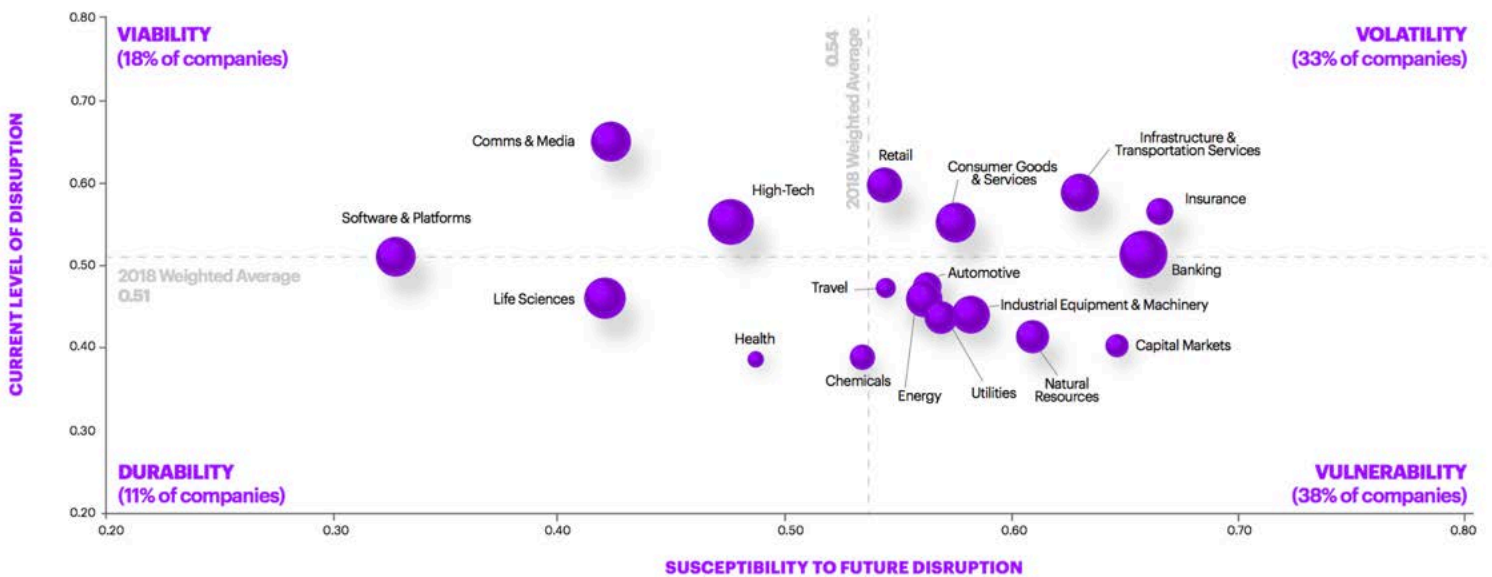
Despite that risk, the insurance industry is not investing enough in advanced technology – as we shall see later. And although some of the region’s incumbents have improved their financial performance, many remain susceptible to disruption due to low workforce productivity growth, low brand-intensity, and low levels of innovation.

At the same time, there are high-value disruptors on the digital side, backed by significant sums of venture capital funding and investment activity from large platform players. Chinese giant Ping An, for example, combines technology and digital platforms to engage with its customers. It has built powerful ecosystems while improving the efficiency of its core operations and streamlining its internal operations.²⁰

Much of Ping An’s effort is targeted at better understanding what its customers want, which is key to flourishing in this volatile industry. A useful place to start is by seeing how consumer demands have evolved.

DISRUPTABILITY INDEX INDUSTRY SECTOR MIX (2018 RESULTS)

0-1 scale (1 = most susceptible/disrupted)



Source: Breaking Through Disruption: Embracing the Wise Pivot, Accenture (2019).

18. Breaking Through Disruption: Embracing the Wise Pivot, Accenture (2019). See: https://www.accenture.com/_acnmedia/Thought-Leadership-Assets/PDF/Accenture-Breaking-Through-Disruption-Embrace-the-Power-of-the-Wise-Pivot.pdf#zoom=50
 19. New Research Points to Big Changes in Insurance Industry Disruption, Accenture (February 5, 2020). See: <https://insuranceblog.accenture.com/new-research-points-to-big-changes-in-insurance-industry-disruption>
 20. Visionary Insurers are Harnessing the Power of Digital Disruption, Accenture (December 18, 2018). See: <https://insuranceblog.accenture.com/visionary-insurers-are-harnessing-the-power-of-digital-disruption>

2.

A MORE COMPLEX CUSTOMER



Across industries, the impact of technology has seen customers' needs and expectations change significantly in recent years; that evolution holds equally true in the financial services arena. Consumers are more in control than before, and firms should recognise that reality.

Just how much attitudes have changed can be seen in Accenture's regular global surveys of financial services consumers, which provide a wealth of information on shifting tastes and expectations. Our most recent report surveyed 48,000 people worldwide²¹-15,000 of whom were from six key APAC markets.²²

The findings are a wake-up call for insurers looking to continue with a business-as-usual approach.²³ Take, for example, the main reasons why customers would leave their financial services provider: uncompetitive pricing or failure to handle complaints appropriately (in both cases, cited by around 40 percent of respondents); not feeling valued (around 30 percent); and products that no longer suit their needs (around 20 percent).²⁴

Additionally, most consumers in major Asian markets expect insurers to use their data to anticipate what they need, and to offer relevant products and services: globally, about half do so; in China and India, it is closer to two-thirds (see chart).²⁵

21. Global Financial Services Consumer Study: Discover the Patterns in Personality, Accenture (2019). See: https://www.accenture.com/_acnmedia/pdf-95/accenture-2019-global-financial-services-consumer-study.pdf

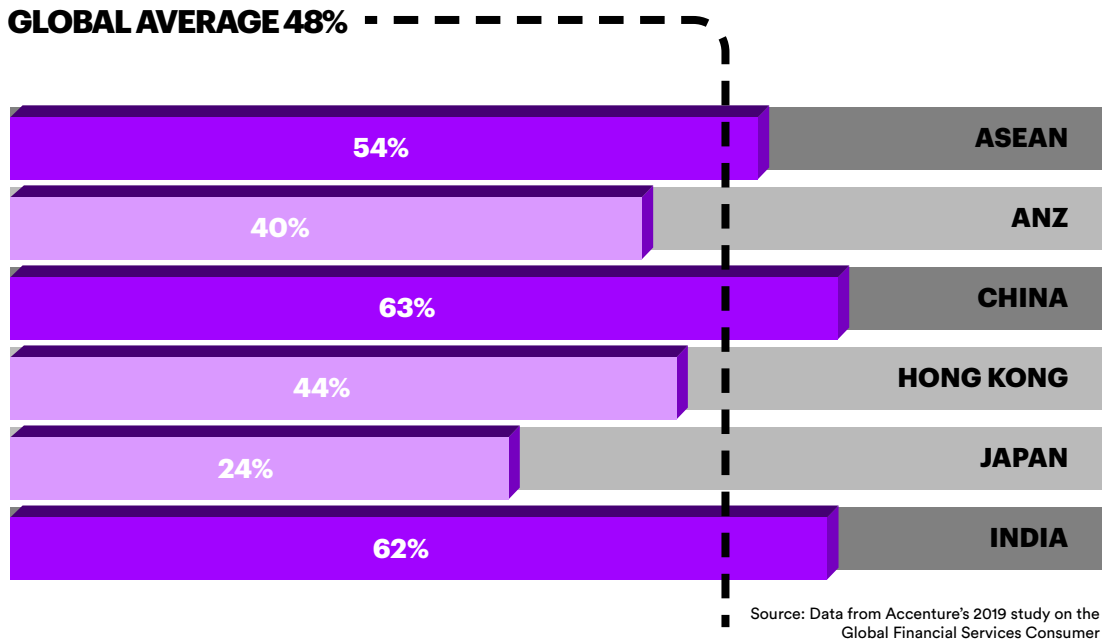
22. The six markets are: ASEAN, India, China, Japan, Hong Kong, and Australia and New Zealand.

23. Global Financial Services Consumer Study: Discover the Patterns in Personality, Accenture, op cit.

24. Data from Accenture's 2019 study on the Global Financial Services Consumer.

25. Ibid.

Q. Should your provider use your data to anticipate your needs, and recommend relevant products and service?



CONSUMERS FROM ASEAN, CHINA AND INDIA MOST EXPECT THEIR PROVIDERS TO USE DATA TO ANTICIPATE THEIR NEEDS AND RECOMMEND RELEVANT PRODUCTS AND SERVICES

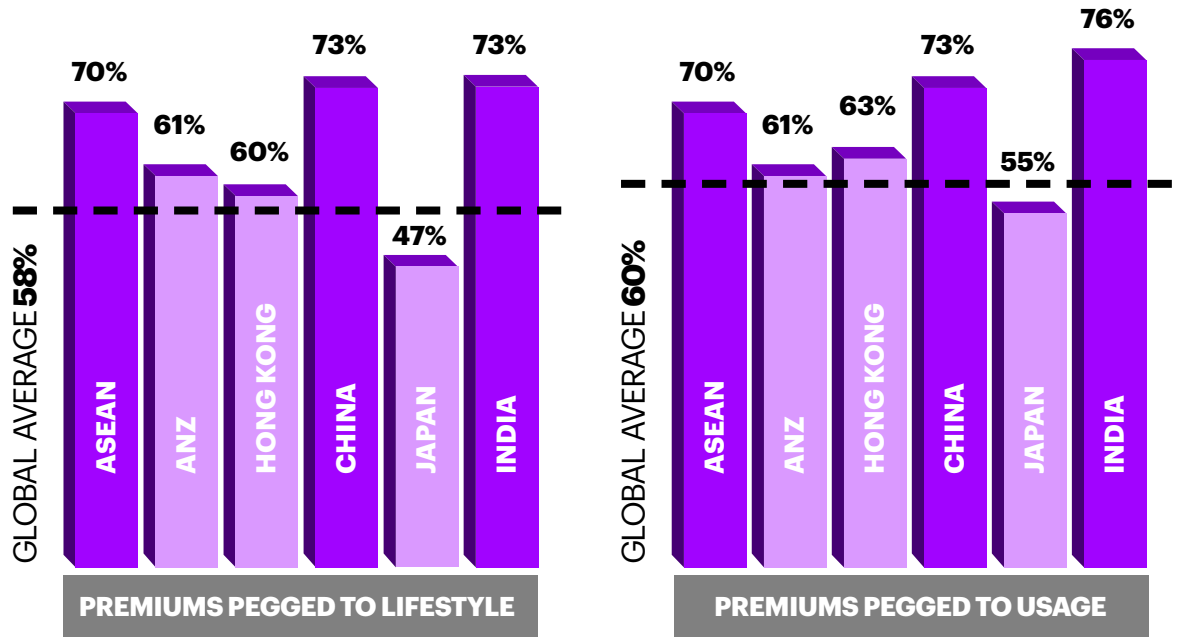
Additionally, around 80 percent of APAC consumers are willing to exchange their data for benefits such as receiving more competitive pricing, getting personalised advice or enjoying an improved service.²⁶

All of that is good news for insurers, although they need to harvest that data in the first place. In this digital world, doing so is easier than ever, with the added benefit that more than three-quarters of consumers trust that insurers will protect their data – a far higher rate than is seen for retailers, social media firms or telecommunications companies (telcos), for example.²⁷

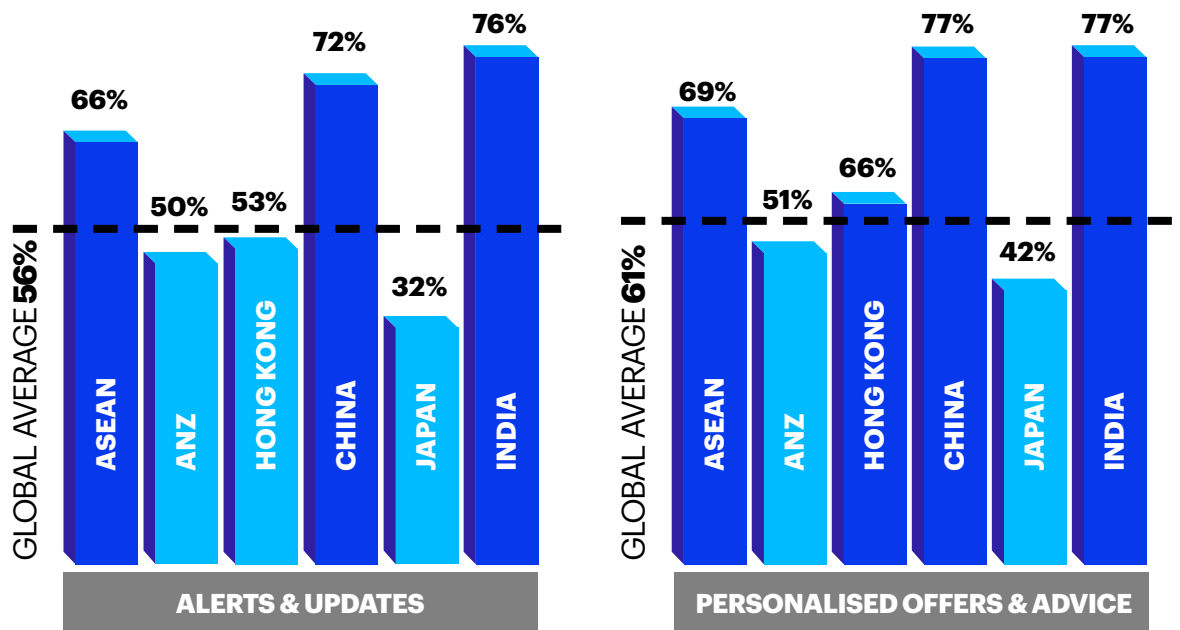
26. Ibid
27. Ibid

It is also the case that consumers in APAC are far more willing to pay for integrated propositions than their global peers. Once again, this is particularly true in China, India and ASEAN and suggests an appetite for cross-industry product bundles (see chart).

INTEREST IN PERSONALIZED PRODUCTS:

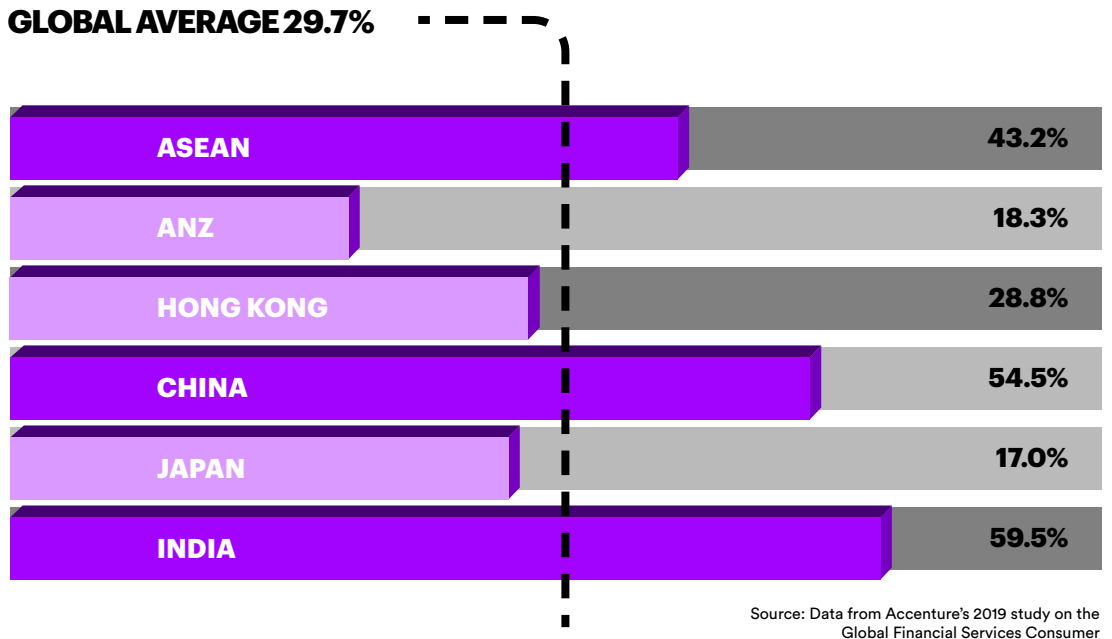


INTEREST IN PERSONALIZED SERVICES:



Source: Data from Accenture's 2019 study on the Global Financial Services Consumer.

Q. Willingness to pay for Bundled Services - Extremely Interested & Interested (Top 2)



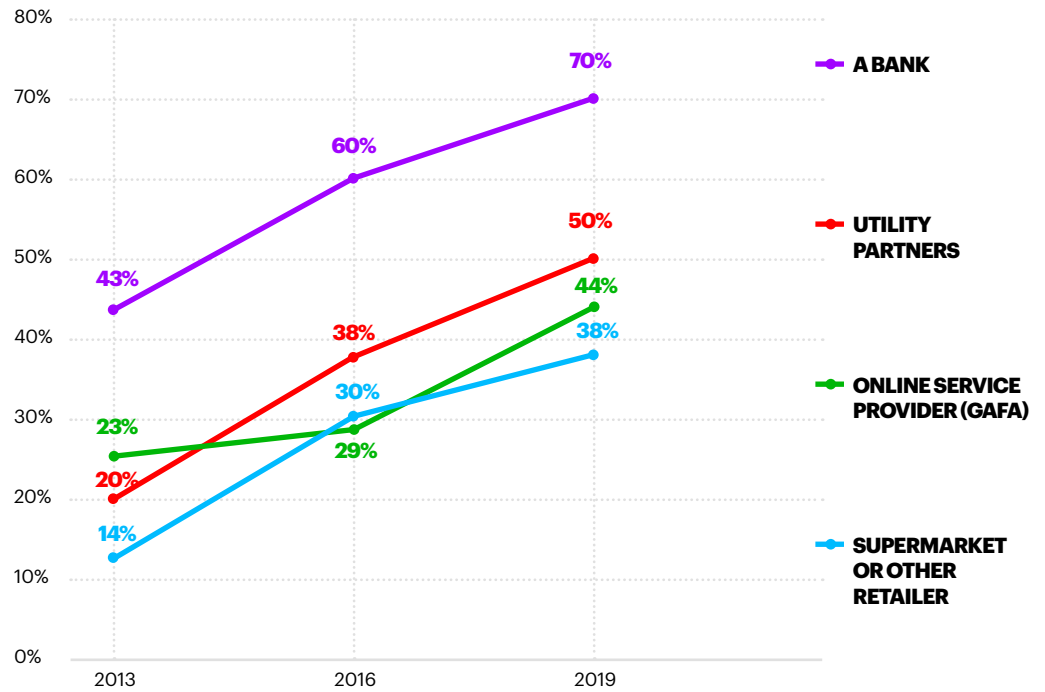
CONSUMERS IN CHINA, ASEAN AND INDIA SHOW GREATEST WILLINGNESS TO PAY FOR INTEGRATED PROPOSITIONS

Knowing what their customers expect and will pay for is a vital first step as insurers seek to navigate a changing industry. Delivering for them, however, requires that insurers tackle three related issues:

1. First, accessibility. Customers expect to access their insurer at a time that suits them, with one in four prepared to switch providers if that basic expectation is not met.²⁸ One in five customers will leave their insurer if they have difficulty accessing digital services.²⁹
2. The second links to accessibility. Although face-to-face is the dominant channel in most APAC countries, online (virtual) is fast catching up as a preferred secondary mode of interaction³⁰ – and has become far more relevant in light of COVID-19. Even before COVID-19, online was preferred by customers in Japan, Australia and New Zealand.³¹
3. The third is that insurers are under-delivering on the digital experience, with respondents in China, India and ASEAN particularly dissatisfied with the quality of their digital interactions with insurers. That comes even as customers are increasingly open to buying insurance products from non-insurance providers that excel in the arena of digital interaction, such as aggregators and online service providers like Google, Apple, Facebook and Amazon (see chart).

28. Ibid
29. Ibid
30. Ibid
31. Ibid

Q. How likely are you to consider buying insurance from the following providers?



Source: Data from Accenture's 2019 study on the Global Financial Services Consumer

BANCASSURANCE HAS BECOME MAINSTREAM, PAVING THE WAY FOR OTHER B2B CHANNELS

As the insurance market becomes more relevant to consumers' daily lives and more competitive, it is being targeted by players that are new to this space. Other than banks, utility firms and online service providers, these include numerous InsurTech firms that have proliferated in recent years, and which, in less than a decade, have raised nearly US\$20 billion.

Faced with a world in which customer needs are changing and the competition is becoming more intense, the time is ripe for insurers to map out new strategies in order to survive and prosper.



3.

SETTING A DIGITAL COURSE

TO SUCCEED, INSURERS IN APAC MUST ADDRESS THE FOLLOWING FOUR ASPECTS:

- A. Adapt their business models;
- B. Invest more in technology;
- C. Transition to “future systems”;
- D. Become “Living Businesses”.

A. Adapt the Business Model

In deciding how to proceed, it pays to see the path that digital insurers have taken. Indeed, leading incumbents have already taken key steps, adapting operating models, offerings and distribution practices as they seek to address new customer expectations, digital threats and opportunities – and as they adapt to a world in which COVID-19 has upended the traditional, face-to-face way of selling to customers. (For details, see our paper “The Future of Insurance Distribution”.)

The digital path comprises four dominant models, with successful insurers typically using a combination of these, while leveraging data and analytics, artificial intelligence (AI) and other emerging technologies:

1. Virtual advisers offer digital-savvy customers choice, needs-based advice and transparency via data-driven self-service or hybrid digital advisory platforms – and can process large numbers of transactions remotely. Blue Cross (Asia-Pacific) Insurance, a Hong Kong-based insurer, says its blockchain-backed platform is capable of dealing with more than 1,000 concurrent transactions every second.³²
2. Everyday risk coaches use data to help customers manage and reduce their risks, coupling that with incentives and advice. Examples here include AIA Vitality, Manulife Move and Prudential Pulse, whose health-focused apps reward customers who lead active lifestyles.³³
3. Plug-and-play insurers leverage their partners’ customer touchpoints to embed relevant insurance products and ensure their distribution – as, for instance, with mobile phone insurance offered by telcos.
4. Ecosystem orchestrators aggregate and offer value-added products and services on top of the insurance products that they sell. Grab’s new travel product - Travel Cover - which it introduced in 2020 with Chubb,³⁴ is one example, as is CXA Group’s Employee Benefits Platform, which serves as a marketplace to manage employee healthcare costs and change behaviour.³⁵

³². Insurance service providers rely on blockchain to fast track claims payout amid coronavirus outbreak, South China Morning Post (February 9, 2020). See: <https://www.scmp.com/business/companies/article/3049479/insurance-service-providers-rely-blockchain-fast-track-claims>

³³. See, for example: <https://www.manulife.com.sg/en/move.html>

³⁴. Grab and Chubb launch Travel Cover, Coverager (January 13, 2020). See: <https://coverager.com/grab-and-chubb-launch-travel-cover/>

³⁵. See: <https://www.cxagroup.com/companies/how-it-works/>

B. Invest More in Technology

When it comes to spending on advanced technology, insurers lag nearly all other industries surveyed in our 2019 Disruptability Index. Banking leads that field, with spending of about US\$3.5 trillion. Insurance, by comparison, spends just US\$444 billion – about one-eighth the amount.³⁶ (For details, see the [Disruptability Index](#) online.)

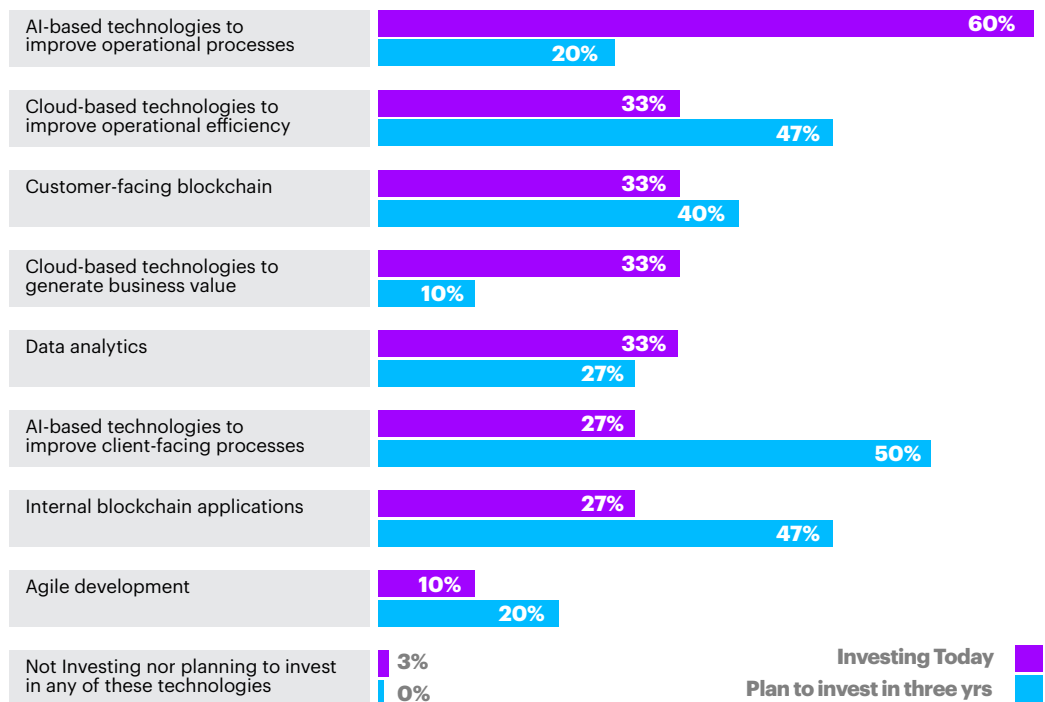
Recall that in the previous section we saw that customers in the key APAC markets of China, India and ASEAN are dissatisfied with the quality of their digital interaction with insurers. The obvious conclusion is that insurers must boost their spending on technology if they are to meet rising customer expectations.

Some already have. The sector as a whole has increased the number of venture capital investments in technology from 21 in 2012 to 230 in 2018.³⁷ Over the same period, the proportion of insurers’ technology investment portfolio allocated to InsurTech firms has climbed from zero to 20 percent³⁸ - with demand highest for AI and intelligent automation, cloud-based services and predictive analytics.³⁹

That matches the findings of a 2018 report in which senior technology executives told Accenture that their top three technology investment priorities were AI-based solutions to boost operational efficiencies, cloud services, and data analytics – with their priorities by 2021 being client-facing AI, blockchain, cloud and agile development solutions (see chart).⁴⁰

ACCENTURE SURVEYED SENIOR TECHNOLOGY EXECUTIVES ON THEIR INVESTMENT IMPERATIVES NOW AND IN 3 YEARS

Please indicate which technologies you are investing in or plan to invest in significantly. Insurance respondents.



36. Source: Accenture analysis of underlying data in the 2019 Disruptability Index.

37. Accenture Research analysis of CB Insights data.

38. Accenture Research analysis of CB Insights data.

39. Accenture Research analysis of CB Insights data.

40. Get Comfortable Outside Your Comfort Zone: Digital Transformation Remaking an Industry, Accenture and Oxford Economics (2018). See:

https://www.accenture.com/_acnmedia/pdf-92/accenture-insurance-digital-transformation-remaking-an-industry.pdf

Source: Get Comfortable Outside Your Comfort Zone: Digital Transformation Remaking an Industry, Accenture and Oxford Economics (2018).

Despite those intentions, the fact remains that insurers come up short on technology spending. As consumers’ expectations for digital solutions continue to rise, failing to provide what consumers want could be costly.

C. Transition to “future systems”

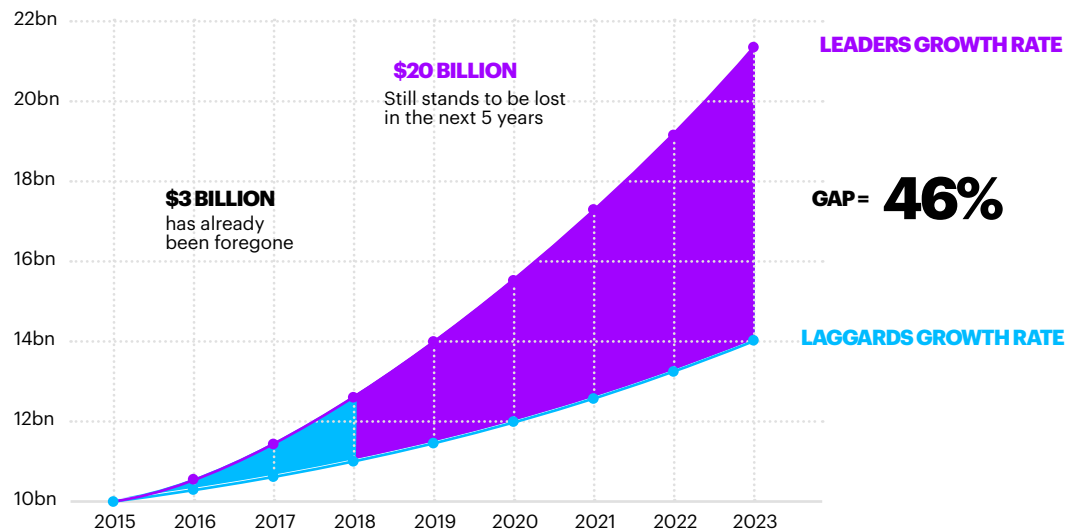
The third aspect involves understanding the enormous impact that investing in and adopting technology can have on financial performance, and using that knowledge to craft a suitable approach.

In 2019, Accenture surveyed more than 8,300 organisations across 20 industries and 20 nations, and found that companies that are making the transition to future systems are growing far faster than firms that are unable to scale innovation.⁴¹ (For details, see our report “Full Value. Full Stop.”)

Our research found that leading firms were 2.5 times more likely to have adopted new technology, and three times more likely to have applied technology across their business processes in areas like AI, cloud computing and treating data as a corporate asset.⁴² All that feeds to the bottom line: leaders were growing revenue at 9 percent on average, more than twice the 4 percent recorded by laggards.⁴³

By 2018, these laggards’ inability to apply technological solutions strategically meant they had foregone 15 percent of their potential annual revenue.⁴⁴ Failing to act will see that proportion climb to 46 percent by 2023 – or US\$20 billion of lost income (see chart).⁴⁵

LAGGARDS COULD SUFFER AS MUCH AS 46% IN FOREGONE ANNUAL REVENUE BY 2023



Source: Full Value. Full Stop. How to scale innovation and achieve full value with Future Systems, Accenture (2019).

41. Full Value. Full Stop. How to scale innovation and achieve full value with Future Systems, Accenture (2019). See: https://www.accenture.com/_acnmedia/thought-leadership-assets/pdf/accenture-future-systems-report.pdf
 42. Ibid.
 43. Ibid.
 44. Ibid.
 45. Ibid.

The report highlights what firms must do if they are to leave the laggards and join the leaders: adopt fast, flexible technologies; use solutions that enable decoupled data, infrastructure and applications; embrace cloud computing; treat data as a corporate asset; manage technology investments across the enterprise; and upskill talent.

D. Become a “Living Business”

The fourth step is to become a living business – an organisation that has the ability to future-proof itself. (For details on this, see our report “Living Business: Achieving Sustainable Growth Through Hyper-Relevance.”)

Success in this context is predicated on continuously adapting to changing customer needs, and building the ability to move seamlessly from one growth opportunity to the next. As we have written elsewhere, Ping An is likely the most impressive example of an insurer transforming itself into a living business.

Our research indicates that insurers that can respond effectively to the disruptions afflicting the industry today will expand their global potential revenue by as much as US\$375 billion over the five-year period (from 2019 to 2023).

Firms that transition to become “Living Insurers” are those that are prepared to take a range of critical steps:

1. Invest more in growth areas outside their traditional business. SingLife, for example, offers an app-based insurance savings account with no fees and that pays up to 2.5 percent interest.
2. Improve market penetration by accessing previously untapped segments, and by leveraging new channels and technologies. That could involve, for instance, offering bite-size or micro-insurance to make products more affordable for more people – as NTUC Income’s SNACK, which launched in 2020, does by allowing Singaporean citizens to build micro-insurance covering life, critical illness and accident insurance based on lifestyle triggers such as taking a train ride. Equally, it could involve launching digital attackers to cut operating costs and cater to digital natives; and it could see firms providing Insurance-as-a-Service, which accords customers the flexibility to pay-as-they-use.
3. Seek out new and evolving risk classes, with examples including autonomous vehicles and cyber insurance. Additionally, use data to create products that cover pockets of previously uninsurable risks, and consider preventing risks rather than indemnifying for them. One recent example of the former was the rollout of free insurance by DBS and Chubb Insurance Singapore for DBS’ 5 million customers should they require hospitalisation for COVID-19.

4. Offer value-added services that policyholders will pay for, such as patient and care-giver apps or cross-industry bundles that save customers the effort of contacting different providers for products. Accenture's Ella, for example, is an AI-driven bot that works as a virtual care assistant, providing patients with a suite of services including medication reminders, tracking of vital signs, and appointment scheduling. As part of our INTIENT Patient platform, Ella helps life sciences companies support patients throughout their care experience.
5. Recognise that customers are not homogenous, and design relevant products that fit their needs and with which they most identify.
6. Build engagement with customers by seeking out ways to deliver personalised experiences in moments that matter.
7. Scale with partners, including with those that lie beyond traditional insurance boundaries by integrating into customers' everyday lives by digitally leveraging the reach, offerings and data of ecosystem partners.
8. Rewire culture and reskill employees to optimise the ways in which humans and machines can collaborate – what Accenture calls Human + Machine.

Firms that follow this path can target new value and models, design innovative products and services, build vastly improved engagement channels, scale their platforms and ecosystems, and focus their culture on the customer experience. They will be the winners in the digital insurance world.

4.

A WORLD OF POSSIBILITY



Digitisation is bringing change to all manner of businesses, and to the financial services sector more than most – and the COVID-19 pandemic is hastening this process.

Couple this wing to digital – and greater digital literacy - with APAC’s profound shifts in demography, economics and increased consumer expectations, and it is clear that insurers are in the midst of arguably the most significant change in their industry’s history.

These changes have brought significant opportunities for insurers in APAC. However, they need to take advantage of what is on offer; after all, those that move first are likely to reap the greatest rewards, while those that delay risk being left behind. The time to chart a new direction is now.



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