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Future of Insurance: Winning Customers' Hearts in a Digital World

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Future of Insurance: Winning Customers` Hearts in a Digital World



The Belgian Insurance
market at a glance



Trends shaping the
Insurance industry



Implications on the
role of the insurance
intermediary



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Insurance matters:

~6%

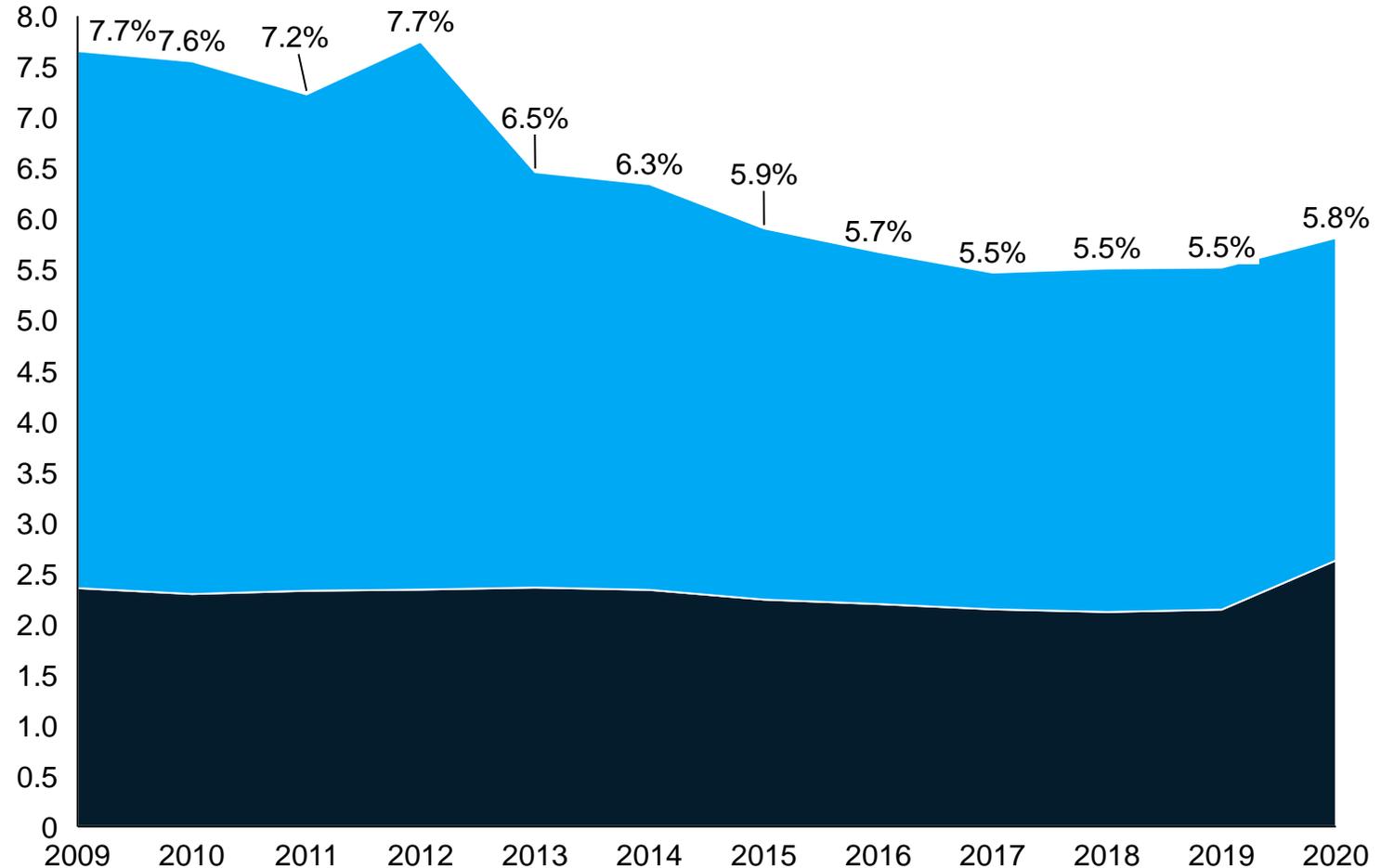
of Belgian GDP is driven by insurance



Source: OECD, Assuralia, NBB

Insurance contribution to GDP Revenues as % of GDP in Belgium

■ Life ■ Non-Life

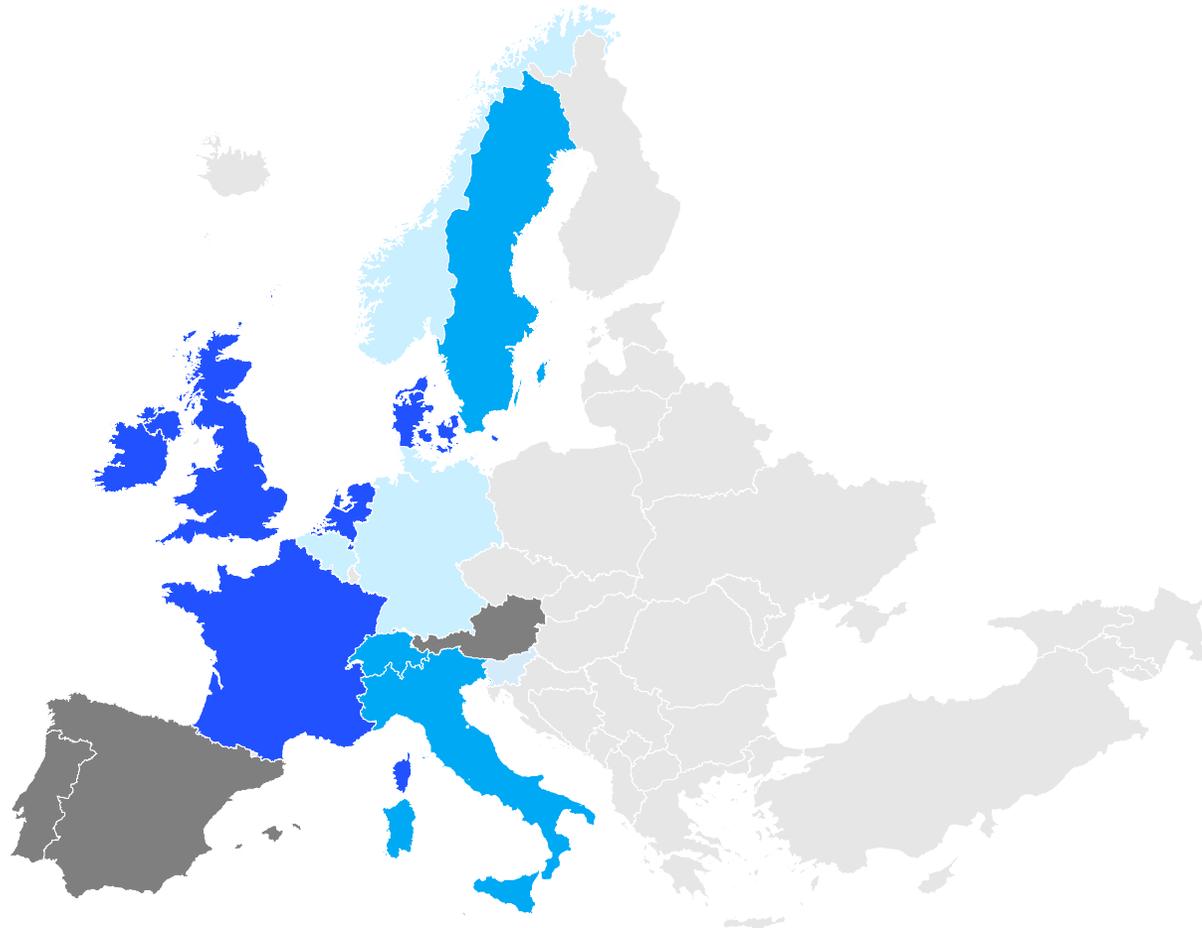


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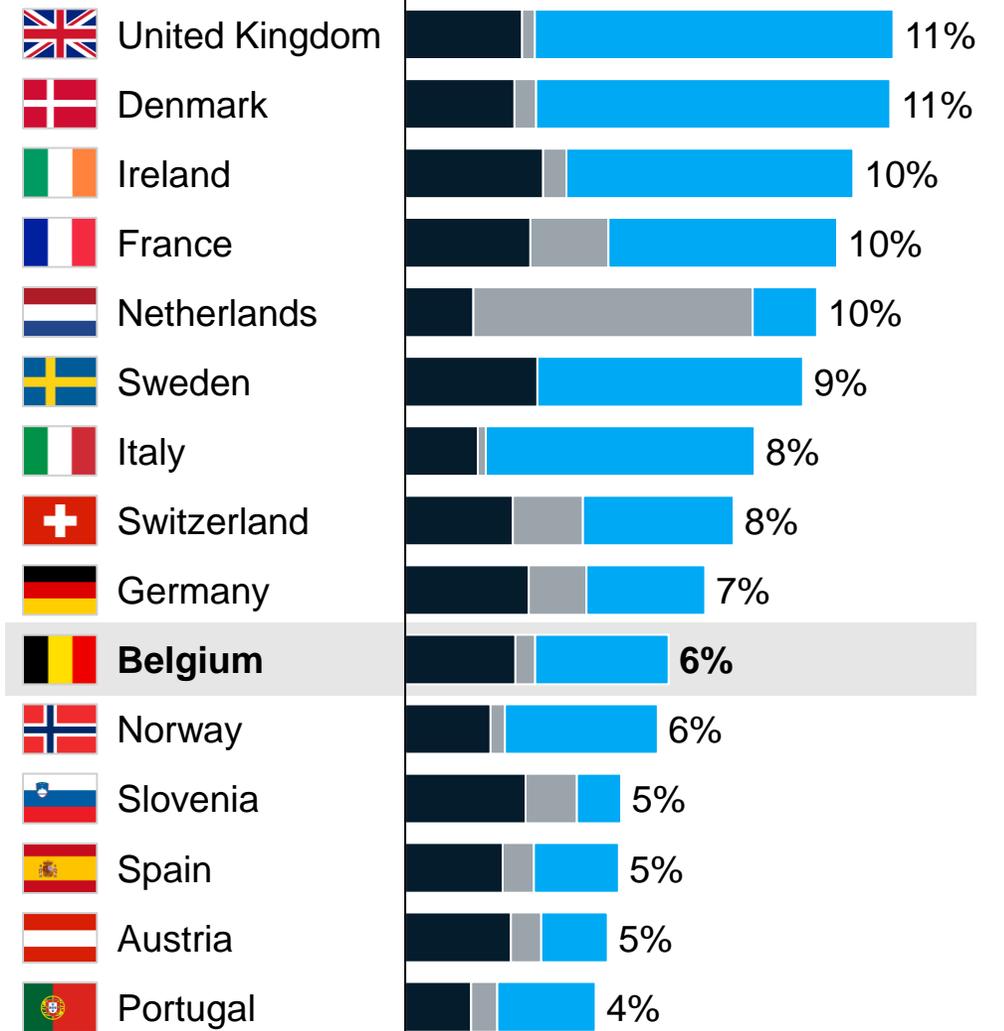
The Belgian insurance market is average in size as compared to the rest of Europe

■ P&C ■ Health ■ Life

Size of the Insurance market, Revenues as % of GDP



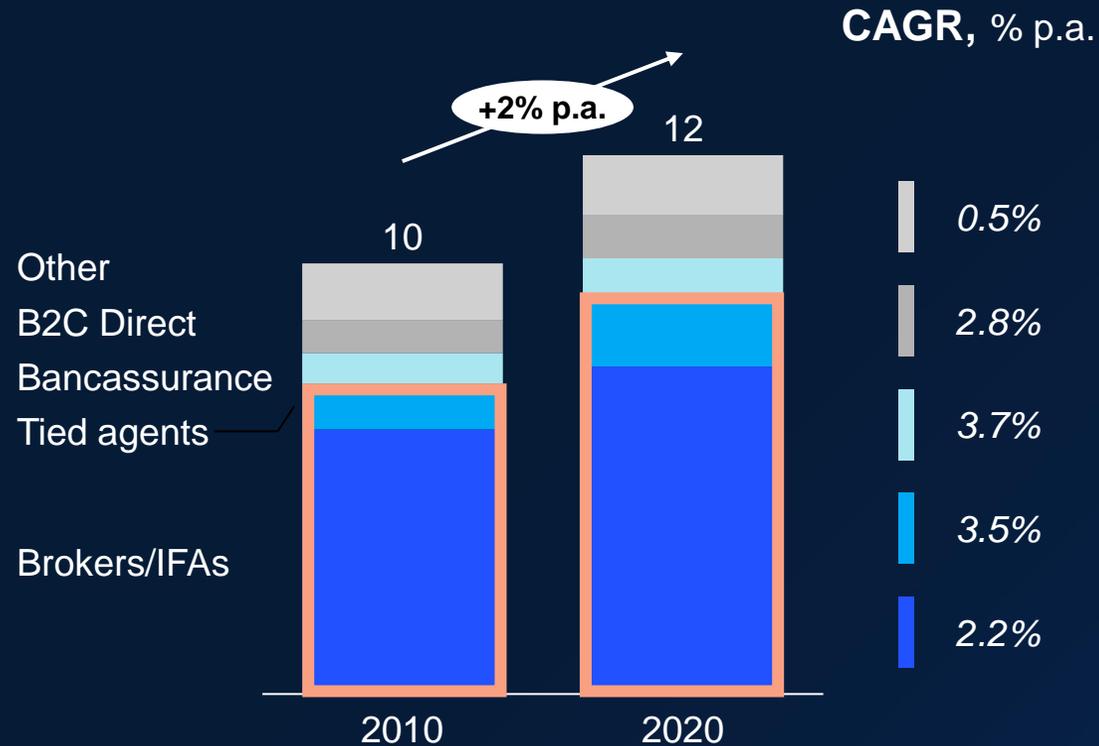
Size of the Insurance market, Revenues as % of GDP



Within the Belgian insurance market, brokers and tied agents represent ~70% of the market in Non-Life and ~50% in Life

Non-Life insurance GWP

bn EUR



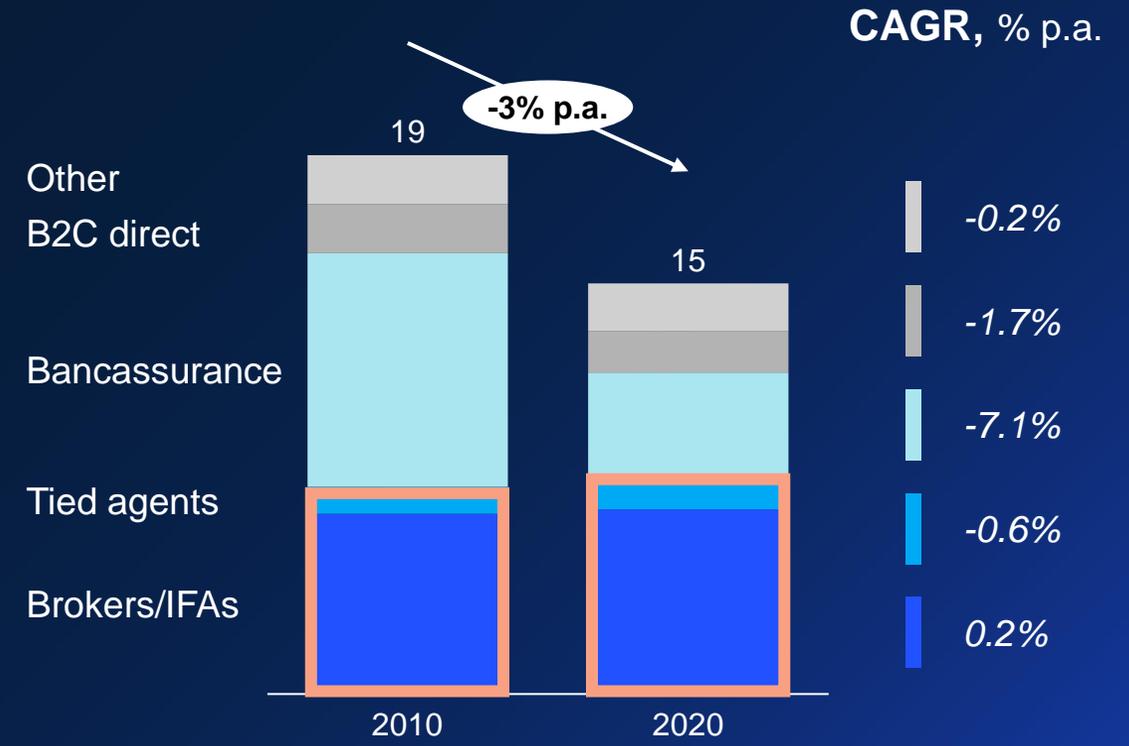
Share of "Tied agents" & "Brokers", %

72%

73%

Life insurance revenues

bn EUR



39%

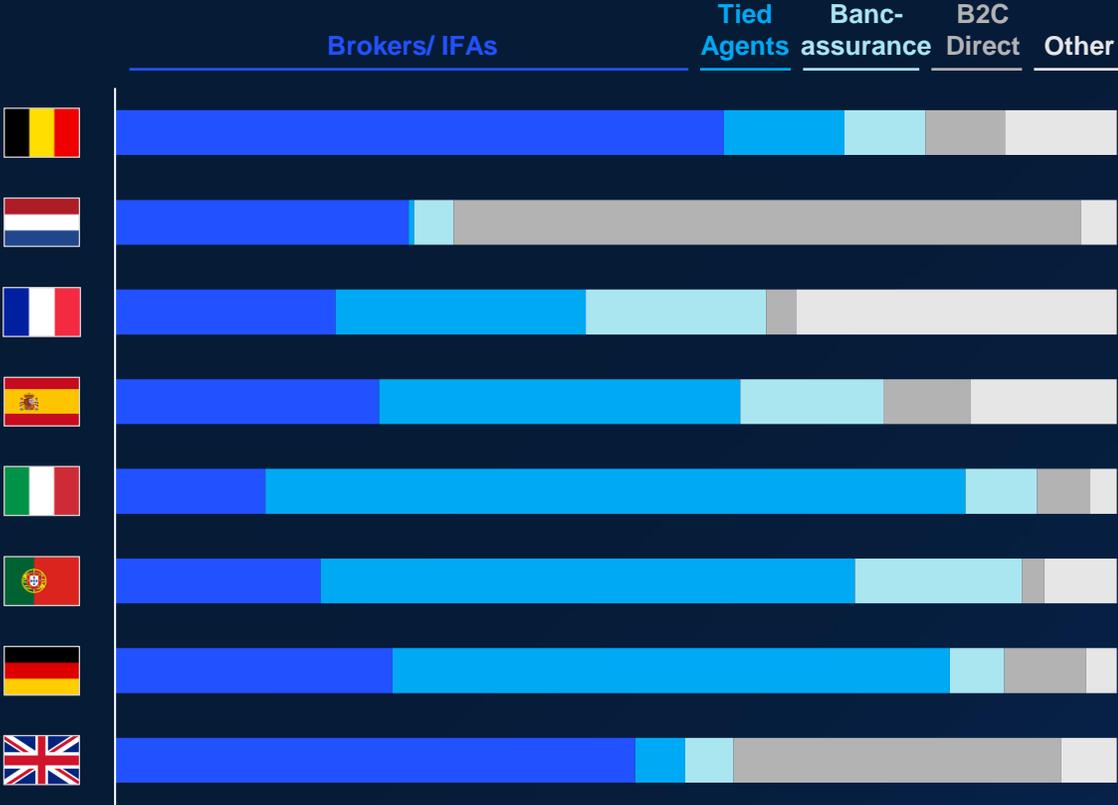
51%

The share of Brokers & Tied agents in Belgium is high as compared to the rest of Europe, especially in Life

2020 Market Share¹

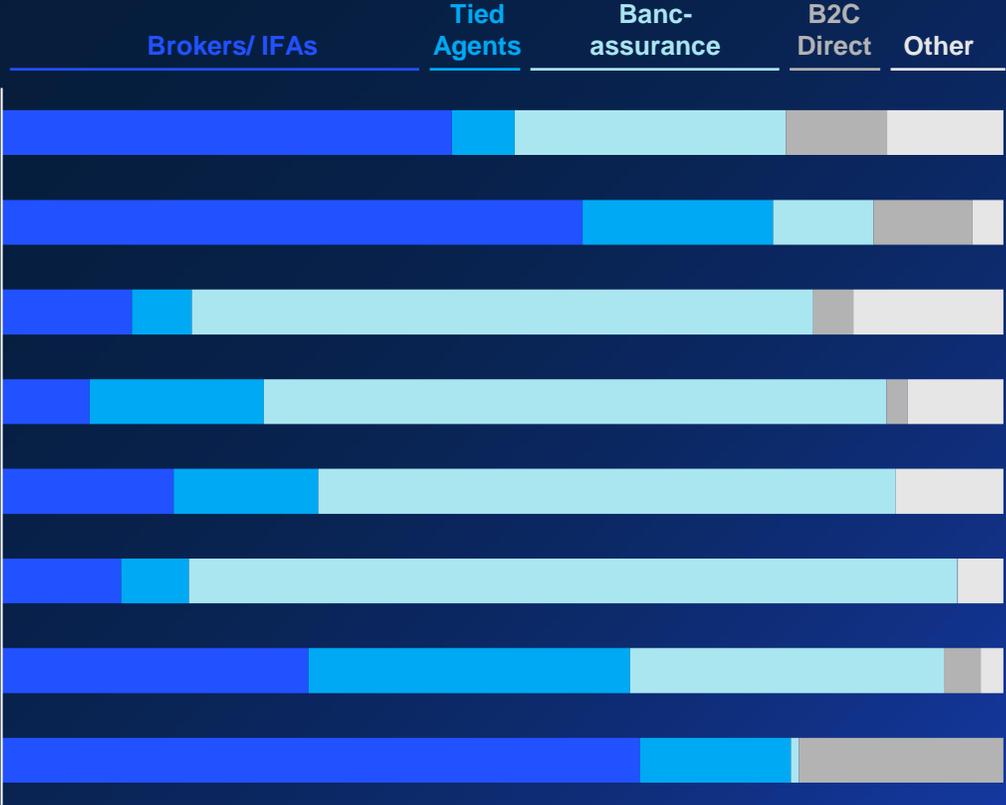
Non-Life insurance

% market share



Life insurance

% market share



1. 2020 Market Share is calculated as the GDDPW split of each Distribution Channel per LOB divided by the Total GDDPW of each LOB; 2 Based on new business; 3 Scope of P&C excluding accident

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**The Belgian Insurance
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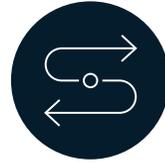
**Trends shaping the
Insurance industry**



**Implications on the
role of the insurance
intermediary**



We will discuss
a selection of
6 trends
impacting the
insurance sector
and intermediary



**Changes in the customer
needs & behaviour**



**Evolution of the power
of AI**



**Increased attention
for “sustainability”**



**Omnichannel
as the new normal**



**Recent macro-
economic trends**



**Rise of non-traditional
distribution models**

There is increasing attention for sustainability, in which the insurance intermediary can play a concrete role



“**Insure the transition**” by building the capabilities to advise and sell insurance related to the energy transition



Take the increased risk of **natural disasters** into account when attracting a new client



Up your game on how to **support your customers** during a natural disaster



Create **awareness** and **provide advisory** on how **sustainable** underlying investments are

The recent macro-economic events put additional pressure on the insurance market



Inflation and **interest rates** on the rise



Consumer confidence as low as during the financial crisis and lockdown troughs



Europe increasingly likely to enter **recession**



Continuing supply chain chaos
(e.g., semiconductors)



Ongoing talent shortage, shifts to new ways-of-working and evolving employee expectations



Pressure on **market growth**



Triple pressure on **profitability**:

- Increased **price sensitivity**
- **Rising claims costs**, partially offset by changing customer behavior
- Increasing **operational expenses**



A **raising bar** across insurers, resulting in:

- **Additional investments** e.g., digital, transformations,...
- **Continued war for talent**



But with a **silver lining**, for insurance (intermediaries)

- Rising interest rate environment positively impacting traditional life books
- Increased need for advice by customers



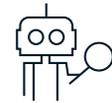
“AI” will allow insurance to shift from a state of “detect and repair” to “predict and prevent”, transforming every aspect of the industry



Underlying drivers



Explosion of data, driven by
~1 Trillion connected devices



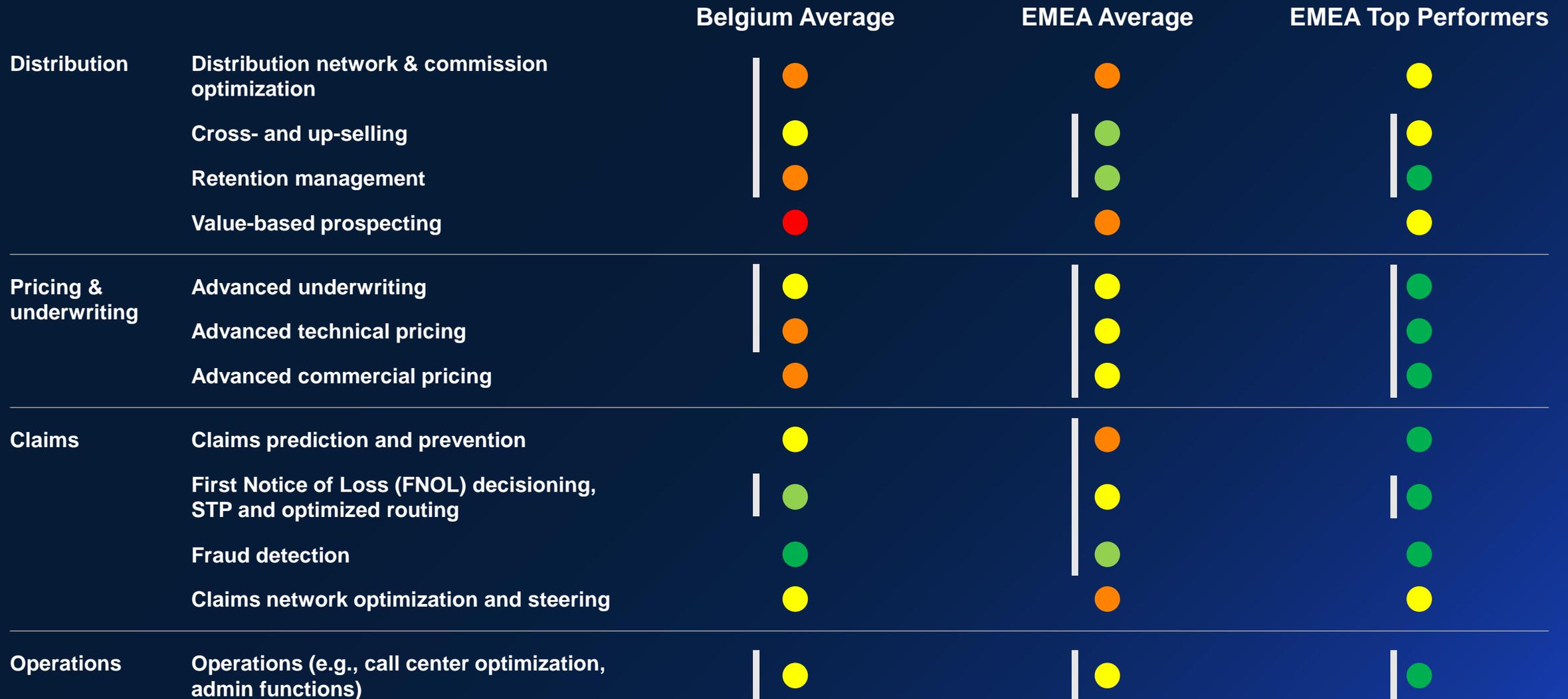
Increased use of **physical robots**,
leading to a shift in risk pools



Improved **cognitive technologies**

Belgian insurers lag behind international peers on rolling-out AI initiatives across the value chain

Levels of development of use cases, based on a survey of 59 insurers across EMEA



Radical agreement that customers demand “omnichannel as the new normal”



84% of Belgian customers use **digital channels** to interact with their insurer and/ or intermediary



Human aspect will not disappear, as **20-40%** of customers have a **high need for personal advice**



Even **younger customers** do not exclusively use online channels

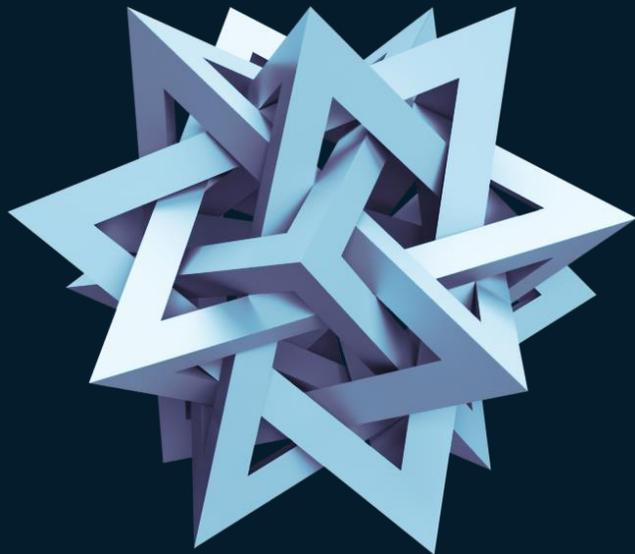


Income and education are decisive in channel preference



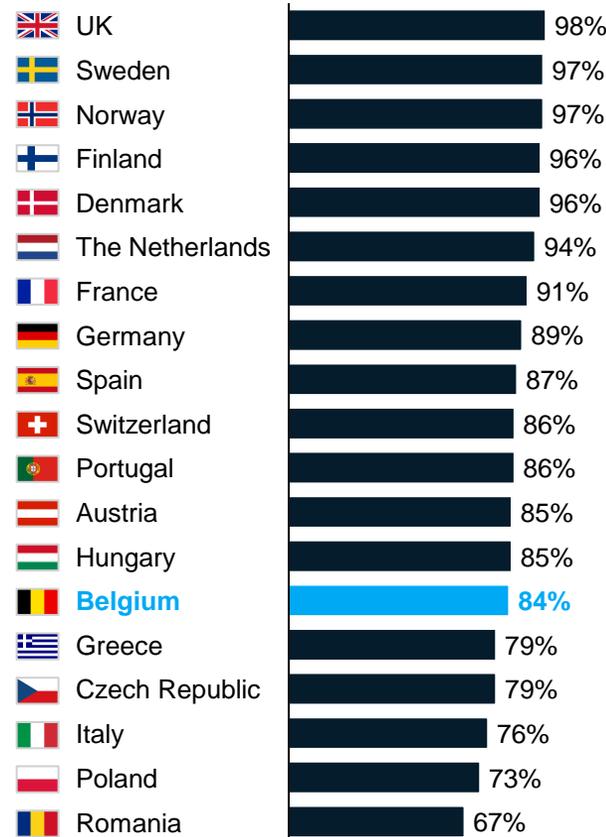
City inhabitants have a **higher likelihood to switch** between channels

Insurance in Belgium is just at the beginning of its “Digital Journey”, with much more room for improvement



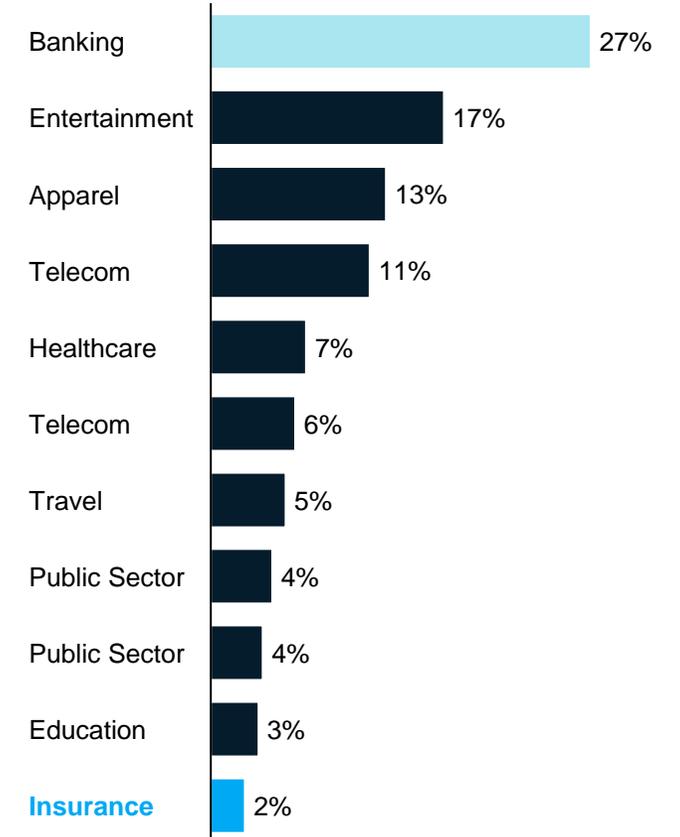
Use of digital channels for Insurance

? Are you using a digital channel for your insurances?



Most digitally innovative industries in Belgium

? Which industry do you consider the most digitally innovative?



Digital can be an enabler for intermediaries to realize their sweet spot



Digitize interactions

Provide **remote advisory**

Use of website, social media

Digital app (e.g., myBroker)

Majority of Intermediaries today



Digitize Agencies

Consistent use of a **CRM** tool

Automation / digitization of simple tasks (even with simple tools)

(Simple) **data driven lead generation and conversion**



Leverage digital to realize the “Sweet Spot” of the intermediary

Effectiveness: Increasing the effectiveness of a customer’s time spent (digital or in person)

Engagement: Increase a customer’s understanding of insurance needs and products

Experience: Ensuring the right communication at the right moment

Digital fueled a strong growth of several non-traditional distribution models

B2B2C Distribution

Own products under own brand, sold through 3rd party channels

Utility-offering

Own capabilities and assets made available to 3rd parties

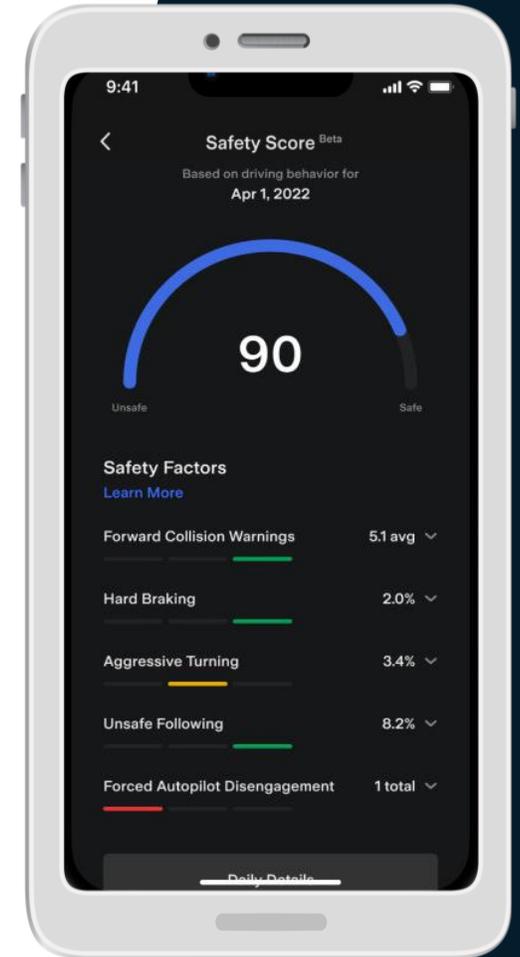
White-Labeling

Own (tailored) products sold under a 3rd party brand, through 3rd party channels

Embedded insurance

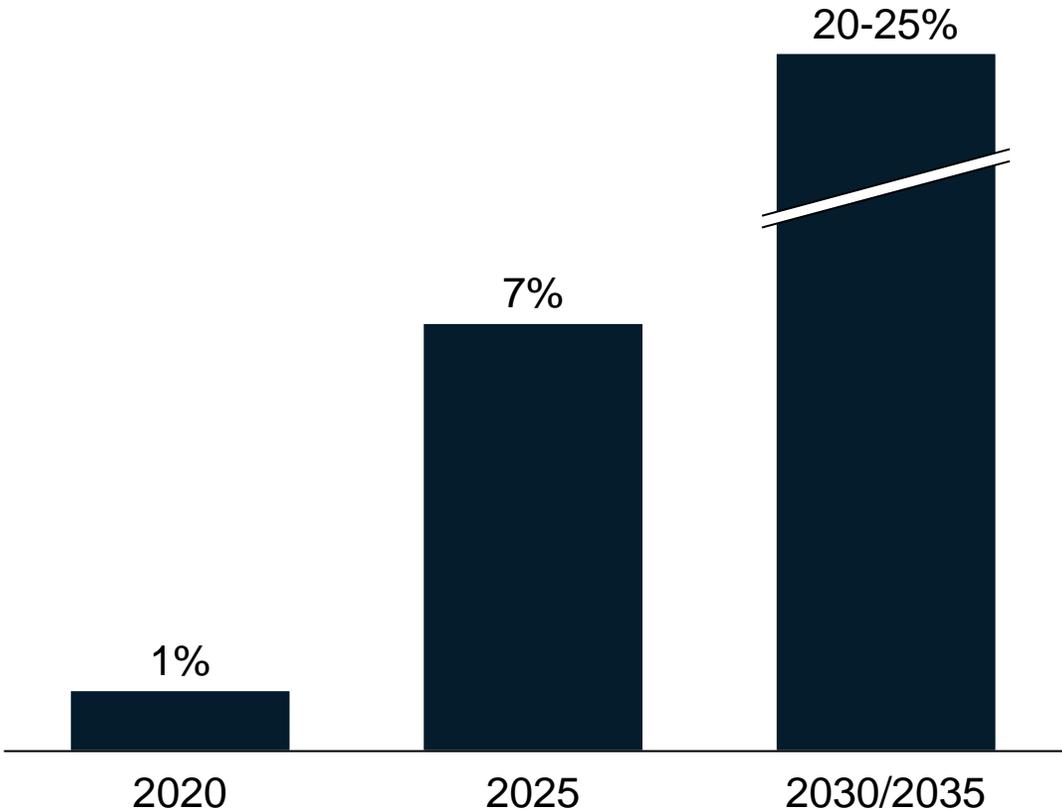
Insurance fully “embedded” in the good or service

← Each of these models provide opportunities for intermediaries →



By 2030, 20-25% of insurable mass will be served through non-traditional distribution models...

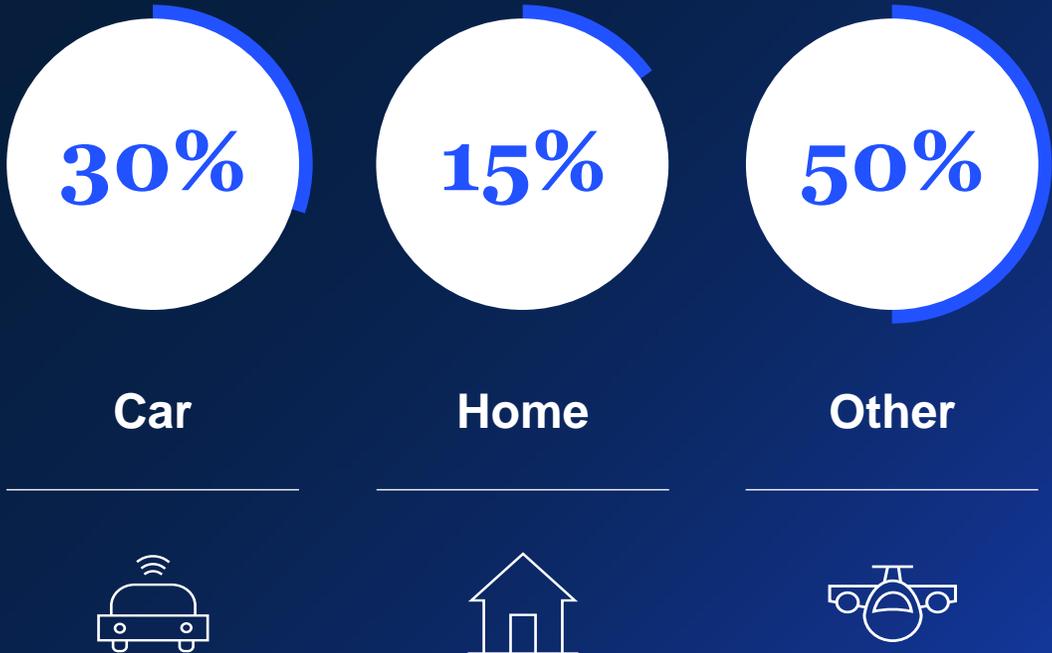
Share of non-traditional distribution models, % of total non-Life market



Source: McKinsey Insurance Practice

...but with a strong variation across product lines

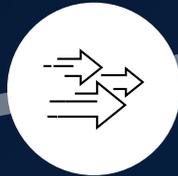
2030 share of non-traditional distribution channels, %



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Over the past years, there has been a strong evolution in the profile of a typical insurance intermediary in Belgium

-45%

Decrease in no. of intermediaries in Belgium over the past 10 years

+65%

Increase in size of average Belgian insurance broker in past 10 years (+5% p.a. CAGR)

~0.7 EUR mln

Average GWP non-Life portfolio of a Belgian Insurance broker in 2020

~0.8 EUR mln

Average premium portfolio in Life of a Belgian Insurance broker in 2020

x2

Difference in time spent on administrative tasks across intermediaries

We observe several best-practices used by top-performing intermediaries

1

Acquire



- 1 Online presence, with clear value proposition
- 2 Local sources of leads
- 3 Partnerships with other local companies

2

Advise



- 4 Online information
- 5 Regular catch-up, supported by a needs assessment
- 6 Leverage local edge in advisory

3

Service & Retention



- 7 Clarity on how to interact with your agency
- 8 Small iterative improvements (e.g., compliance)
- 9 Extra effort on (digital) communication and transparency

- 10 Temporary extra (external) capacity on the phone
- 11 Customer insights (e.g., through CRM)
- 12 Performance monitoring and management

What should an intermediary do to “Win your Customers` Hearts in a Digital World”?



Focus

Target customers with high need for advice

Focus **commercial efforts**

Define how to **stand out**



Act now

Prioritize what to improve first

Test & refine fast

Use **targeted professional help**



Collaborate

Partner with other **local companies**

Empower **industry associations**

Work together with other intermediaries



Thank you !

