Can commercial insurers transform, cut costs and accelerate growth?

Minds made for transforming financial services

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Making the case for change

The commercial insurance industry enables the world of commerce, which is changing at an unprecedented rate. Insurers are struggling to keep up. Without profound shifts in business models, insurers are at risk of more innovative incumbents or new entrants gaining significant market share.

Traditional forms of segmenting the commercial insurance market are becoming increasingly irrelevant. Future segmentation will be based on needs rather than the insured's turnover and number of people within the business. Companies don’t want to buy products; they want to buy protection and a service based on their individual requirements.

Distribution models will continue to evolve, creating a new commercial insurance ecosystem with a wider range of actors than ever before. Insurers have not responded successfully to changing customer needs, resulting in more innovative organisations such as managing general agents (MGAs) and InsurTechs gaining market share. These organisations have focused their efforts on proposition, service and distribution, and their dynamism has attracted talent away from established insurers, leaving them at risk of being further left behind.

New technology will have a wide-ranging impact on insurers, to drive new business models, as well as enabling digitisation of the existing business model. The insurance value chain is no longer a linear set of interactions. It is an evolving ecosystem of interconnecting parties, who can take on different roles within this model depending on the client and the particular interactions involved.

Commercial insurers who do not prioritise these issues will lose their position in the market as they will become increasingly uncompetitive. Insurers that do prioritise them and take transformative action can accelerate their future growth. They can offer a superior service to companies — while also halving their costs.

In this paper we will identify the compelling reasons why insurers need to act — from the changing shape of the economy and shifting customer needs, to the evolving distribution landscape and new technologies coming into play. We also highlight the key areas in the commercial insurance value chain where insurer action can achieve maximum impact.
Market forces at work

An evolving economy and growing commercial insurance market present both an opportunity and threat to incumbent insurers. But there are good reasons why the industry can and will transform itself — emerging stronger and more innovative.

The commercial insurance industry enables the world of commerce, and that world is changing at an unprecedented rate

Automotive and transportation
Over 33 million autonomous vehicles will be sold globally in 2040, up from 51,000 projected in 2021.¹

Technology, media and telecoms
The combined company value of the big tech giants amounts to 19% of GDP.³

Government and public sector
Police crowdsourced the identities of 2,880 suspects via a smartphone application during the 2011 London riots.²

Mining and metals
One of the leading global mining groups is investing US$2.2bn into the world’s first ‘intelligent mine’ with driverless trains, trucks and robotics.³

Power and utilities
Renewables will capture two-thirds of global investment in power plants and account for 80% of new power capacity in the EU by 2040.⁴

Life sciences
Advances in genomic profiling and biomarkers combined with rising demand will cause the global precision medicine market to grow 8.47% CAGR to US$88bn in 2023.⁵

Financial services
Half of FinTech companies expect global revenue growth of over 100% in the next year.³

Oil and gas
Currently, only 1% of data from an oil rig’s 30,000 sensors is analysed; innovative big data technologies are set to change this.⁷

Health
Use of IoT devices to monitor and treat illness could have a potential annual value of US$1 trillion globally, by 2025.⁶

Real estate and construction
Robotic technology will vastly improve construction efficiency with the first Semi-Automated Mason, capable of laying up to 3,000 bricks a day, six times faster than a human bricklayer.⁵

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We expect the UK commercial insurance market to grow at a rate of 3.8%11

Commercial lines insurance follows commerce and the health of the UK economy in being impacted by macroeconomic and political factors, such as regulatory and compliance developments, Brexit and the effect of US tax and evolving tariff policies. Despite these drivers, we expect the UK commercial insurance market to continue growing, at a rate of 3.8% per annum from 2018 to 2025 (excluding the Lloyd’s market)12 — outpacing the 1.8% forecast growth in UK GDP, as it has for the last three years (2015 to 2017).13 The sector mix will change as a result of the digital transformation of the UK and global economy. Continued investment in technology will mean that the UK financial services industry is one of the UK’s highest growth sectors (+5% growth), representing 35.9% of GDP by 2025 and remaining a leading innovation hub globally.14 The other high growth sector will be technology, media and telecoms (TMT), recording 13% growth and accounting for 10.6% of GDP in 2025.15

As the market evolves, this sector mix will require insurers to start changing their product offerings, particularly given the move from manufacturing and goods-driven business models towards companies characterised by less tangible intellectual property, services and financial products. Despite this growth in the market, incumbent insurance players face a number of severe threats that need to be addressed. For example, the combination of surplus capacity and a perma soft rating environment are eroding underwriting profits. Traditional business models centred around people and paper are inefficient, with extensive duplication across the value chain — resulting in costs increasing more rapidly than growth in revenues. Meanwhile, emerging technology has highlighted to the industry that current processes can be done better and more cheaply. Further challenges come from new entrants such as InsurTechs or reinsurers partnering with InsurTechs, which are targeting underserved risk segments such as the SME market. The bottom line is that if established insurance players fail to evolve, their inertia will enable more proactive competitors and new entrants to steal market share. But where there are threats, so there are also opportunities. Both commercial insurers and new entrants can capitalise on the current environment. For example, as the shape of the economy changes and intangible assets account for increasing amounts of corporate value, so the gap between insured and uninsurable risk is growing — generating new market opportunities. Both insurers and brokers can also tap into new potential revenue streams, for example, as providers of on-demand analytics, enabling smarter business decisions. Existing markets are also rapidly expanding. This is particularly driven by the risks associated with cyber and the internet of things (IoT). From another perspective, commercial insurers have the opportunity to achieve improved risk selection, packaging and capital allocation as underwriting becomes more granular and real-time.

Three reasons we believe commercial insurers will succeed

We believe the commercial insurance industry can and will transform itself — emerging stronger and more innovative than ever before.

1. Traditional industry players have inherent strengths that will remain critical

Insurers have large balance sheets and clients trust that insurers will manage their claims and losses. They have established relationships, particularly with mid-market and large corporate segments. Insurers own an important asset in the form of historical data sets of exposures, losses and causes of loss — which other players would need to build. Incumbent commercial insurers also have experience of the complex and constantly evolving regulatory environment.

2. Recognition of the need for transformation is now pervasive across the industry

Leaders in the commercial insurance industry are voicing the need for change and announcing transformation initiatives to alter the way the industry has traditionally worked. Some have already begun innovating, with increasing participation from InsurTech players. For example, 36% of insurers already operate some form of innovator lab,16 and a quarter of insurers with venture capital activities have allocated funding of more than US$1bn.17

3. Companies that pose a real threat to traditional players are largely focused elsewhere, although there are movements to suggest that if insurers do not act, other new entrants may prevail

Although some of the big technology players have experimented with insurance aggregators and investments, none have so far cemented themselves into the insurance industry. We believe these brands will have an increased presence in personal lines, and there are signs that they are potentially looking to enter some commercial lines activity, particularly for SMEs. However, the commercial insurance value chain is a complex set of activities, requiring significant skills and expertise, which would be challenging to enable from scratch. As an additional deterrent, capital and regulatory barriers to entry remain high.

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12. EY analysis.
15. EY analysis of Global Economic Databank, Oxford Economics.
A new approach to segmentation

Traditional forms of segmenting the commercial insurance market are becoming increasingly irrelevant.

Future segmentation will be based on needs rather than the insured’s turnover and number of people within the business. Companies don’t want to buy products; they want to buy protection and a service based on their individual requirements.

The insurance products of today are solving yesterday’s problems. Today’s customers require something different

Despite a surplus of insurance capital, insurable risk today is only a small proportion of the total risk that commercial customers face:

- There is a lack of historical data for these risks to enable effective pricing through actuarial models.
- There is an increasing need for insurance cover for temporary risks which do not fit into traditional annual cycles.
- Many risks are now too complex or do not fit into the insurance industry’s traditional line of business structure.
- There is a lack of widespread access to cost effective insurance, in particular in emerging economies.

87% of the total market valuation of S&P 500 companies is derived from intangible rather than tangible assets. In 1985, this was just 32%.14

There are rapidly evolving expectations across the different market segments, including requirements for on-demand coverage for shorter periods, and cyber risks that go well beyond the coverages provided today.

The lines between personal and small commercial are blurring as personal assets become used for commercial purposes on a temporary basis.

The rise of disruptive technologies has allowed prevention to become far more important than protection for clients.

Liabilities are shifting, for example from owners to device manufacturers, and insurers will need to be able to provide long-term coverage for this.
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In essence, the gap between customer needs and traditional insurance industry solutions is greater than ever, and widening further

Customers want to insure an evolving range of risks, in different ways, for varying periods. They don’t want to be offered a pre-determined product based on an assumption of their needs.

The insurance industry’s response is hampered, however, by its traditional approach to segmentation. At present, the commercial insurance market is generally segmented by size of customer: large corporate, mid corporate and SME. SME business is seen as consisting of low value, standardised property and casualty (P&C) products; mid-market as mid-size risks which require more specialist advice, and large corporates are assumed to have high value, complex risks that require large capacity and bespoke underwriting.

Segmenting by size in this way will need to be abandoned. These are yesterday’s terms, no longer suited to the market of today and the future. Instead, successful commercial insurers will look at their clients on the basis of their needs. Propositions will be tailored to actual need, taking account of factors such as business complexity and the extent of virtual and third-party supply chains. A business may be small but still need specialist capability and a proposition suited to its needs.

Approaching the market in this new way will have an impact on every component of the commercial insurance value chain – from origination and engagement, through to risk advisory, solution development, trading, underwriting, servicing, claims or loss management and portfolio management – with a dramatic realignment of value, costs and industry structure.

Technology will be the primary driver of cost reduction and redistribution across the value chain, as traditional processes and roles disappear or undergo significant evolution. However, insurers should not see cost reduction as the only benefit. Providing customers with protection that better suits their needs and is accessed in a way convenient to them, will significantly increase customer experience and help insurers to grow market share.

Notes —
The evolving distribution landscape

Distribution models will continue to evolve, creating a new commercial insurance ecosystem with a wider range of actors than ever before.

Insurers have not responded successfully to changing customer needs, resulting in more innovative organisations such as MGAs and InsurTechs gaining market share. These organisations have focused their efforts on proposition, service and distribution, and their dynamism has attracted talent away from established insurers, leaving them at risk of being further left behind.

Brokers claimed a 77% share of commercial insurance distribution in 2016, and we expect them to retain their dominance. The use of brokers will remain particularly attractive for larger businesses requiring coverage for more complex needs and a wider range of risks. However, purchasing behaviours are evolving, triggering growth for direct channels (particularly for smaller businesses with simpler risks) and new forms of distribution.

A new commercial insurance ecosystem is developing, changing the role of existing players, and introducing a new set of entities to support new technologies and transformed ways of working. In the SME/‘Simple and good enough’ segment, changes to purchasing behaviours will require the introduction of e-brokers and aggregators, and other new players will largely centre around new types of data and analytics services the industry will start to use. Our view of the future landscape later in this section shows the level of change we believe will be required for each party. Of these future changes, InsurTechs and MGAs in particular have already gained increased traction in the market, driving greater use of MGAs, and in turn causing a shift in talent from traditional insurers to the MGAs, enabling greater innovation in these companies.

Commissioned authority arrangements are an important and significant component of the commercial and specialty insurance market. The global delegated market reached around £70bn in gross written premiums in 2017, following accelerated growth (with a five-year compound annual growth rate of 6%), and we expect this trend to continue. In the region of £5bn of premiums were written through UK MGAs in 2017, and European insurers used delegated vehicles to write approximately £6bn of business across the region. Growth will also be encouraged by the increased sophistication of delegated agents (making them more attractive to carriers) and the increased take-up of the delegated model by reinsurers, brokers and alternative capital providers as they seek to own more of the value chain and therefore profit.

Delegated authorities and MGAs are increasingly used as a mechanism to access niche markets. MGAs centred around specific areas of expertise are offering much more innovative products and better levels of service, particularly for new product protection areas such as cybersecurity. This is driving greater use of MGAs, and in turn causing a shift in talent from traditional insurers to the MGAs, enabling greater innovation in these companies.
InsurTechs are also causing significant disruption to traditional distribution models, although their presence has been felt more strongly in the personal lines than commercial lines space. InsurTechs have focused predominantly on sales and distribution, or have looked to deliver specific value chain solutions, and few have covered the end-to-end value chain. Funding for these firms has increased dramatically, with US$2.3bn invested globally in 2017, representing a 32% annual increase on 2016. As with the emergence of banking Fintechs, InsurTechs have initially focused on quick wins within personal lines, with only one in four serving the commercial sector.

The growing presence of InsurTechs in sales and distribution shows the customer desire for a different service and proposition from their insurance providers. Insurers need to take note, learn from these market developments and apply their insights in the way they develop their own business model propositions. This is particularly true in the SME/’Simple and good enough’ segment, where InsurTechs have been most aggressively targeting the market.

Although InsurTechs are disruptive, many insurers are embracing their potential. A number of high-profile insurers and reinsurers are actively investing in InsurTechs, either through incubators or corporate venturing (investment and acquisition). Alongside private equity houses, (re)insurers are the biggest investors, so helping to fuel the InsurTech movement. Commercial insurance participants can gain from both the new technologies and new ways of working; 81% of outperforming insurance businesses have either invested in, or are already, working with InsurTechs.

While some InsurTechs will try to disrupt the industry, the stronger trend is towards InsurTechs becoming enablers – starting to focus more on point solutions to support insurers in underwriting, claims, IoT and artificial intelligence. Of InsurTechs targeting the commercial lines industry, 75% can be seen as enablers. Insurers need to capitalise on these innovators’ strengths and use them to enhance their propositions.

At the same time, insurers need to ensure they avoid being disrupted by InsurTechs and MGAs focused on distribution. They need to take action to improve their distribution activities and maintain relationships with their customers. Otherwise they risk a future where their role in the value chain shrinks to that of being simple providers of capital.

The future commercial insurance distribution landscape

The new distribution landscape will require fundamental changes to a number of players, and will see many new parties enter as well. These new parties will be largely focused around providing additional services for the ecosystem around data and analytics. For insurers, this will mean changes to how they need to operate, and who they need to interact with.

<table>
<thead>
<tr>
<th>Today</th>
<th>Future</th>
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<tbody>
<tr>
<td>Global brokers</td>
<td>Global brokers</td>
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<tr>
<td>National/regional brokers</td>
<td>National/global brokers</td>
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<tr>
<td>Local brokers</td>
<td>Broker networks</td>
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<tr>
<td>Tied agents</td>
<td>Tied agents</td>
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<tr>
<td>Global composite insurers</td>
<td>Domestic/composite insurers</td>
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<td>Domestic/mutual/specialty insurers</td>
<td>Domestic/mutual/specialty insurers</td>
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<td>Physical markets (e.g., Lloyd’s)</td>
<td>Virtual markets</td>
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<td>MGAs</td>
<td>MGAs</td>
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<tr>
<td>Captives</td>
<td>Captives</td>
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<tr>
<td>Wholesale brokers</td>
<td>Digital wholesalers</td>
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<tr>
<td>Reinsurers</td>
<td>Reinsurers</td>
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<tr>
<td>InsurTech</td>
<td>InsurTech</td>
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</table>

Other players present both today and in the future:
- Loss adjusters
- TPAs
- Regulators
- Software providers
- Consultants
- BPO

<table>
<thead>
<tr>
<th>Degree of anticipated change</th>
<th>Significant</th>
<th>Major</th>
<th>Fundamental</th>
<th>New player</th>
</tr>
</thead>
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20: EY analysis.
21: EY analysis.
23: EY analysis.
25: EY analysis.
New technology driving new business models

New technology will have a wide-ranging impact on insurers, driving new business models, as well as enabling digitisation of the existing business model.

The insurance value chain is no longer a linear set of interactions. It is an evolving ecosystem of interconnecting parties, who can take on different roles within this model depending on the client and the particular interactions involved.

Disruptive technologies are creating opportunities for insurers to meet their customers’ needs more effectively and run their operations more efficiently

New technologies give insurers access to better data, greater ability to share data between parties, and better ability to price and manage risk effectively. As a result, the true value of these new technologies will come from their ability to support a different, new type of business model.

Given the intermediation, type of risk and frictional costs associated with commercial lines insurance, we believe new types of technology will have a far greater impact on commercial than personal lines. The volume of data required to price risk effectively, and the number of parties involved, means new technologies can fundamentally change the game for insurers, brokers and insureds.

Commercial insurers could also use these new technologies to digitise their existing businesses and current ways of working. Typically, organisations spend far more on legacy systems than on disruptive change, so improving the performance of legacy systems and processes can have a marked impact. Where insurers are not ready to be disruptive in the market, applying a combination of technologies such as robotics, machine learning and digital interfaces can drive automation across the legacy estate and deliver significant performance improvements. However, if insurers do not use the power of these technologies to change their business model, they risk being disrupted by more digitally-enabled new entrants, or by incumbents that have fundamentally changed their business models – reducing their cost of doing business while improving customer experience.

As commercial insurers increasingly use such technologies in combination, rather than in isolated silos, their true power to improve efficiency and performance and shift the market will be realised.
We believe that these new technologies will enable a new business model for insurers that choose to grasp the opportunity. Commercial insurers’ models will become customer focused and needs-based, digitally connected to the many parties involved in the ecosystem via a sophisticated service-driven API architecture – sharing data, enabling transactions and providing insight. The interconnected nature of the ecosystem will fundamentally change the role of traditional parties in the insurance value chain, as well as introducing a whole set of new players focused on loss prevention and providing additional data and analytical capabilities.

The new disruptive technologies have made this type of model possible. Moving towards a new business model will only be possible, however, if insurers also take another look at market segmentation and distribution as part of their evolving business proposition.

The segments individual insurers focus on will influence their emphasis on capabilities and interactions within the ecosystem, although the overall model will feel the same. For example, insurers focusing on the SME/Simple and good enough’ segment will need less focus on underwriting, which will be largely automated. However, they will require much greater emphasis on proposition development through analytics. Their key ecosystem partners will be e-brokers, aggregators, insureds and analytics providers.

In contrast, for insurers focused on the large corporate/Connected risk ecosystem’ segment, their model’s primary focus will be on the interconnected-ecosystem, where digital connection with most of the external parties drives the value. The key to this ecosystem is the use of smart contracts to drive service and claims, based on pre-agreed underwriting and tolerances.

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Halve costs and improve customer service

Commercial insurers who do not prioritise these issues will lose their position in the market as they will become increasingly uncompetitive. Insurers that do will halve their expense costs, and offer a superior customer service to clients.

The evolving landscape in which commercial insurers operate offers huge potential for new revenue streams and improved performance, and acts as a real threat for those who choose not to act.

To succeed, commercial insurers must:

- Re-segment their customers to drive better, targeted services based on customer needs and behaviours, not based on existing product offerings.
- Optimise their distribution to prevent being disrupted by the growing MGA and delegated authority sector as well as InsurTechs, focusing on how they can maintain and strengthen the relationship with the customer, and so avoid becoming just a capital source.
- Truly change their business into a customer-focused and needs-based, digitally-connected model, leveraging the capability of new technologies.
- Manage and lead talent in the shift from a technically focused, siloed and fragmented workforce to an interconnected, collaborative and customer-centric one.

Insurers that succeed should be able to manage twice as much business for half the costs. We believe that a reduction in costs will be most profound in trading, where a movement towards e-trading, portfolio solutions and ecosystems based on new technologies and distribution models will fundamentally revolutionise activities and therefore associated costs.

Similarly, there will be cost reductions across the industry in underwriting and servicing, primarily driven by automated underwriting and a greater use of self-serve digital capabilities.

We do, however, believe that costs will increase in some areas. This is particularly likely in solution development, where success will require a far greater focus on tailoring products to new client sub-segments and in portfolio solutions. However, increased expenditure here will be far outweighed by the overall reduction in costs that we will see across all segments of commercial insurance.
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In each market segment, by focusing on specific parts of the commercial insurance value chain, insurers can generate added value and/or significantly reduce their costs. We have analysed the current industry expense base, as a percentage of net written premium (NWP), and determined our view on the future industry expense base, through the application of new technologies and activities across the value chain.

### Future commercial insurance industry cost structure

Disruptors entering the market will have a significantly lower cost base than incumbents. To remain competitive, the focus must be on moving away from costly and inefficient legacy systems, and towards slick customer experience, automation and artificial intelligence, while also introducing value-add human intervention into processes.

Insurers’ priority actions to enable this transformational change and remain competitive will be determined by the market segment(s) in which they operate:

#### Traditional SME – ‘Simple and good enough’

Transformed into a ‘Simple and good enough’ segment, the greatest cost reduction can be achieved by fully automated trading, online self-serve capability, and fully automated underwriting – potentially delivering cost reductions of 40%-50%. To enable this, the key areas to focus on will be:

- Greater investment in solutions tailored to specific sub-segments
- Straight-through processing
- Omnichannel customer experience
- ‘One-click away’ insurance, linked into e-brokers and aggregators

#### Traditional mid-market – ‘Trusted advice and best solutions’

The transition from traditional mid-market to a ‘Trusted advice and best solutions’ segment will involve a heightened focus on intangible risks and very complex needs. Insurers active in this area should focus on e-trading rather than face-to-face operations, greater use of portfolio solutions, and an increased use of self-service. The primary changes made by insurers focusing on this segment will need to be:

- Enabling an automated and integrated core platform at the heart of the business to enable e-trading via brokers
- Making greater use of automated underwriting and portfolio solutions
- Maximising the automation of low value, low complexity claims

#### Traditional large corporate – ‘Connected risk ecosystem’

Transformation into a ‘Connected risk ecosystem’ segment will require a fundamentally different business model focused on tangible risks, high volumes of data, and standardised risk profiles of large portfolios. This new segment will find significant cost reduction through lower origination costs as relationships become deeper and more engrained and automated trading within pre-agreed smart contracts increases. The primary changes for this segment will focus on:

- Establishing an automated and integrated core platform directly linked to brokers and clients
- Using risk ecosystems enabled by blockchain to provide an immutable transaction ledger
- Intelligent analytics enablement
- Obtaining value from real-time data

While technology will be the primary enabler of transformation across all segments, successful change also requires a fundamental rethink of how insurers run organisations – particularly the change required to the workforce. Underwriting and claims professionals will see significant changes to their roles, moving away from non-value-add processing activities (which can be automated) to high value decision making and business development activities and more time spent on ongoing innovation – all with the aim of delivering a high quality customer experience.

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### Value chain activities

<table>
<thead>
<tr>
<th>Value chain activities</th>
<th>Segment</th>
<th>SME – ‘Simple and good enough’</th>
<th>Mid-market – ‘Trusted advice and best solutions’</th>
<th>Large corporate – ‘Connected risk ecosystem’</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Today</td>
<td>Future</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Origination &amp; engagement</td>
<td>9.5%</td>
<td>4.0%</td>
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<tr>
<td>Risk advisory</td>
<td>3.9%</td>
<td>1.3%</td>
<td>4.9%</td>
<td>6.4%</td>
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<tr>
<td>Solution development</td>
<td>2.1%</td>
<td>3.0%</td>
<td>2.6%</td>
<td>2.0%</td>
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<tr>
<td>Trading</td>
<td>7.7%</td>
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<td>Underwriting</td>
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<td>1.6%</td>
<td>2.6%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Servicing</td>
<td>6.8%</td>
<td>1.3%</td>
<td>6.1%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Claim/loss management</td>
<td>4.2%</td>
<td>2.6%</td>
<td>2.0%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Portfolio management</td>
<td>0.5%</td>
<td>0.6%</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Opex cost</td>
<td>38.5%</td>
<td>15.6%</td>
<td>35.4%</td>
<td>37.1%</td>
</tr>
</tbody>
</table>

**Key**

- Flat/increase in costs
- 0%-50% reduction in costs
- 50%-75% reduction in costs
- 75%+ reduction in costs

- We have analysed the UK cost base across all parties in the commercial insurance value chain.
- For each current segment we have determined the cost base per key activity, as a percentage of the net written premium, ascertaining where the greatest expenses lie within the value chain.
- Based on our assessment of what the future model for commercial Insurers will look like and how key steps in the value chain will evolve, we have calculated the future cost base per key activity area, and therefore the overall expense base reduction across the industry.

Source: EY analysis of industry cost structure, 2018.
Without fundamentally changing their business models, insurers will not be able to survive in their current construct — losing market share in the face of competition from more nimble and agile new entrants, or incumbent insurers that have been far more ambitious and disruptive in their approach.

Higher customer expectations cannot be ignored. Insured parties are looking for a better service for a lower cost. Commercial insurers have the potential to meet such demands — but only by undergoing significant transformation, both as individual organisations and in the industry as a whole.

To remain competitive, commercial insurers will need to focus on three fundamentals:

1. Re-segmenting their customers to drive better targeted propositions and services
2. Optimising their distribution to strengthen customer relationships
3. Applying technology to develop a customer-focused, digitally-connected business model

The pace at which insurers will choose to undertake these activities will vary, depending on ambition, current position in the market and existing technology architecture. However, without such action, insurers risk becoming irrelevant and uncompetitive in the market.

Disruption will be far more profound in commercial lines than personal lines over the next few years, given current inefficiencies and the advent of new technologies enabling a fundamental reshaping of the business market.

We believe that the industry can and will transform itself, and emerge stronger and more innovative than ever before — given its inherent strengths and the recognition of the need to change pervasive across the industry. Insurers that choose not to act may be disrupted by new entrants or incumbents; success in this industry will require focused activity on future-proofing and transforming the business.

EY is at the forefront of these market developments. We are already helping many commercial insurance ecosystem participants to define their future business model. We are starting to implement their visions for the future and the underpinning new technologies. As they transform their models, they anticipate seizing a greater market share from a far lower cost base.
How EY can help

We have developed a number of key services to these challenges to support insurers in their commercial insurance transformation journey:

- Insurwave – blockchain platform
- Core platform replacement
- Digital platform enablement
- Intelligent automation
- Advanced analytics
- Insurance workforce of the future
- Business model re-design

To discuss how EY can help to transform commercial insurers, please get in touch.

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