

Rise of Big Data Insurance Market Research Report Opportunities to 2020

PUNE, MAHARASHTRA, INDIA, June 2, 2017 /EINPresswire.com/ --

The Rise of Big Data in Insurance

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Synopsis

Data has undoubtedly altered the way the insurance industry works, enabling companies to access more information about customers and allowing them to offer the potential for cheaper premiums and rewards.

Telematics, wearable's, and connected homes are the main established examples.

The health sector is where big data's impact is most evident, with wearable technology increasingly used by large insurers, which offer cheaper premiums, reward schemes and health benefits in exchange for personal data. Statistic has forecast that the wearable device market value will value US\$12.7 billion, and 13.45 million devices will be shipped worldwide, in 2018.

Summary

Similar to all aspects of insurance technology (insurtech), it is the large insurers which are struggling most with modernizing systems and approaches. This is due to ingrained processes and an inability to tolerate failure, meaning that innovation is often stymied. Other challenges, such as difficulties in attracting innovative talent and entrenched IT systems, also prevent rapid change. Smaller companies and startups have often developed through trial and error, and therefore have more tolerance for failure. They also tend to be managed by more technically aware people and are less reliant on dated IT systems that would be cost-prohibitive to update.

As insurers increasingly hold greater amounts of data, often of an extremely personal nature, the potential damage of a cyber attack increases. The data is already expensive to store safely, but costly fines, set to be introduced in the new EU data protection regulation of 2018, will force insurers to invest in cyber security.

Many insurers are looking to reduce paid claims by preventing them. This is the case in healthcare, and is also seen in the property and motor categories with connected homes and telematics. As well as reducing claims, this will also help insurers to build relationships with customers, as traditionally contact only occurs when a policy is due for renewal.

The benefits of big data are still being deliberated. It is argued that the more information that becomes available to insurers the more they are able to price niche policies, or at least have peer-to-peer insurers cover them; diabetes is the most commonly cited example. Cheaper premiums for customers who are able to improve their lifestyle are another potential advantage.



The argument against the use of big data is that more information will lead to the creation of an insurance underclass, where sections of society become uninsurable because insurers will work out that it is simply not profitable to offer policies to certain individuals. This is something on which the head of the Financial Conduct Authority (FCA), Andrew Bailey, has expressed concerns, and he has suggested that there should be limits on the use of big data to ensure groups of customers are not unfairly penalized. An FCA inquiry into the use of big data concluded that while no immediate action would be taken, the situation would be closely monitored.

Many aspects of taxi, hotel, travel and entertainment services have been digitalized to offer customers quick and easy access. Spotify, Netflix, Amazon, eBay Uber and Airbnb have all revolutionized their respective sectors. All these services hold some level of personal information and tailor offers around them; the lack of ability to tailor products is a primary reason for the insurance sector's inability to compete. An individualized approach, based on customer data and pushing other products based on life events, is the next step the industry will take to offer customers the level of service they have come to expect from nearly every other sector.

Scope

The challenge for insurers is to both figure out how to make money from the vast amounts of data to which they have access, and to offer customers the levels of digital service they have come to expect from nearly all other sectors.

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The report looks at how far the insurance sector has come, and what still needs to be done to achieve this.

Key points to buy

The report's primary research includes interviews with experts on big data's impact on the insurance industry.

The report breaks the market down by different insurance lines, including life, health and motor. It discusses trends, and gives examples and insights from relevant primary research.

It offers coverage and analysis of key examples of big data use in large-scale companies and startups.

It provides insights into upcoming regulation, and how it could impact the market.

The report uses of exclusive data from survey on the future of technology in insurance.

Key Highlights

- Big data is a growing factor in the insurance industry.
- It helps insurers to develop more accurate premiums, and rewards customers for safer behavioral trends.
- The health and motor lines lead the way, with property not far behind. More complicated pension policies in the life segment are harder to tailor based on data.
- Incumbent insurers are beginning to adapt and use data to their advantage, but the transition is easier for smaller, nimbler companies that are less reliant on systems and processes.

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Table of Contents

1 EXECUTIVE SUMMARY

2 INDUSTRY OVERVIEW

2.1 All Sectors

2.2 Life and Health Insurance
2.3 Motor Insurance
2.4 Agricultural Insurance
3 MONETIZATION AND PRODUCTS
4 CYBERSECURITY
5 CHALLENGES

..CONTINUED

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