

The Insurance Model in 2035?



Summary:

Is the threat Google or insurtech startups? Actually, the threat is that in 2035 there may be little risk to insure.

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On June 1, there was a high-level conference organized by the alumni of the three most prestigious business schools in France, HEC, ESSEC and ESCP Europe, whose title was ?How to run an insurance company in the context of digital, societal and regulatory transformation?? The most burning issues were addressed with depth and perspective, including issues relating to the impact of digital revolution, the clash of generations and the new playground imposed by Solvency 2 on insurance. The three major French insurers, AXA, Allianz and Generali, compete to operate as quickly as possible while the digital transformation of their business lines and organizations face an environment of increased uncertainty and threats from the emergence of new competitors?GAFA (Google, Apple, Facebook and Amazon) or startups?which have mastered the art of customer relationship. **Should we fear Google or an insurtech?** According to many insurers, GAFA may be strong competitors for insurance companies. Indeed, they have undeniably strong assets: a market capitalization among the highest, expertise not only in customer experience but also in algorithms and data and a very high level of agility. What would be similar to Google ? the first advertising agency of the Internet ? in a rich yet complex industry like insurance, which is highly regulated and whose confidence is only acquired after many years and millions of dollars of investment? **8 Exemplars of Insurtech Innovation** The insurtech? Besides Oscar and Lemonade, which are true insurers, the vast majority of insurtechs are brokers that cannot work without an insurer?s support. And even if some startups succeeded, it would take time, and they would not be independent for quite some time. **Where is the real threat? In 2035, we might see a world with little risk** As we know, the heart of the insurer?s business is risk management. However, technological innovations will likely reduce risk levels significantly. According to a KPMG report on autonomous cars, there could be as much as an 80% reduction in car accident frequency by 2040 if auto and safety trends continue. Another example suggests a scenario where the personal auto insurance sector could shrink to 40% of its current size. According to Ray Kurzweil, director of engineering at Google and futurist, we will reach a point around 2029 when medical technologies will add a year to people?s life expectancies. Some believe that the adoption of these innovations will be hindered by people?s refusal to allow

invasion of privacy. However, another could argue that, who would hesitate to provide more personal data, such as DNA, if that person was guaranteed, in exchange, an additional 20 years of life? Connected homes that are bristling with sensors inside and out and that also populate smart cities of tomorrow, could contribute to a decline in claims by 43% by the year 2025, according to McKinsey. Whether for life or P&C, over the next 20 years the risk level will significantly decrease, which will result in a drastic reduction in the value of the insurance market. **The twilight of insurers?** Can we therefore announce the end of the insurance industry? Certainly not. However, the share of insurance and the income of insurers could drop significantly. To maintain the same level of business will require finding new sources of profit. **From insurers to ?preventers?** Indeed, the insurer of tomorrow will be one that will transform its business model around prevention and become a prevention specialist. The decrease in risk will become a major challenge that will require considerable investments in people, infrastructure and technology. New prevention services charged on a subscription basis will likely be the new source of margin for insurers. One can imagine that the new standard of performance for the new model of ?Prevention as a Service? will be the ratio of prevention fees to insurance premiums. Then, we will see the complete reversal of the traditional business model. **See also: [Insurtech: One More Sign of Renaissance](#)** The question that then arises is: Should a manager of an insurance company not make the leap and skip the step of digital processing in an insurance context to strive for refocusing its business model around prevention?



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In charge of the digital transformation and e-business in the Sales Department for a health insurance company, Jean-Claude Sudre is passionate about the impact of the digital revolution on the insurance industry in all its aspects: big data, connected insurance, blockchain and Insurtech. Creator of [assurancedufutur.fr](#), an online blog specialized in insurance innovation, Sudre is convinced that the insurance industry is currently experiencing a turning point.