Swiss Re
New Underwriting Covers & Tools
6th Reinsurance Meeting of Rio de Janeiro
6°
Encontro de
RESSEGURO
do Rio de Janeiro

Agenda

1	Insurance in the Digital Age
2	New Technologies in the Insurance Industry
3	New Underwriting Covers & Tools
4	Conclusion

1. Insurance in the Digital Age

Back in 2005

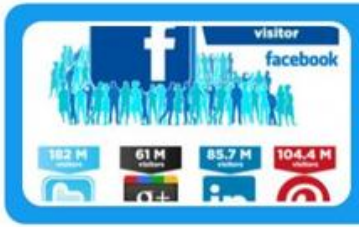
""...**Facebook** didn't exist ... for most people..., **Twitter** was a sound, the Cloud was in the sky, 4G was a parking space ... and ... 'Skype' was a typo."

Thomas Friedman
The world is flat

In less than 10 years

Usage and penetration of internet is increasing at a rapid pace and the growing influence of smartphones and tablets is reshaping the internet.

The number of smartphone and tablets are rapidly growing and "wearable" technology and "internet of things" are the newest form of mobile connectivity.



New concepts and structures are born out of the social coordination offered by social media. This is becoming the best way to let customers feel like they are at the centre.

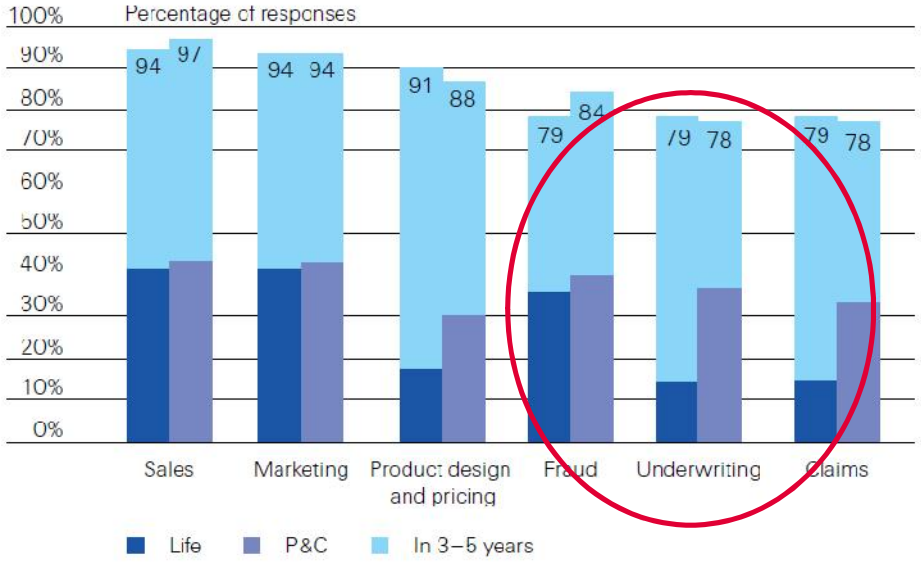
Big data and smart analytics has set new standards for customer understanding and becomes the backbone for business decisions.

2. New Technologies in the Insurance Industry

1. Data and Analytics
2. Artificial Intelligence and cognitive computing
3. Wearables and Internet of Things

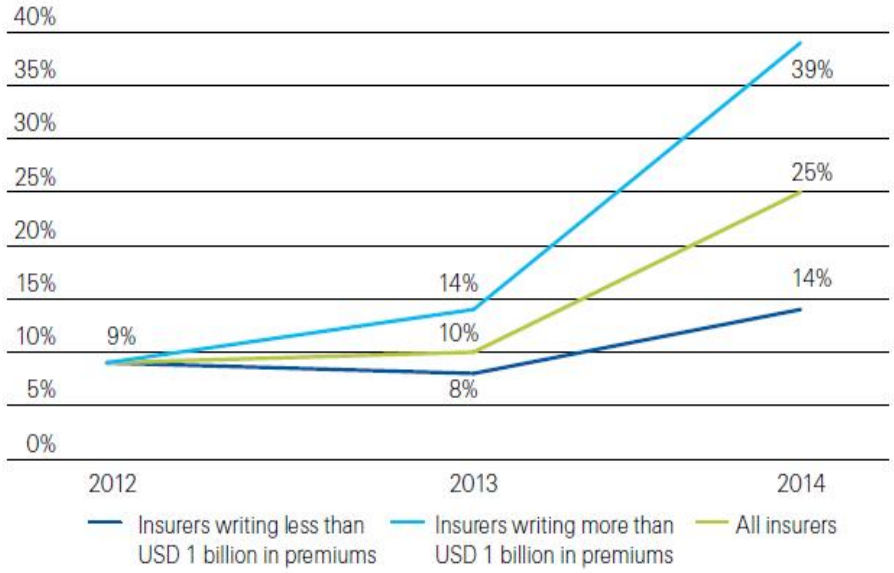
Many insurers expect to invest more in data analytics in the coming years. **Underwriting is a key area of focus** along with sales, marketing and claims.

Functions in which insurers apply data analytics
(Survey question: To which functions do you apply Big Data analytics?



Note: Note: if an insurer chose "today" but not "in 3–5 years", the "3–5 years" option was considered to be chosen as well.
Source: *Global Digital Insurance Benchmarking Report 2015*, Bain & Company, 2015.

Share of all North American insurers investing in Big Data



Source: *Big Data in Insurance*, SMA Research, June 2014.

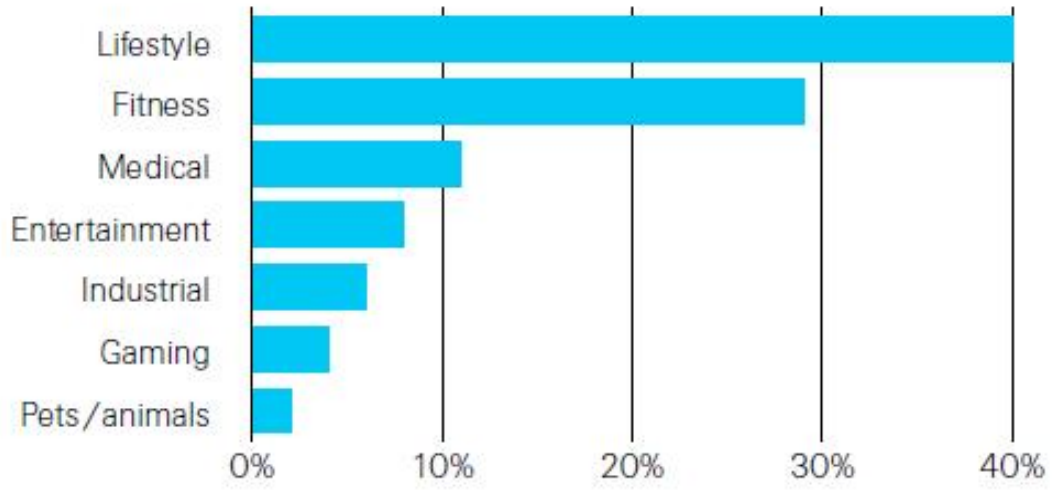
Cognitive systems can create **new areas of innovation** in life insurance

- Cognitive computing is the simulation of human thought processes in a computer model
- Cognitive systems continually learn from large sets of data and apply that knowledge to future situations
- May be able to answer complicated questions faster and more efficiently than humans
- Examples: *IBM's Watson & Magnum*
  - Can examine through data equivalent of about 1 million books, analyze the information and provide responses in less than 3 seconds
  - Commercial applications are growing (healthcare, pharmaceutical, financial services, travel, telecom, retail)

3 Wearables and Internet of Things

The **number of connected devices** in use in the world is **forecast to grow fivefold in the next 10 years.** By **2025** the number of connected devices in use is expected to total around **25 billion**.

Wearable devices by area of market focus, % of total



Note: Total number of devices: 347, as of 9 September 2015.
Source: Wearable Technology Database, Vandrico Inc.

3. New Underwriting Covers and Tools

1. Automated Underwriting
2. Tech-enabled solutions
3. Enhanced consumer experience
4. On-going developments

1 Automated Underwriting

Traditional customer application journey

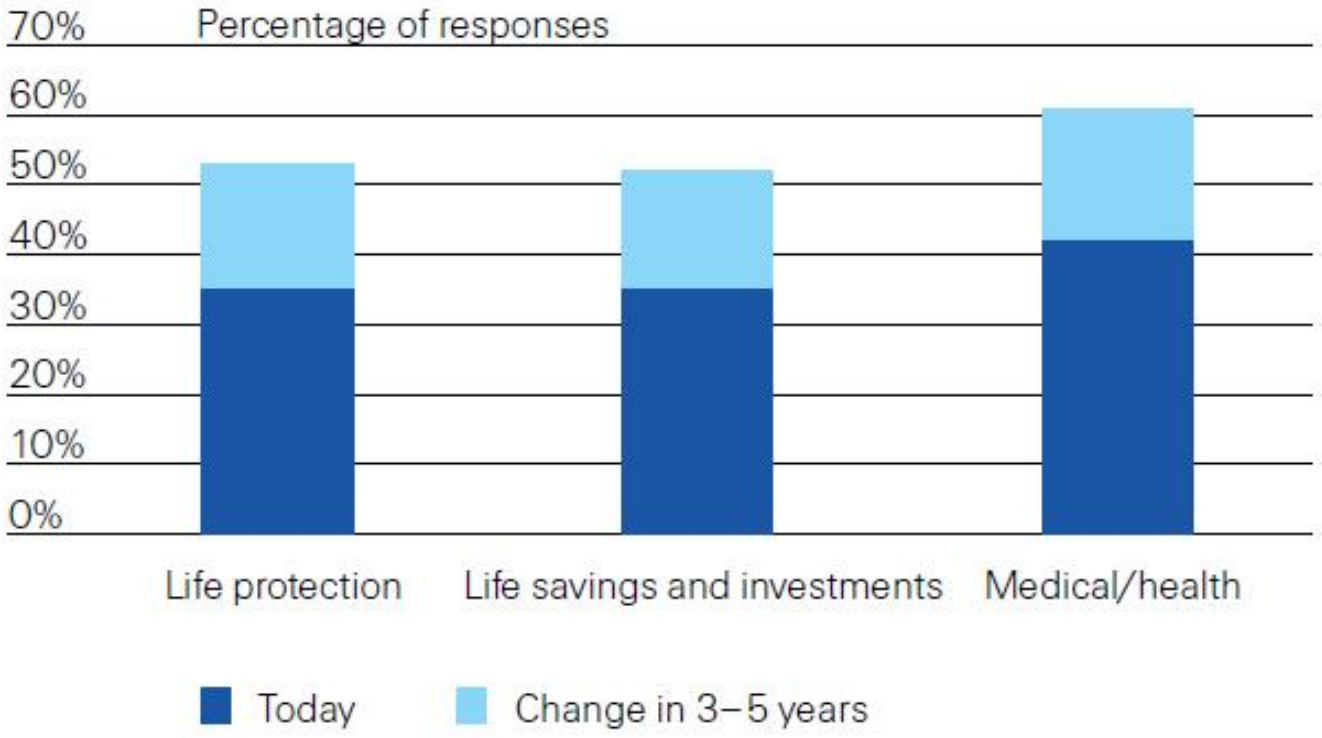
- The process takes too long
- Requires to fill up application forms, medical questionnaires, paper heavy
- Medical tests as a prerequisite
- Time consuming communication between insurer, agent and customer
- During application process current status typically unknown
- Unsure of when, or if, customer will be accepted and at what rates
- Many customers abandon application process without insurance due to this long journey

Lengthy, complex and invasive underwriting processes have long been viewed as an impediment to reaching and engaging with more of the un- and underinsured.

1 Automated Underwriting

Automation in underwriting is a growing trend that will be pushed to new frontiers by **cognitive technologies and digital data**

Percent of insurers who can auto-underwrite life and health products
Survey question: What share of your business can you auto-underwrite?



Source: *Global Digital Insurance Benchmarking Report 2015*, Bain & Company, 2015.

1 Automated Underwriting

Benefits of automated underwriting

Distribution and Marketing

- High *point of sale* acceptance leading to increased placement rates
- Multiple channels support

Product and Underwriting

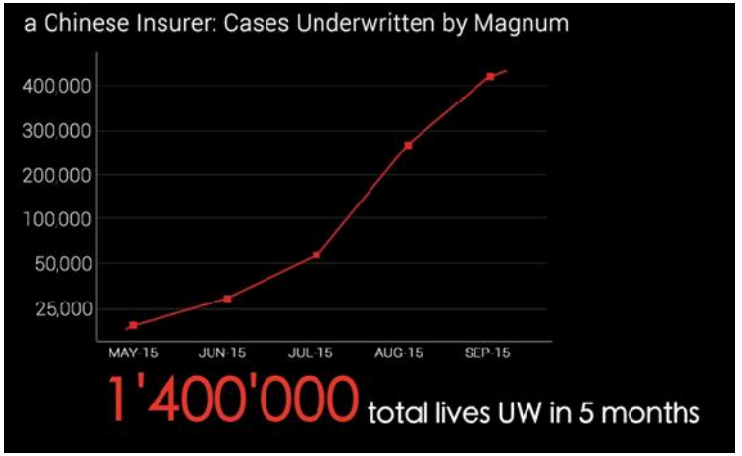
- Cost reduction: medical evidence and no manual underwriting
- Immediate decision
- Consistent standards and decisions
- No missing errors
- Reduced non-disclosure through salesperson monitoring

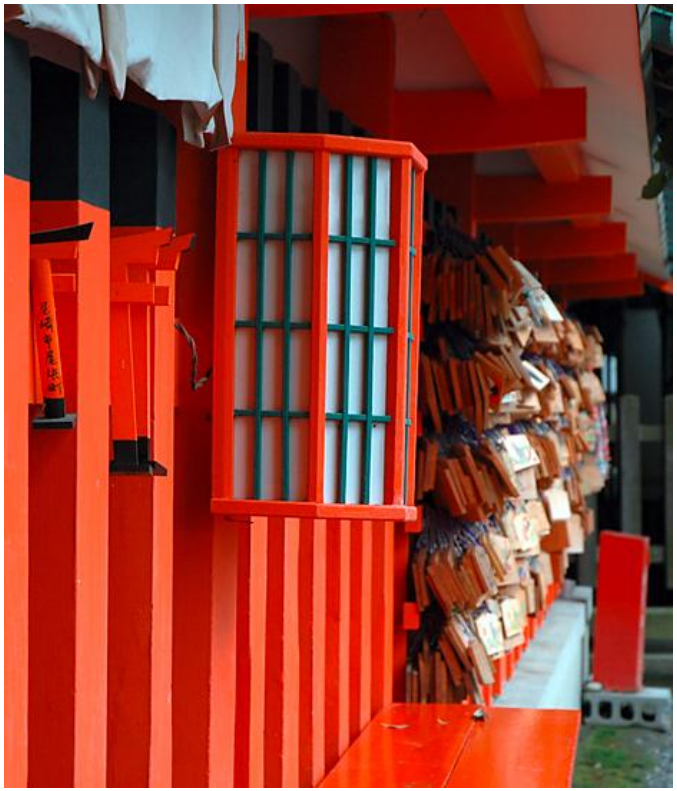
Operation and portfolio management

- Low maintenance costs due to system flexibility
- Data insights help to drive profitability and manage the portfolio
- High volume processing

1 Automated Underwriting
Example - Industry's first fully mobile underwriter

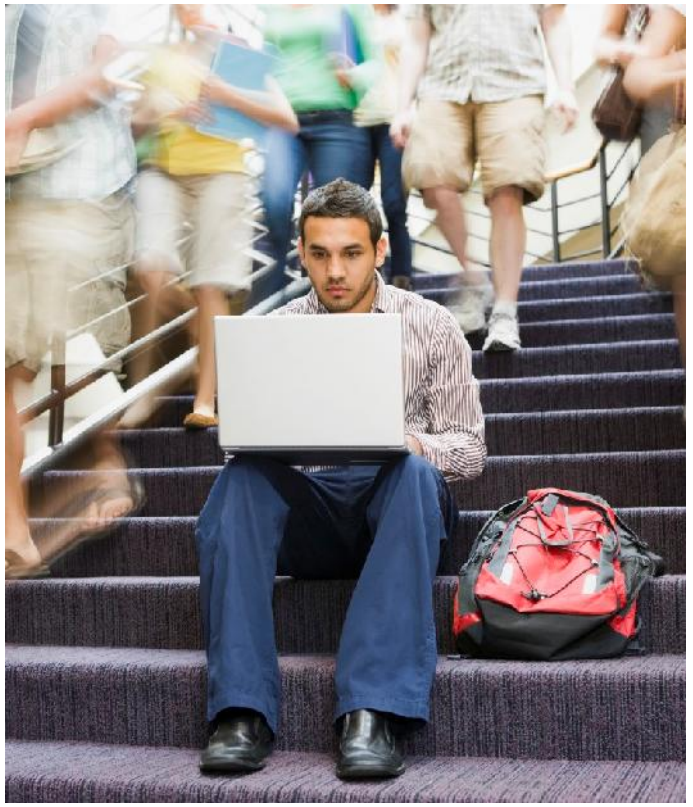
100'000 sales agents armed with tablets processing up to 60'000 mobile applications in one day





- ✓ A large Chinese insurer with 100'000 agents all using a *Magnum* Mobile Point of Sale tablet based solution processing millions of lives per year including spikes of 60'000 applications in any one day.
- ✓ With the introduction of Magnum Mobile the company's straight through processing rate has increased by 16%.
- ✓ The entire solution is available in simplified Chinese including Magnum reporting providing them near real-time insights into their business underwritten by Magnum.

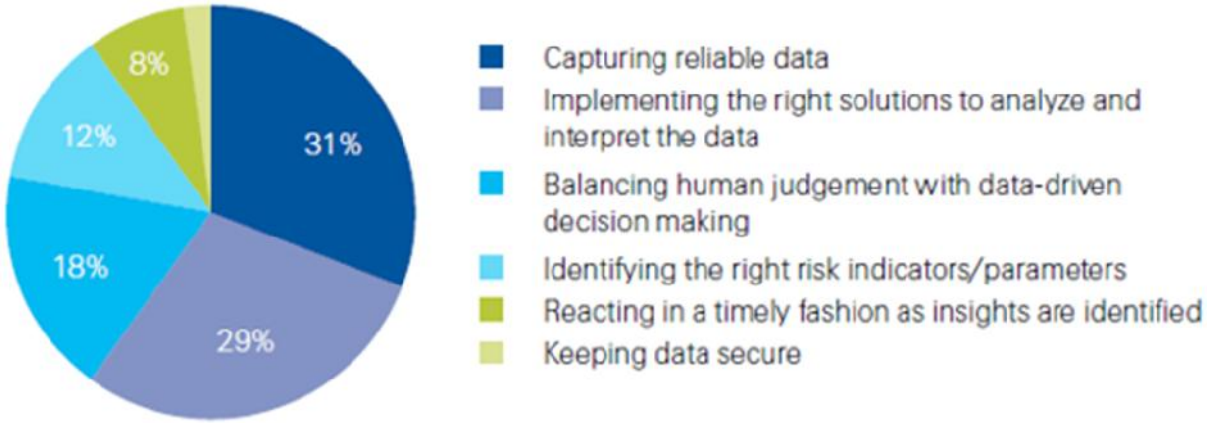
1 Automated Underwriting



- Different Underwriting solutions exist depending on where companies stand in their **digital journey.**
- **Simplified underwriting** approaches can be implemented before moving to a full automated underwriting.
- **Cognitive computing** can help reading applicant's application, extracting all relevant facts, comparing to underwriting rules and guidelines and making decision.
- New types of data and analytical tools will help expand the use of **predictive underwriting.** It can help identify lower-risk individuals, leading to streamlined underwriting process that is more convenient and customer friendly for healthy applicants.
- The **challenge** for insurers is to **optimize their data management capabilities and practices** to best engage consumers

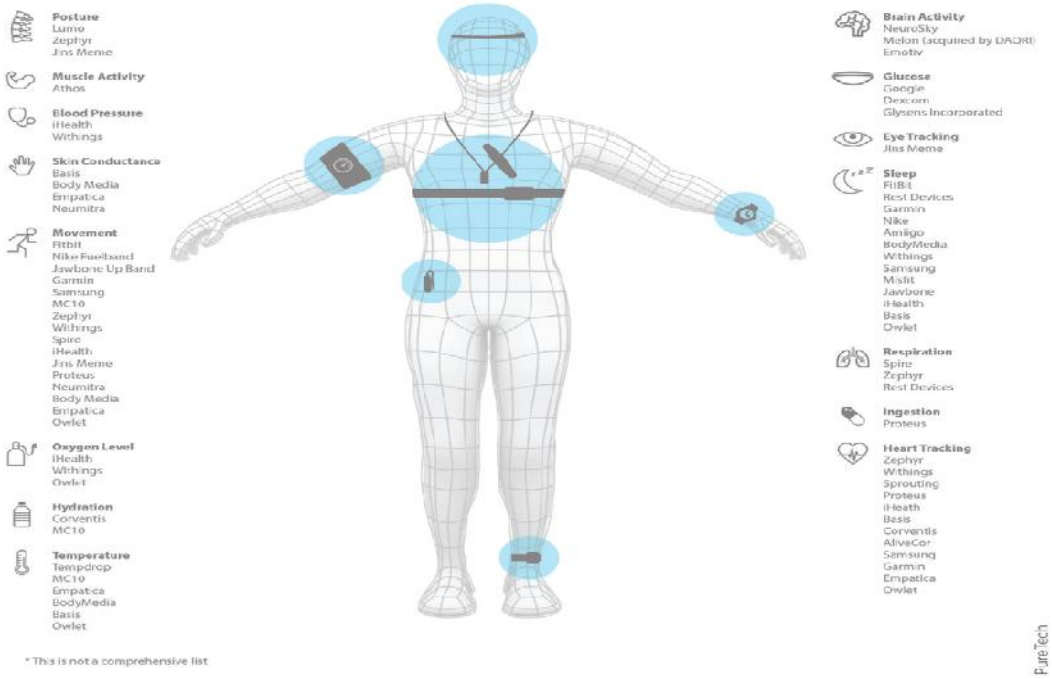
New types of data and analytical tools will help expand the use of predictive underwriting

Challenges faced by companies using data analytics



2 Tech-enabled solutions

- Impaired lives e.g. Diabetes, AIDS
- Wellness & wearables
- Data interpretation
- Facial recognition



2 Tech-enabled solutions

Better understanding and monitoring of risks will push the **boundaries of insurability**

- Technological advancements and data will allow a shift from traditional experience-based underwriting to a real-time, exposure-based approach
- Example: ALLLIFE BECAUSE ALL LIFE IS FOR LIVING

  - offers life and disability cover for HIV positive and diabetics
  - sends reminders for tests and monitors results, pulling data directly from medical providers
  - policyholders have to go for regular blood tests and take medication as prescribed or benefits / coverage can be lowered or cancelled
  - Some new Health devices provide sensor which reads glucose information and eliminates the need for the more usual finger prick system used for glucose testing

Abbott · Medtronic · HEALTHWAYS · mymhealth · dexcom · WellDoc · Diabetes.co.uk · Health 2 Sync

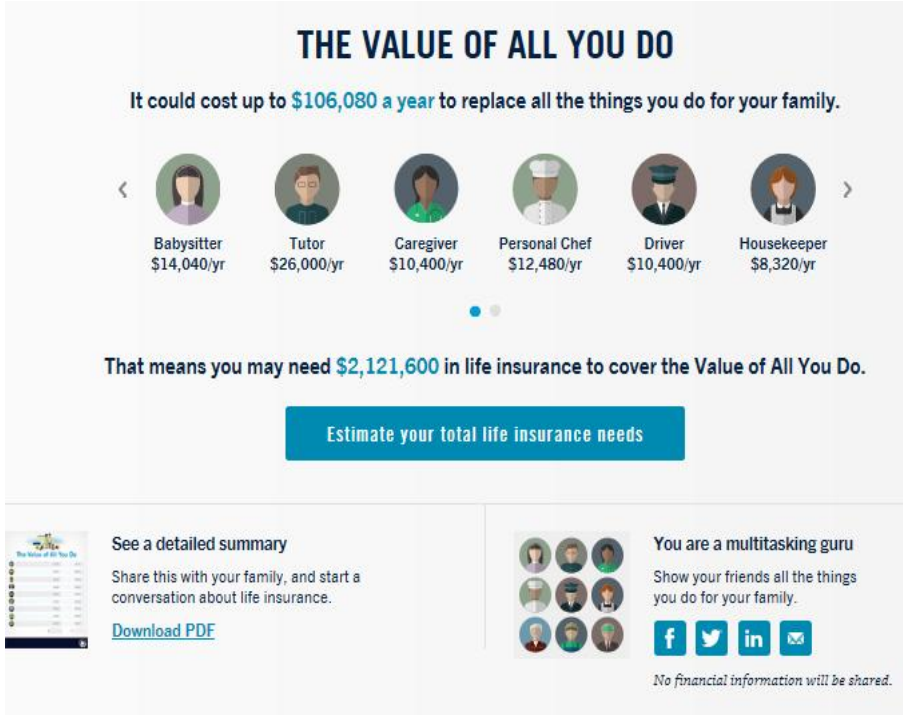
The ideal journey

- Whole process takes less than one hour
- No paper or incomplete application form
- Medical tests only for high sum assured
- Seamless real time communication between agent and customers
- Current status always known
- Customer informed at point of sale decision and rates
- Greatly reduced chance of customers abandoning the process without insurance

combined with ...

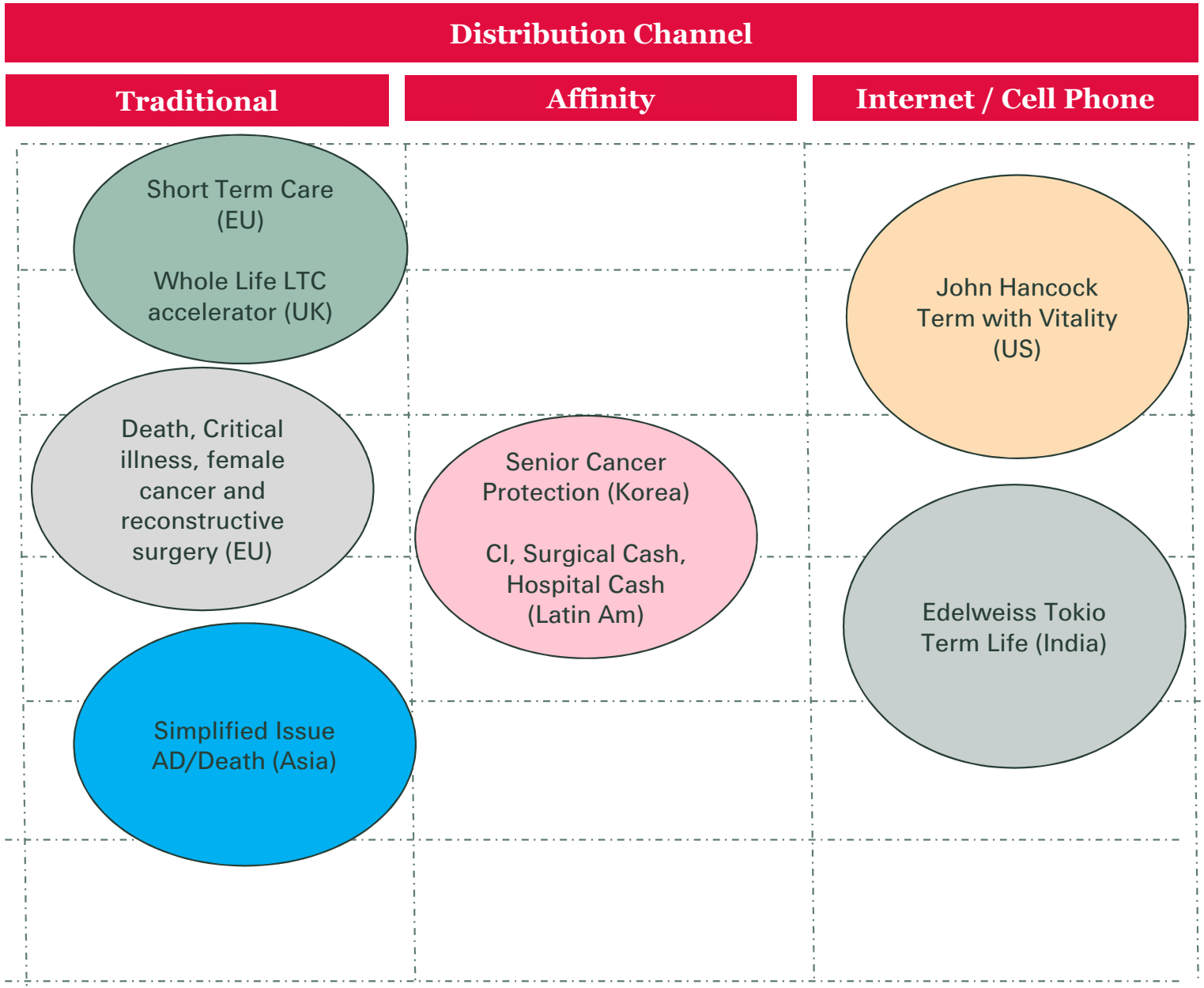
3 Enhanced consumer experience

- Customer Education Strategies: **Testimonials**
- Customer Engagement Strategies: **Gamification**
- **Innovative covers**
- Engaging **design** (look & feel, symbols vs. words, scroll vs. clicks, game vs. forms)
- Benefits **easy to understand** ? Able to determine level and coverage amount without much advice needed ?
- **More value** to consumers
- **“No surprise” covers**
- **Reduced costs**



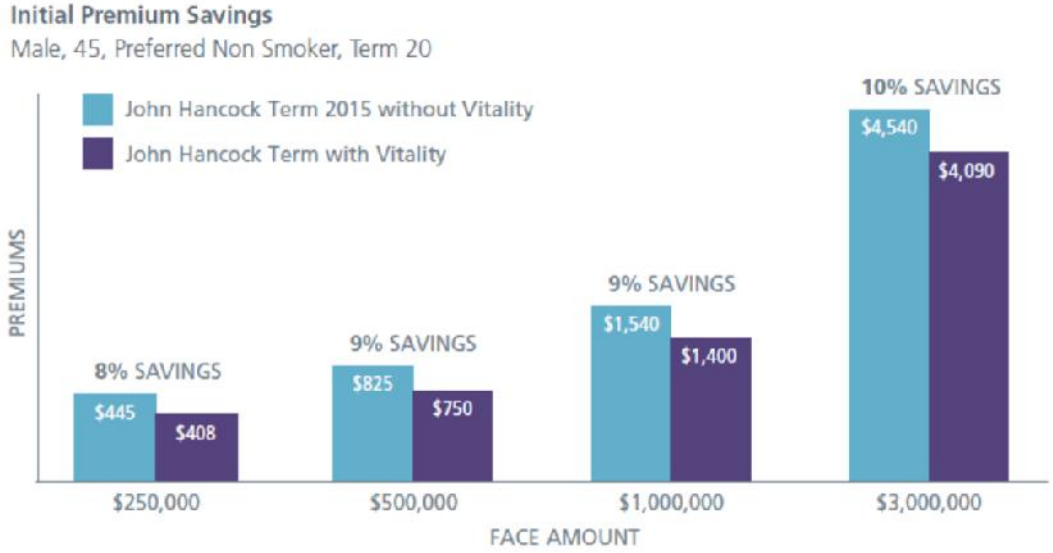
4 Examples

Active Population by socioeconomic class	
AB +6,533 usd	***6.8%***
C+ Max 6,533 usd	***14.3%***
C Max 2,690 usd	***16.9%.***
D+ Max 892 usd	***35.6%***
D Max 523 usd	***21.5%***
E Max 207 usd	***4.9%***



John Hancock Term with Vitality — Significant Savings Potential

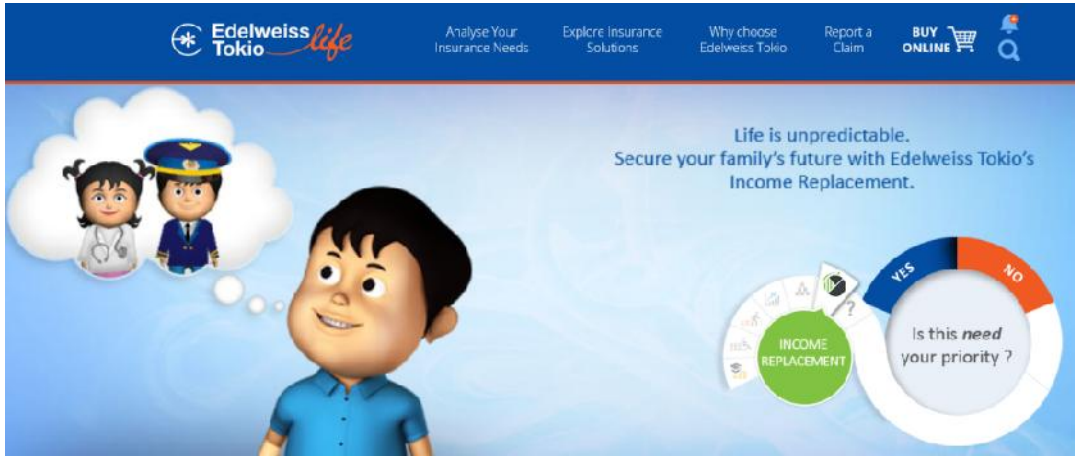
John Hancock Term with Vitality provides very competitive pricing, plus the opportunity to reduce premiums even further by living a healthier lifestyle. In fact in some instances, clients can save as much as 10% on the initial premium

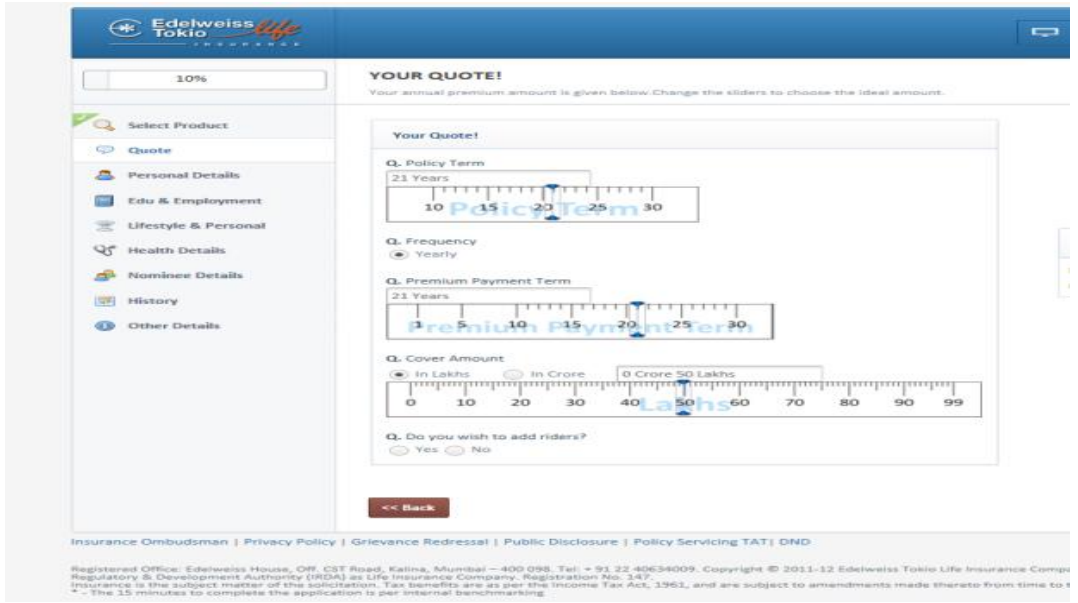


Source: John Hancock Term with Vitality, http://ipg-us.com/wp-content/uploads/JH-Vitality-Term-Guide-Producer.pdf

Success Stories – Online Term Pdt in India

- Online term product recently launched by insurer that is focused on delivering a customer centric buying experience
- Customer journey to optimise online experience to aid policy completion, including behavioural economics testing and gamification.
- Strong focus on continual website optimization to enhance effectiveness and efficiency across all touch points of the customer journey

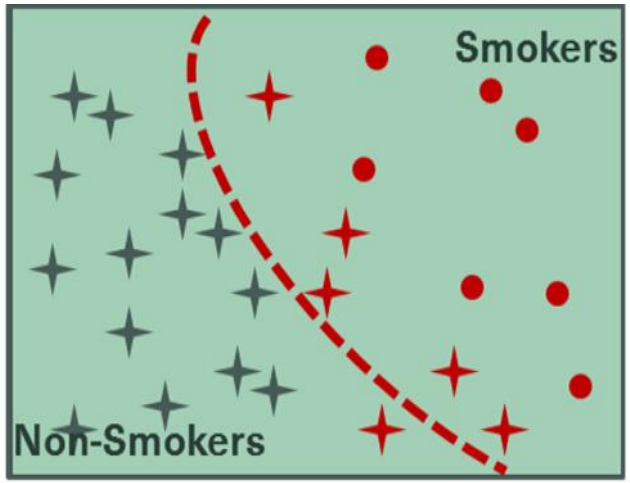




4 Examples

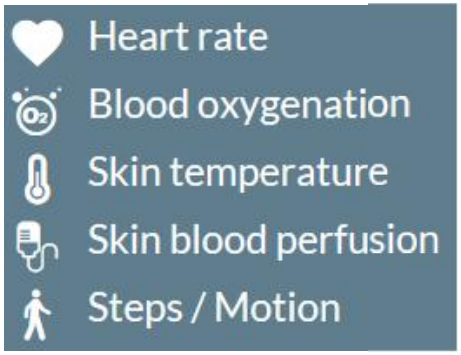
Example:
Predictive analytics

Predictive model used to reduce the need to **validate self-reported smoking status**. Leverages a triage process to reduce the volume of fluid testing for younger ages and lower amount policies.

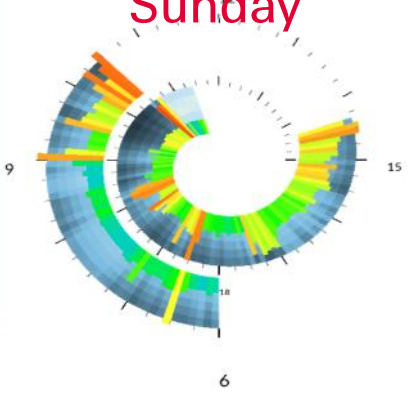


Example:
Wearables

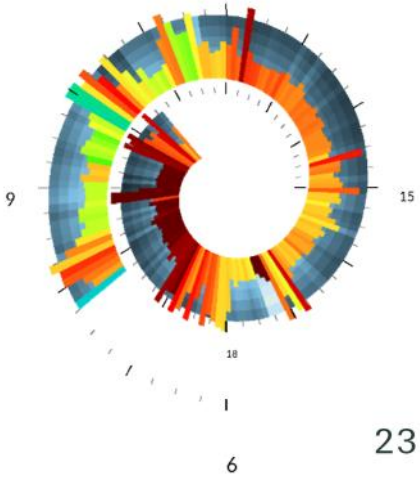
Biovotion



A Quiet Sunday



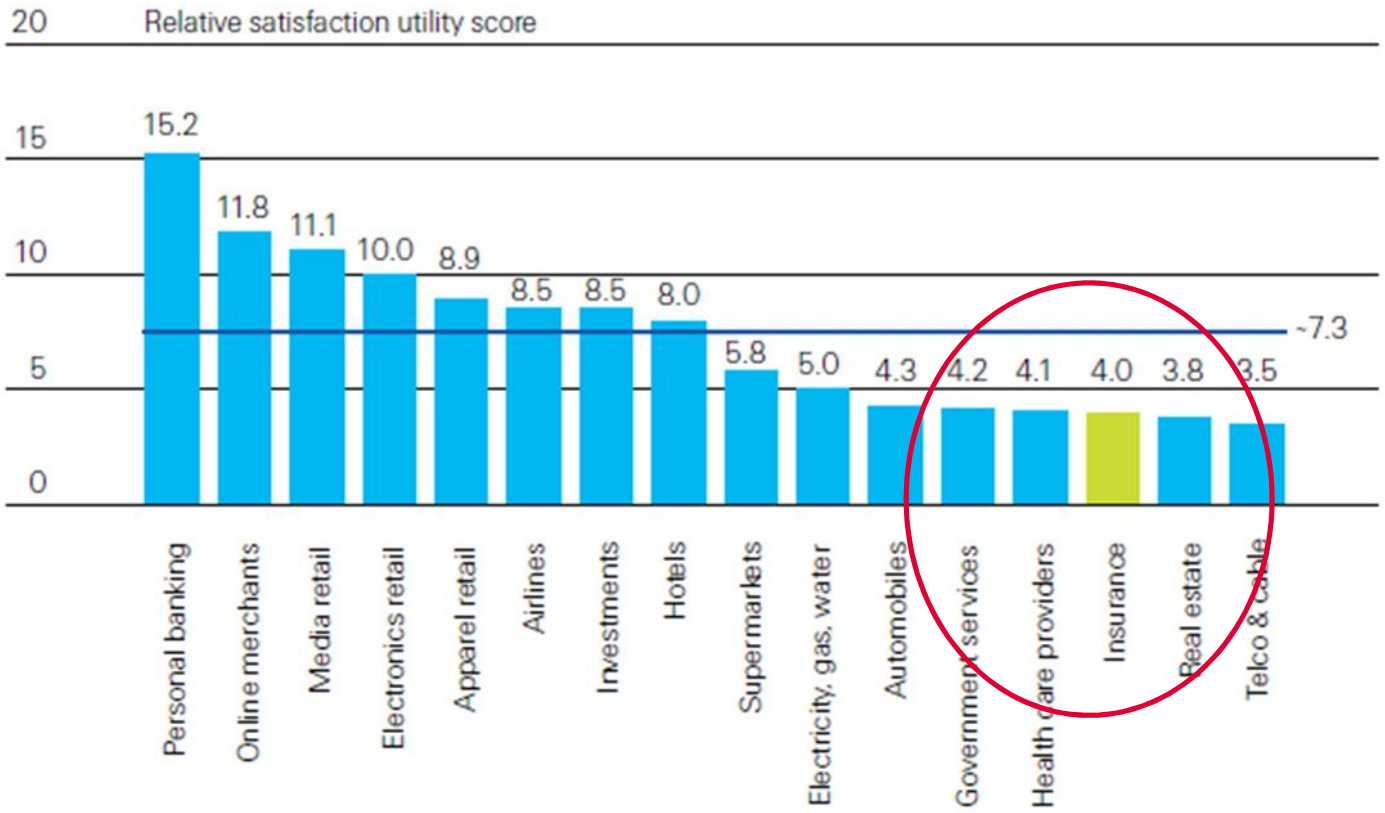
A Day with Challenges



Innovation: Medical grade wearable

4. Conclusion

Technology is framing expectations and **shifting consumer preferences**



Source: *Delivering Digital Satisfaction* ©2013, The Boston Consulting Group (BCG)

New underwriting covers and tools can enable:

- accessing **new risks pools**
- making it **easier to buy insurance**
- **engaging and empowering consumers to buy insurance**

Reduce Protection Gap in Latin America

1. Connect and Attract

Reach new customers

2. Transact

Simplify the journey with faster, more efficient underwriting

2. Extend and retain

Create on-going, more fruitful relationships with your policyholders,

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