

Press release

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Insurance companies must go phygital and seek partnerships to increase their relevance

Deloitte's Insurance of the Future report reveals the importance of digital and highlights three leading business models as Insurers move towards 2025

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Deloitte released its *Insurance of the Future* report that explores the path forward for Belgian insurance companies given the country's mature market and rapidly changing landscape. With limited organic growth potential in core insurance, scale, growth, and differentiation are on every insurer's agenda. Digital will fundamentally influence the sector, yet the depth of the impact, the level of disruption, and the timing remain unclear. While traditional strategic imperatives remain very valid, two new dimensions will shape the future: the ability to offer a phygital – a physical and digital – customer experience, and the level of openness and connectivity to other sectors.

"We see a lot of activity and change happening in the insurance industry. For centuries, insurers have extended their products and services, yet primarily within their core business. The current market environment, and the emergence of digital, are pushing industry players to rethink their strategies and operations. When and to what extent digital will impact the industry remains to be seen," said **Olivier de Groote, Financial Services Leader for the EMEA region at Deloitte**. "This is an exciting time for the sector, with many opportunities to gain importance for their customers and have more frequent contacts with them. Insurers need to step up or risk getting left behind."

Going from digital to phygital

The current market environment is pushing the players in the insurance sector to rethink their strategies and operations. Digital is at the heart of the transformation, but there are a number of drivers reshaping the market dynamics in the sector, and this is just the start.

Choosing between an integrated (internal) value chain and an open architecture, and the ability to offer a frictionless end-to-end customer experience, will shape the future of the insurance companies.

"Still today insurance companies are very much process and paper based organisations. There are some good developments in digital, however this an intermediate step. The ultimate goal must be to deliver a complete phygital experience, taking full advantage of digital and being there at the moment that matters for the customer, offering a personalised customer experience," said **Dirk Vlamincx, Insurance Lead at Deloitte Belgium**.

Three business models lead the market in 2025

By 2025, Deloitte sees three types of insurance companies leading the market. There's the 'core insurer', companies focusing on core insurance products and skills, ensuring a perfect customer experience. Companies with additional services providing added-value for the customer are the 'beyond insurer'. The 'exponential insurer' companies go one step further and leverage external partnerships to grow in new markets and be part of winning ecosystems. "If insurers want to deepen their customer relationship and generate new income, they have to do more than just sell insurance products. By developing new services, they can meet their clients' expectations," said **de Groot**.

While they rely on them in a different way, all three business models require the same six key capabilities: data, customer centricity, technology, innovation, talent, and partnership and ecosystems management.

Whatever the chosen strategy, insurers will have to make all their processes digital-enabled.

Exciting time to be in insurance

At least three ecosystems - mobility, health, and smart cities - are emerging in Belgium, representing equally opportunities and threats for the sector. Insurance companies need to keep an eye on the developments and determine how and where they want to get involved.

"Insurers are starting to enter into partnerships, which will help ensure that insurance is a clear part of the ecosystems. The insurance sector will play a very important role in the future. It's up to the industry players to be open to change, in order to benefit from the opportunities," concluded **de Groot**.

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