

# International Trends in Risk Coverage

## IX Forum Nacional

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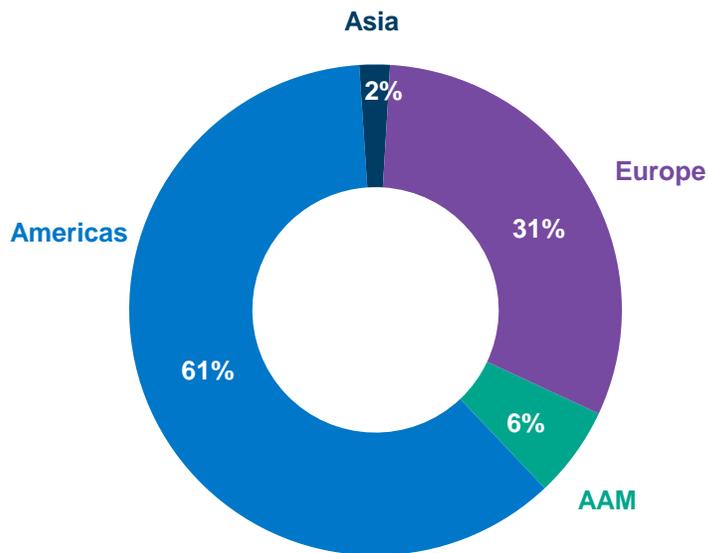
*Helping people achieve a lifetime of financial security*

Sao Paulo

June 2018

**AEGON**  
Blue Square Re

# Aegon at a glance



## Earnings

Underlying earnings before tax of **€ 2.1 billion**  
(Full year 2017)



## Focus

Life insurance, pensions & asset management for approximately **29 million customers**



## Sales

Total sales of **€ 16.2 billion<sup>1)</sup>**  
(Full year 2017)



## History

**Our roots** date back to the first half of the **19<sup>th</sup> century**



## Employees

Over **28,000** employees  
(December 31, 2017)



## Investments

Revenue-generating investments **€ 817 billion**  
(December 31, 2017)



## Paid out

in claims and benefits **€ 48.1 billion**  
(2017)

<sup>1)</sup> Sales represents new life sales + accident & health premiums + general insurance premiums + 1/10 of gross deposits

# Outline

## International Trends in Risk Coverage Plans

- Fundamental change drivers
- Impact on product, distribution and regulation
- Wrap-up and panel discussion

# Challenges and rewards of insurance

## ■ Insurance can be challenging

- ▶ Price is known, but cost is not – until much later
- ▶ Consumer often and increasingly has better information than insurer
- ▶ Interest rate levels & financial market returns
- ▶ Litigation

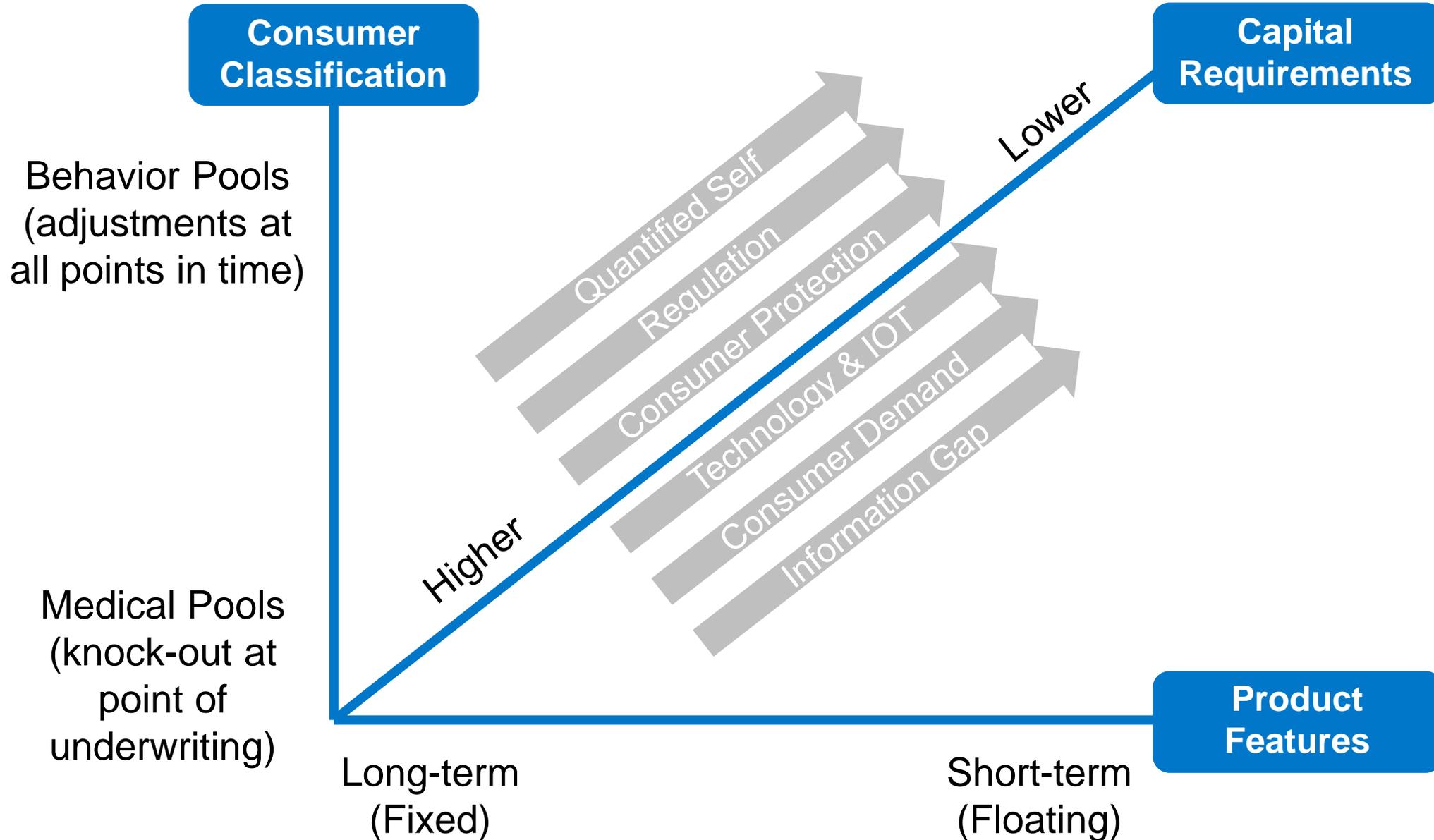


**The chasm is expanding**

## ■ Insurance can be rewarding

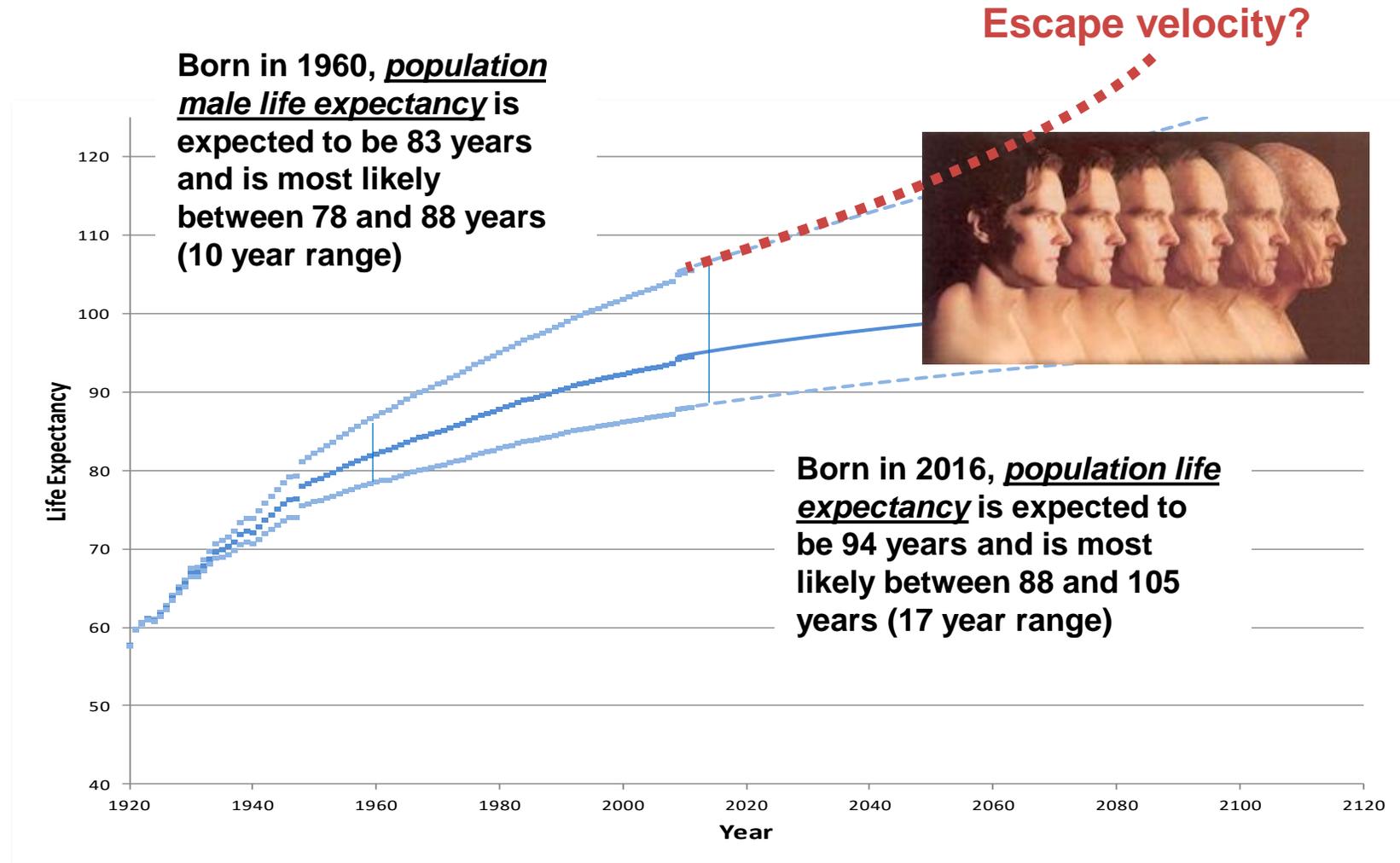
- ▶ Clear societal purpose
- ▶ Strict process and absence of biases lead to stable long-term results
- ▶ Alignment with consumer drives positive selection

# Key trends affecting products and underwriting

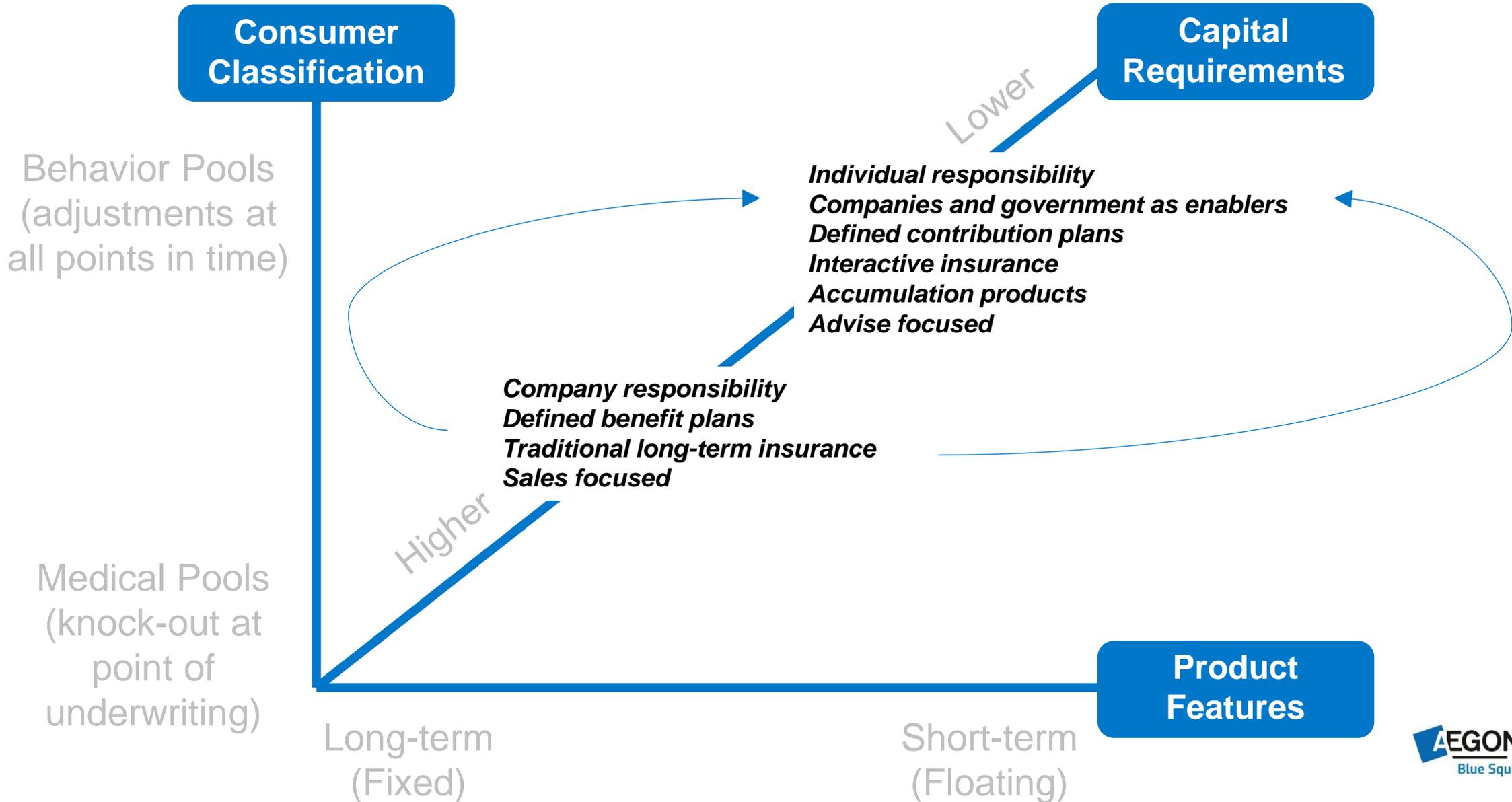


## At the same time, life expectancy is increasing

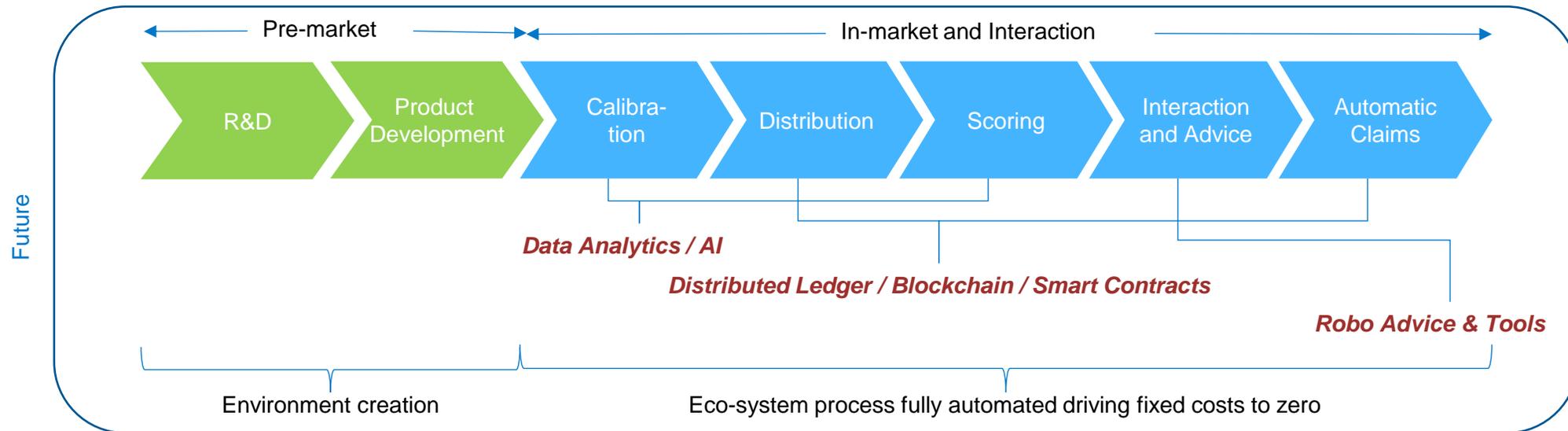
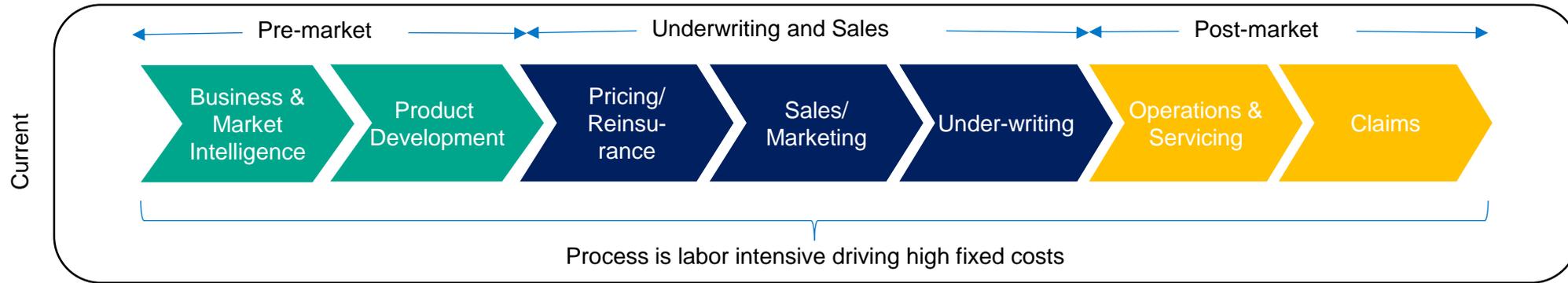
- Dutch life expectancy is currently increasing at 1-3 years per decade depending on cohort and geography
- This is factored into current assumptions to various degrees depending on geography
- Life expectancy is not a single number – it depends; it may accelerate or decelerate



# Driving needs for better personal planning



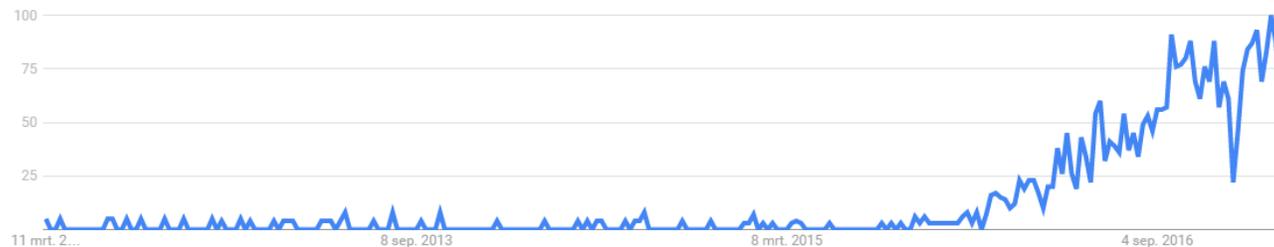
# The value chain is also transforming and there's less time to complete process



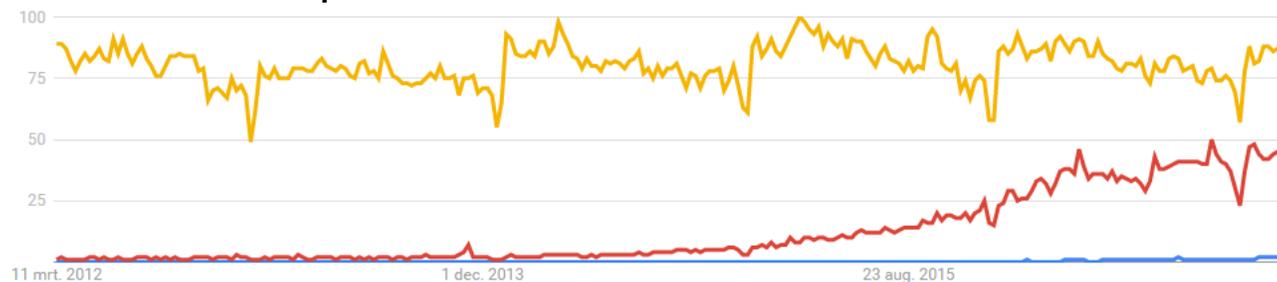
# This opens the space to new players

## Insurtech growth is still fairly nascent

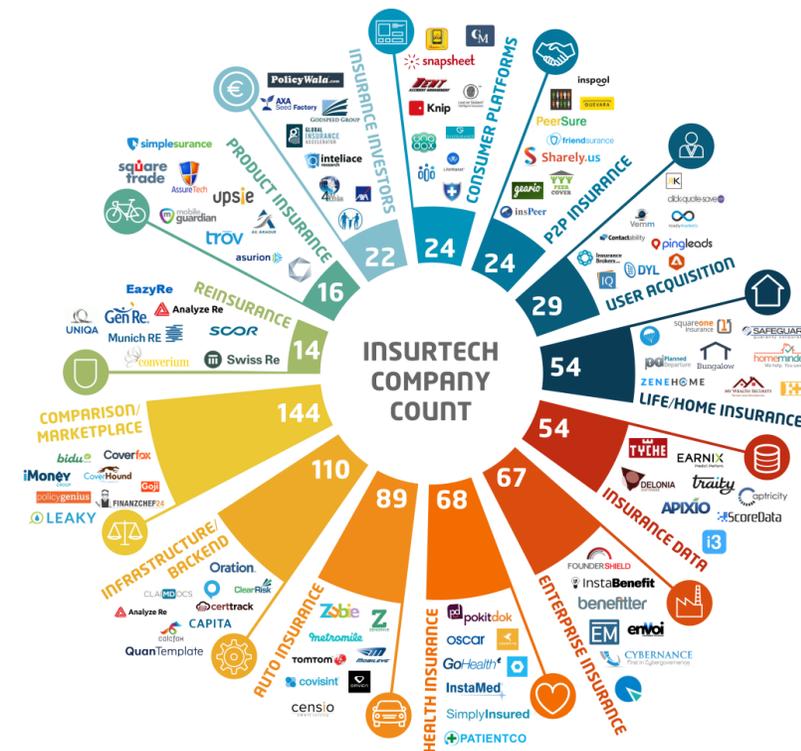
Level of Interest in Insurtech over time



Compared with Biotech and Fintech

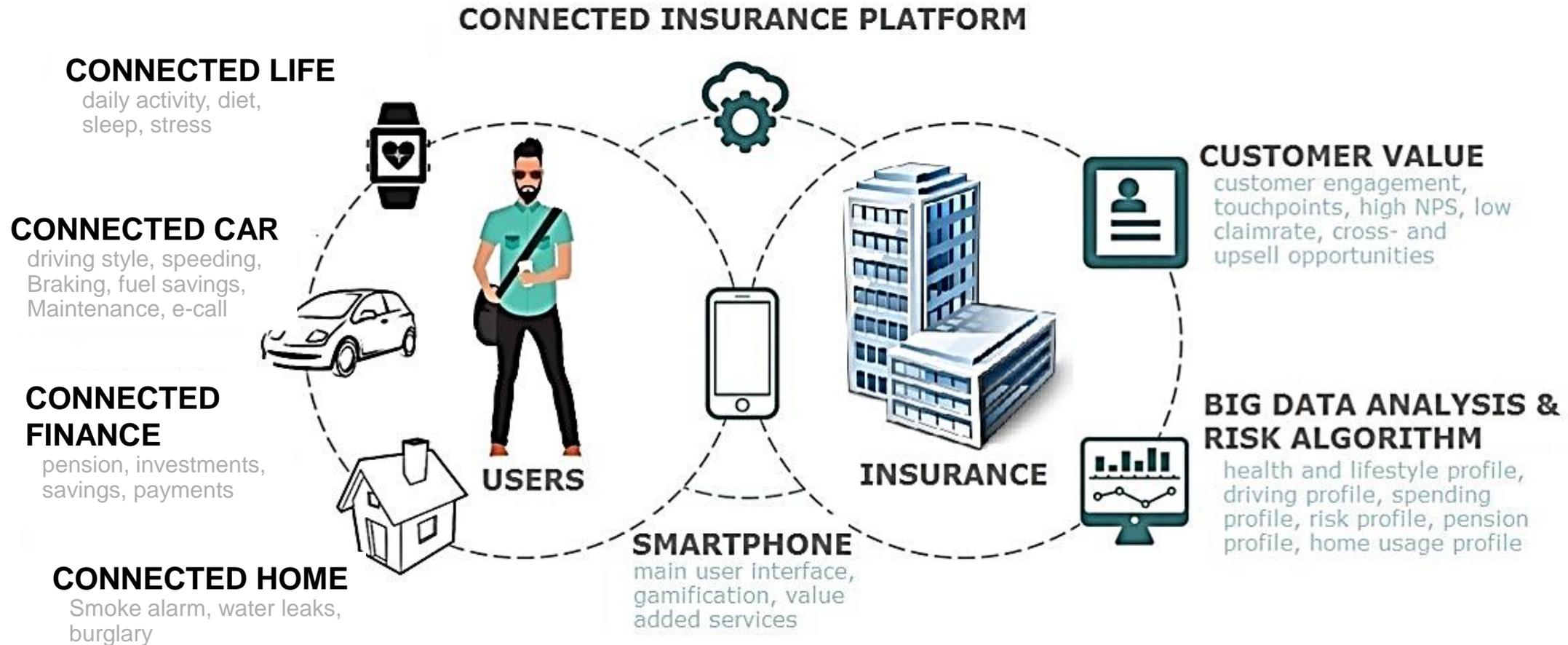


Source: Google Trends



Source: Venture Scanner

# New Players are Personalized and Data Driven



# Car insurance: Car**kroodle**.



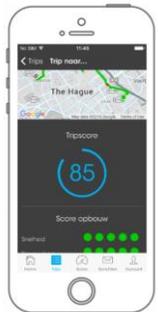
Rewards positive behavior. The safer you drive, the more you save on your premium



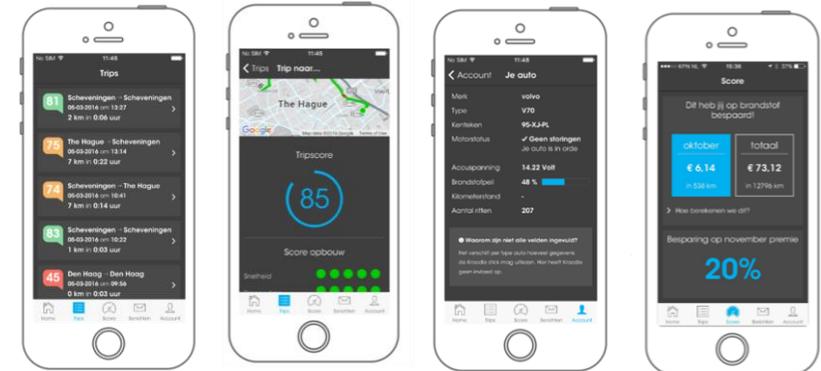
Tested in the Netherlands. Customers can get a discount of up to 20% for safer driving



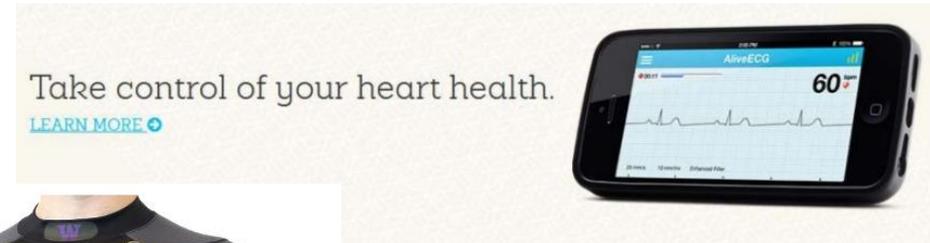
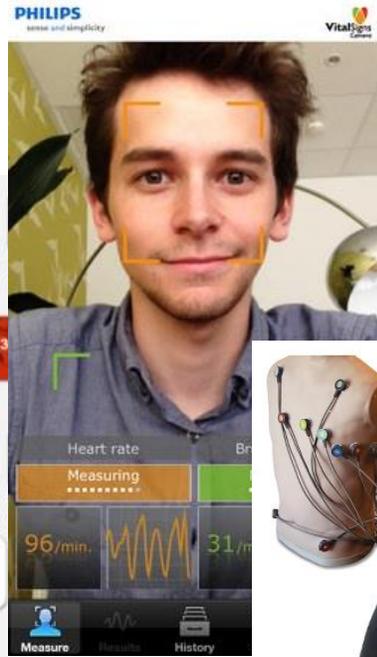
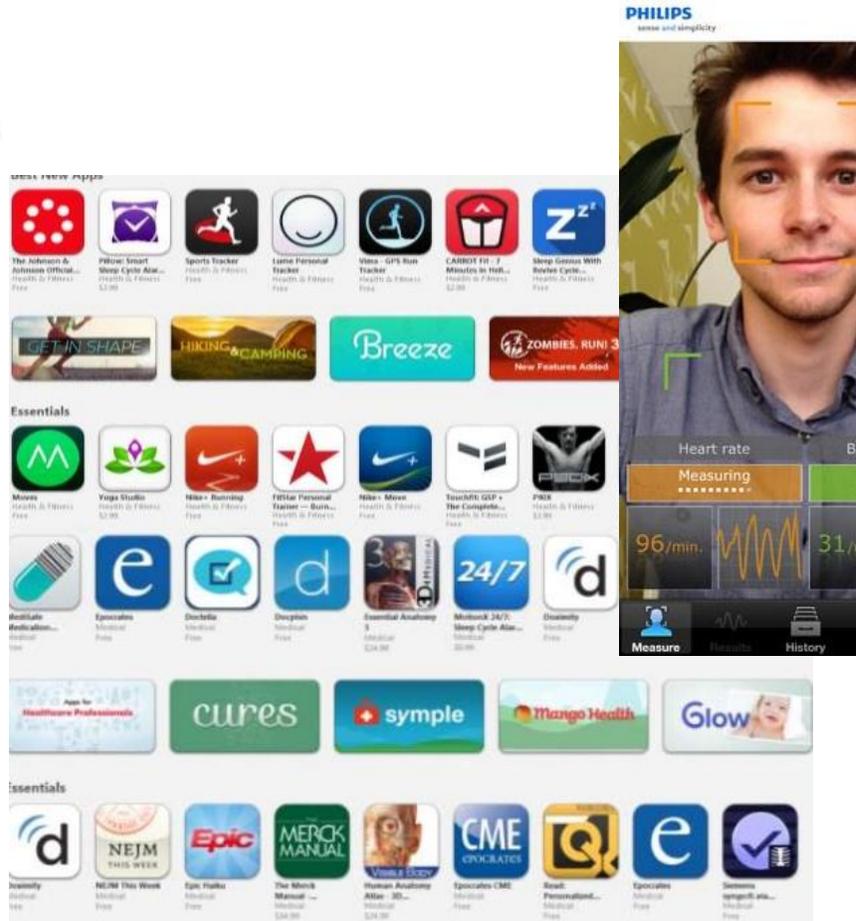
The stick keeps track of how you drive (speeding, breaking behaviour, time, etc.)



Information is translated into a monthly KroodleScore that determines how safe a driver you are. The higher your score, the less you pay the following month. The basic premium can't increase, it can only get lower.



# Thousands of healthcare, fitness, medical apps Devices are getting smarter & software follows



# Life and Wellness: Introducing WinSocial

## A New Company to Drive Change for the Benefit of Customers



<http://www.winsocial.com.br/>

- Company based in Rio, Brazil
- Group life and disability insurance
- Reward based interaction through Health Points
- Peer group performance reward
- Over 10,000 activities logged since March
- Supporting and testing underwriting R&D from low and customer friendly cost base
- Working closely with Mongeral Aegon as well as IRB and Aegon Blue Square Re

# Other market examples

## Different setups but a common theme of disruption

Insurer – being the insurer, e.g.

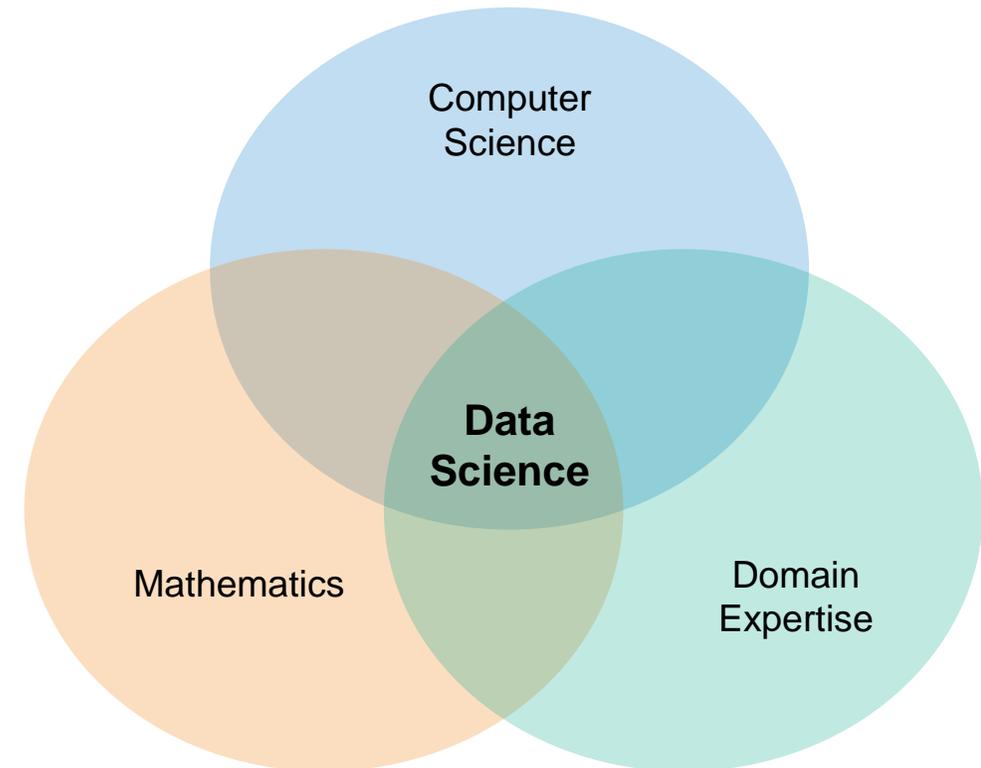
- Vitality – life and health
- Lemonade – renters and home

Broker – partnering with insurers , e.g.

- Friendsurance – bike and home contents
- Ladder Life – life

Peer to Peer – potentially no insurer , e.g.

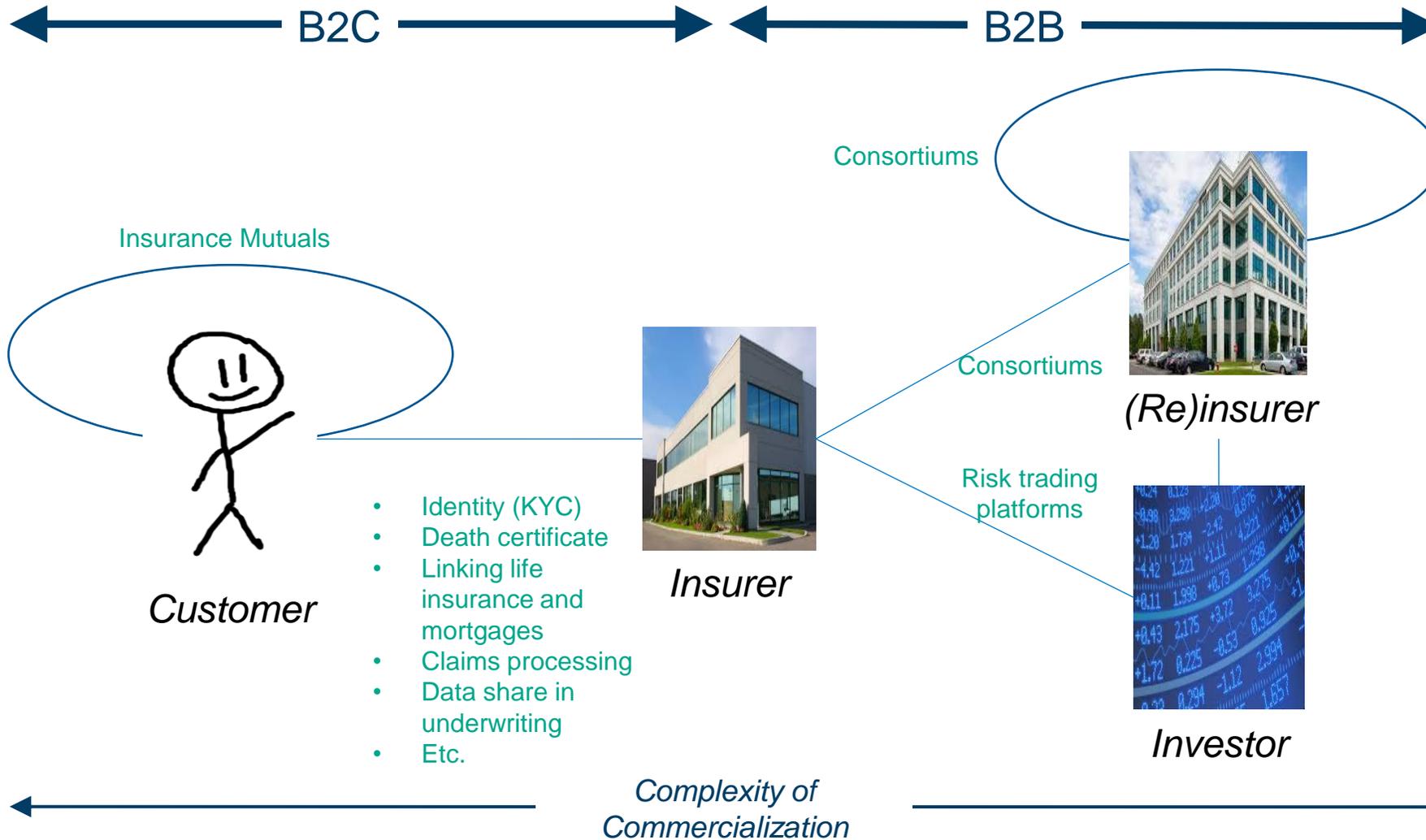
- Teambrella – form teams for desired coverage



# What about blockchain?

## Blockchain use cases in insurance

Blockchain with smart contracts



# Blockchain Insurance Industry Initiative

B3i - A true industry collaboration



- Founded in October 2016 between Aegon, Allianz, Munich Re, Swiss Re, Zurich Insurance
- Extension to 15 members in February 2017
- Extension to 38 parties market testing in October 2017
- Set up as separate company in April 2018
- For more info, refer <http://www.b3i.tech/>

# Regulation and reporting are also adapting

## Focus is on consumer protection and full disclosure

### Consumer Protection

- **EU: General Data Protection Regulation (“GDPR”)** - Effective May 25<sup>th</sup>, 2018
  - Puts consumer more in control of use of data
- **US: Department of Labor Fiduciary Rule** – target date July 1, 2019
  - Expanding the “investment advise fiduciary” definition under ERISA (Employee Retirement and Income Security Act) of 1974

### Anti-discrimination

- **EU: rules on gender neutral pricing** – effective 21 December, 2012
- **US: Genetic Information Nondiscrimination Act (GINA)** – effective May 21, 2008

### Conduct and Reporting

- **Own Risk Solvency Assessment (ORSA) expansion**
  - Originally, part of Europe Solvency II regulations (2016), but now expanding to other locations as well
- **Conduct risk and responsible investments**
  - Larry Fink letter to CEOs: “A sense of purpose”, January 2018
- **IFRS 17** - Effective January 1, 2021
  - “Will undoubtedly represent the most significant change to insurance accounting requirements in over 20 years”, EY publication

# Where do we go from here?

One step at a time – each building on the previous one

## Fast Data

- Driven by technology - more devices giving more information
- Data processing power – also on “old” data – combining different elements previously separated
- Individuals continue to get better and better information
- As scoring improves, broader risk sharing may be possible

## Product

- Transparent and simpler structures
- Interactive communication rewarding customers continuously
- As more interaction ensues, possibilities expand to develop new features
- Personal responsibility increases need to advice – in particular for more complex products

## Distribution

- Value-add clearer of each component
- Technology likely to make process more efficient than to fully replace intermediaries
- Simpler products automated, complex products get more attention
- Personal information in distributed ledgers
- Potential emergence of insurance in broader ecosystems

## Regulation

- “Sandbox” environments emerging
- Consumer protection focus – also impacting advisory services (US DOL)
- Balancing savings with expectations
- Defining elements of solidarity
- Data privacy user control (GDPR)

# Thank You

