

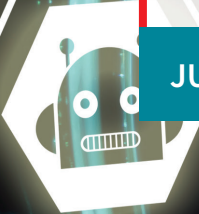
REPORT



UK Motor Insurance Insights: Managing the challenges of digital risk

AUTO
PARK
UK Insurance Underwriting Digitisation Study 2017

JULY 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 55 motor 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 of UK personal lines motor 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

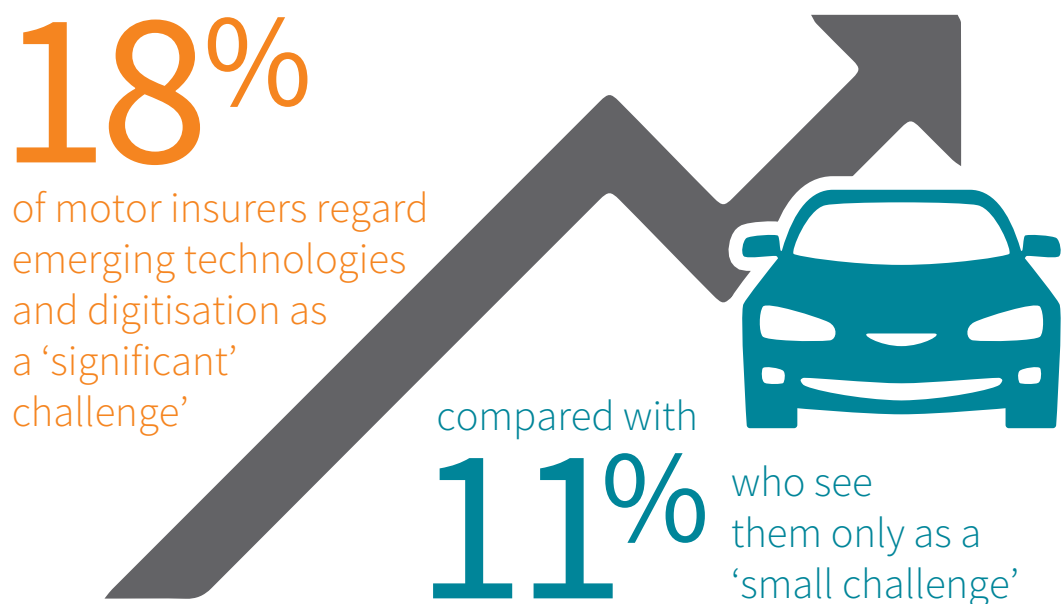


From 'somewhat' to 'significant': How emerging technologies and digitisation are viewed

The scope of digital risks and threats grows more complex by the day:

- Consumers altering their preferences
- Increased levels of insurer interaction
- The use of multiple devices exposing vulnerable entry points for hackers
- Disruptive new entrants seizing the digital advantage over more traditional operating models
- Sensitive data compromised by a lost laptop or USB stick

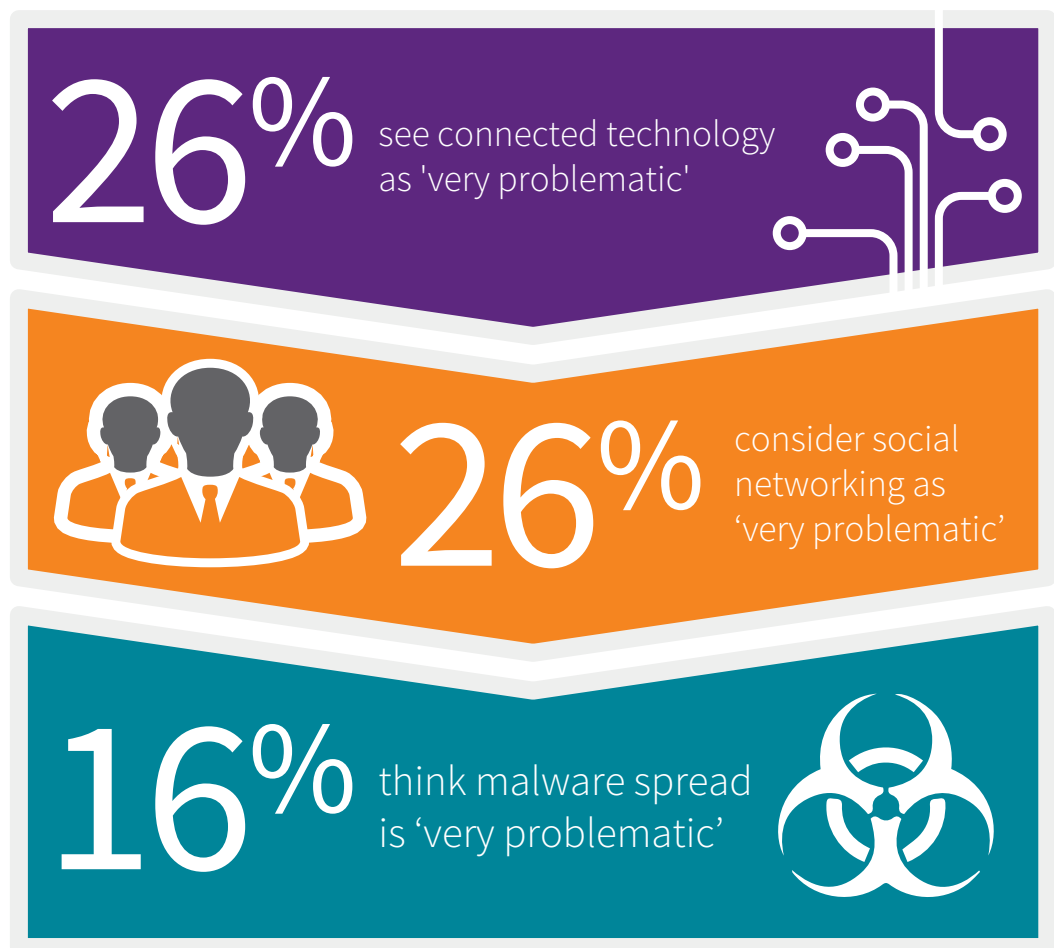
Motor insurers are likely to be particularly affected by emerging technologies and digitisation. Based on the results of the study, an overwhelming 89% of motor insurers feel that emerging technologies and digitisation pose either a 'significant' or 'somewhat' of a challenge. More telling, none of the respondents feel that these present absolutely no challenges at all for their business.



From bad to worse: which risks are the biggest problems?

It could be the direct risk of sensitive financial data being lost – or the indirect, damaging risk of losing your reputation and a consumers trust because a criminal has stolen their identity. With all of this to take into consideration, 67% of personal motor insurers regard emerging technologies and digitisation as ‘somewhat of a challenge’.

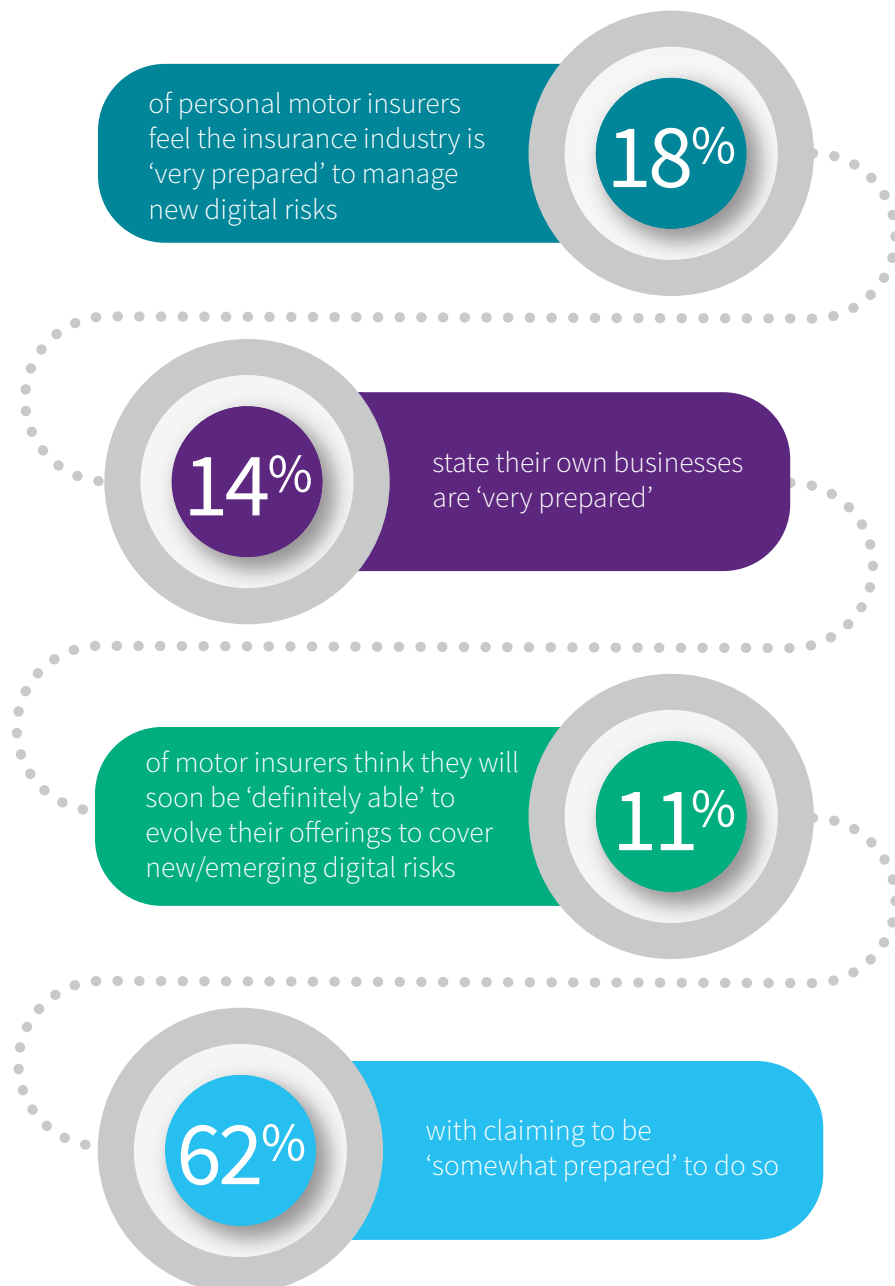
In terms of exposure to digital risks, what one insurer perceives as potentially devastating to their book may only be a slight concern for another. In fact, based on the respondents’ answers, the extent to which emerging technology risk types are the most problematic appeared pretty mixed. Data protection/email security and identity theft came top at 35%, while cyber crime scored a close second at 27%.



Managing uncertainty with optimism

Digital risks are inherently unpredictable – from not knowing where and when they might occur, to the level of damage a data breach might create. Factors like these are understandably a cause for concern, yet the study indicates that 78% of motor insurers were optimistic, although not fully confident about the situation – and that they would be able to evolve their offerings in the near future to cover new and emerging digital risks.

How prepared the respondents thought the industry was as a whole in managing new digital risks was largely positive with 67% stating they were ‘very prepared’ or ‘somewhat prepared’.



Maximising opportunities, minimising risks

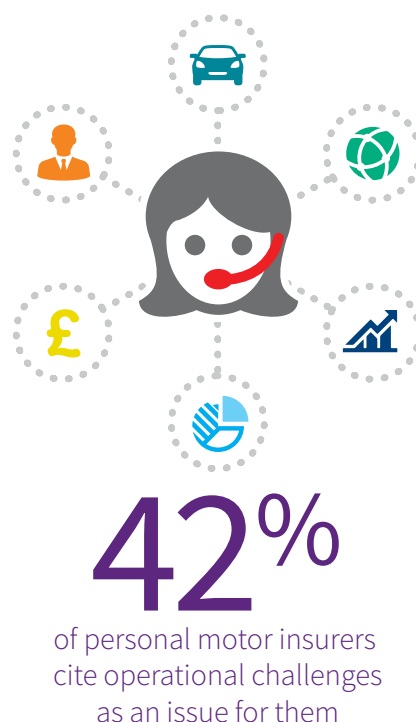
Insurance in the motor sector is being shaken up. InsurTech start-ups are grabbing market share from traditional insurers and new capabilities are helping to streamline and speed up underwriting and risk management.

Prepare and survive

The study shows that at least 40% of motor insurers report facing either price competition, data protection problems, or operational challenges as a result of digital risk, whilst 26% stated that none of the digital risks present a challenge for them.

As insurers find new ways through digital transformation and disruption, developing innovative products and services will be key in enhancing the customer experience and profitability. But as the industry's ability to leverage more valuable insights from data increases, so does the need for implementing and following ever more stringent data safeguarding measures, now and in the future and with General Data Protection Regulation (GDPR) on the horizon with its provision for certain types of data 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.

Overall, the study has highlighted the importance of planning for digital risk and the need to ensure that future offerings are robust and agile enough to deal with a range of threats – wherever and whenever they strike.



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



About LexisNexis Risk Solutions

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.