WINNING THE FUTURE

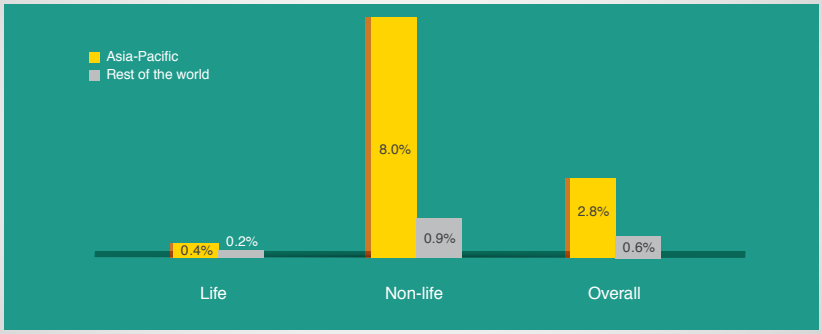
TOP 5

Areas of Investment for Asian Insurers

The insurance industry is on the verge of a dramatic shift in how it operates and serves its customers. Driven by advanced technologies and ever-rising consumer expectations, Asian insurers are taking a more proactive approach to win the future. According to Asia-Pacific Insurance Outlook 2019 report by EY, "Asia-Pacific markets…will influence the future of insurance because they are hotbeds of innovation. From product design to distribution to technology adoption — insurers in the region are experimenting widely and boldly to capitalize on near-term opportunities and drive the industry's long-term evolution."

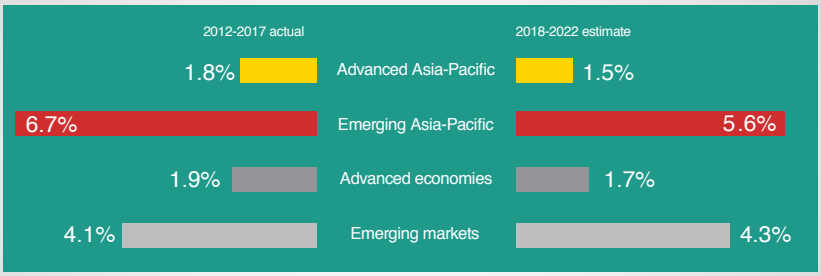
Looking at the big picture, Asian insurers have reasons to be optimistic:

Figure 1: Insurance growth by region, CAGR, 2012-2017



Source: Asia Pacific Insurance Outlook 2019 by EY

Figure 2: GDP growth, Asia-Pacific vs. global growth



Source: Asia Pacific Insurance Outlook 2019 by EY

Note: Advanced Asia-Pacific includes Japan, Korea, Australia, New Zealand, Hong Kong and Singapore. Emerging Asia-Pacific includes mainland China, Malaysia, Thailand, Indonesia, Philippines and Vietnam.

On a macro level, the region's overall economic growth will be driven by rising protectionism and trade wars, currency fluctuations and political uncertainties in some markets. These factors could affect the insurance industry's outlook but only to a certain extent. The major factors that will contribute to an Asian insurer's growth (or stagnation) will be largely determined by its investment choices today.

With so much at stake, and the myriad of choices available for Asian insurers to train its focus on,

WE'VE IDENTIFIED THE TOP 5 PRIORITY AREAS OF INVESTMENT ASIAN INSURERS SHOULD PAY ATTENTION TO TODAY.

01 BIG DATA AND ANALYTICS

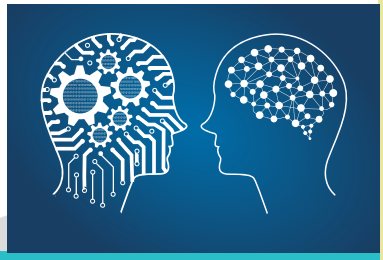
There is no question, probably the biggest buzzword these days is "Big Data". Originally emerged as a term to describe datasets whose size is beyond the ability of traditional databases to capture, store, manage and analyse, it has now permeated the world of business and yes, insurance. And for good reasons. With so many claims to handle, decisions shouldn't be based on gut feel or even experience. Voluminous data must be analysed properly and yield a decision that ultimately helps the companies' bottom line.

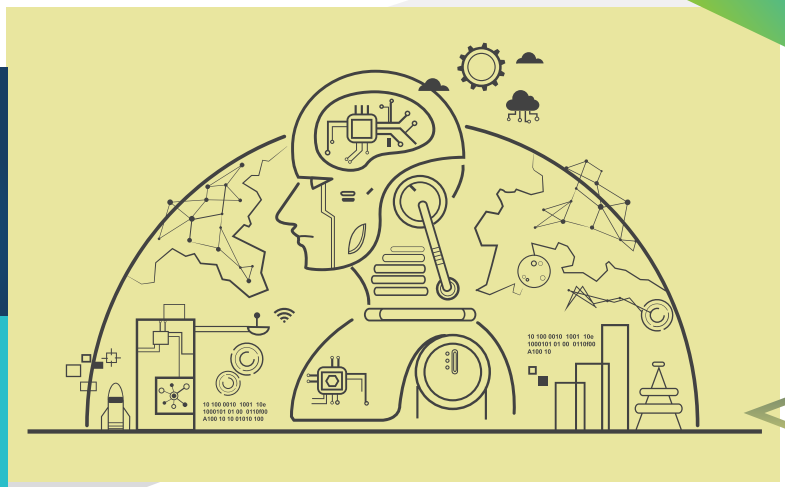
SAS IDENTIFIED 6 WAYS BIG DATA ANALYTICS CAN MAKE A BIG DIFFERENCE:

- **Fraud** – One out of 10 insurance claims is fraudulent. And most fraud solutions on the market today are rules-based. On the other hand, predictive analysis uses a combination of rules, modelling, text mining, database searches and exception reporting to identify fraud more effectively.
- **Subrogation** – Opportunities for subro often get lost in the sheer volume of data. By pinpointing subro opportunities earlier, you can maximize loss recovery while reducing loss expenses.
- **Settlement** – To lower costs and ensure fairness, insurers often implement fast-track processes that settle claims instantly. But this can be costly if you overpay. By analyzing claims and claim histories, you can optimize the limits for instant payouts.
- **Loss reserve** – When a claim is first reported, it is nearly impossible to predict its size and duration. But accurate loss reserving and claims forecasting is essential. Analytics can more accurately calculate loss reserve by comparing a loss with similar claims.
- **Activity** – It makes sense to put your more experienced adjusters on the most complex claims. But claims are usually assigned based on limited data. Data mining techniques cluster and group loss characteristics to score, prioritize and assign claims to the most appropriate adjuster.
- **Litigation** – A significant portion of a company's loss adjustment expense ratio goes to defending disputed claims. Insurers can use analytics to calculate a litigation propensity score to determine which claims are more likely to result in litigation.

02 ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING

By definition, insurance is all about calculation of risk. Insurance companies greatly depend on their ability to accurately predict the risk a particular entity represents. The better they are at doing this, the more savings they make and/or more revenues they earn. This is where artificial intelligence (AI) and machine learning (ML) technologies can mostly help.





By doing away with traditional manual processes, which tend to be slow and prone to errors and inconsistencies, Asian insurers can shift their focus on improving customer experience, hence, increasing their revenue. Currently, some players within the insurance industry is already actively using chatbots, where initial communication with the customer is built without the need for human interaction. As the interaction is built online, operational costs are significantly decreased thereby lowering the price of premiums. In the future, companies that wish to work with its customers online can rely on this infrastructure for customer service as well as fraud detection.

In addition, AI and ML present many potential benefits as the industry shifts its focus on patient care. In an interview with GovInsider Asia, Arvind Mathur, Chief Information Technology Officer of Prudential Singapore emphasized this point. "Traditionally, insurance has been defined in certain ways, with very specific kinds of products and capabilities," he says. "But as the needs are changing and as our consumers are evolving, those products and solutions are no longer sufficient."

As the industry shifts from acute to preventive care, Mathur believes that "insurance needs to play a greater role in making that shift happen". There lie the opportunities in harnessing artificial intelligence and machine learning as enablers, he says.

In fact, in Singapore, AI and other technologies are poised to play a big part in how the industry operates. According to a report by GovInsider, Singapore "wants to use AI as part of a national diabetes project to identify people at risk of the disease, and get them in on early intervention programmes."

With more investments in the areas of AI and ML, insurance companies can grow exponentially and expand into markets that never even existed before.

03 OMNICHANNEL DISTRIBUTION

The evolution of digital technologies and social media have democratized the way people consume products and services. Suddenly, it is no longer enough for an Asian insurer to send an army of agents and bundle attractive policies to gain a bigger share of the consumer's wallet. Savvy customers now have access to unlimited information and are used to the convenience of getting things done using their mobile device.

Surely, having multiple channels of distribution such as websites, social media, apps and yes, agents, present a good proposition for customers. But this is not enough. Asian insurers must invest time and resources building a customer-centric ecosystem that enables customers to enjoy consistent experience regardless of their preferred channel – an omni-channel distribution model that reduces friction to zero.

We already see it taking shape in Asia. Insurance companies are tying up with non-insurance digital platforms to open up new distribution channels for their products. Grab, for example, has announced "a joint venture with a subsidiary of Chinese Internet-based insurer ZhongAn Online P&C Insurance Co to create a digital platform to distribute insurance products in South-east Asia." This makes a lot of sense. As reported by Business Times, "besides gaining access to user data to improve the underwriting process, this new distribution channel also solves the pain points of low interaction levels with customers and the cost of going through an agent."

By integrating an omnichannel distribution model, Asian insurers will be able to provide seamless experience resulting in greater customer retention and engagement.

04 ROBOTIC PROCESS AUTOMATION

IDC Financial Insights expects that 25% of Asia/Pacific banks and insurance companies will deploy cognitive systems for intelligent decision making, increased automation, and improved operational efficiencies by 2020. Simply put, Robotic Process Automation (RPA) will increase in relevance and companies that deploy them will realise significant gains.

The Institute for Robotic Process Automation defines RPA as the application of technology that allows employees to configure computer software or a "robot" to capture and interpret existing applications for processing a transaction, manipulating data, triggering responses, and communicating with other digital systems.

In Asia, RPA deployment is on the rise and companies that have invested in them are already reaping significant benefits – some by as much as 80% improvement in policy processing, such as MSIG. Using bots to process travel claims and enter vehicle details into the system, MSIG Insurance (Singapore), was able to "improve process efficiency, cutting down the time spent on travel claims registration and motor fleet policy processing by around 70% and 80% respectively (source). The bots were also able to eliminate error rates by 100%.

05 BLOCKCHAIN

The years 2017 and 2018 have been abuzz with blockchain technology, primarily propelled by the rise of cryptocurrencies. But 2019 could very well be the year where blockchain moves to other applications such as such as fraud prevention in the insurance industry. The Insurance Information Institute put fraud at about 10 percent of the property/casualty insurance industry's incurred losses and loss adjustment expenses each year. This is a significant number that affects trustworthy customers who have to spend more due to these fraudulent and exaggerated claims.

By putting records on the blockchain, complete accountability, transparency and security can be achieved thereby improving management of fraud risk. A report from EY, "Blockchain in insurance: applications and pursing a path to adoption," provides a succinct point of view: "the insurance industry must make investments now to be in a position to take advantage of efficiencies and opportunities blockchain technology can deliver long term."

SPEARHEADING AGILE AND CUSTOMER-CENTRIC TRANSFORMATION TO BUILD NEXT-GEN INSURANCE

An ongoing drive toward digitisation has put the insurance industry on the verge of a paradigm shift as the evolving customer preferences are creating the need for digital agility by digital platforms and ecosystems. As traditional industry borders fall away, the future of insurance stands to be greatly determined by the advances in digital innovations and cutting-edge technologies.

Returning in 2019, join us at our 3rd Annual Digital Transformation for Insurance to explore how you can strengthen your enterprise capabilities across operations, marketing, distribution and products for enhanced customer engagement and experience.

REQUEST FOR AGENDA

SNAPSHOT OF SPEAKERS INCLUDE:

Mark van den Broek
Chief Information Officer
Manulife Asia

Francesco Lagutaine
Chief Marketing & Experience Design Officer
Manulife Asia

David Cabral
Chief Operating Officer
Peak Re Hong Kong

Walter de Oude
Chief Executive Officer
Singapore Life

Gilbert Naibaho
Chief Operating Officer
LippoInsurance Indonesia

Alvin Nand
Chief Operating Officer
QBE Insurance Asia

Disclaimer: Please note that we do all we can to ensure accuracy and timeliness of the information presented herein but errors may still understandably occur in some cases. If you believe that a serious inaccuracy has been made, please email Hollie.Smyth@iqpc.com.sg. This article is provided for information purposes only. IQPC accepts no responsibility whatsoever for any direct or indirect losses arising from the use of this report or its contents.

Sources of Information:

https://www.ey.com/en_gl/insurance/five-tech-trends-that-will-define-the-future-of-insurance
https://www.capco.com/Intelligence/Capco-Intelligence/Five-Insurtech-Trends-to-Watch-in-Asia
https://media-publications.bcg.com/BCG-beyondTheHype.pdf
https://www-businesstimes-com-sg.cdn.ampproject.org/c/s/www.-businesstimes.com.sg/garage/insurers-tap-startup-platforms-to-open-new-distribution-channels?amp
https://www.mendix.com/blog/digital-insurance-customer-experience-think-big-start-small-move-fast/
https://sbr.com.sg/co-written-partner/sponsored-articles/msig-singapore-revolutionises-insurance-through-smart-technolo
https://www.gigabitmagazine.com/company/how-axa-singapores-digital-transformation-revolutionised-customer-journey#
http://fintechnews.sg/12666/insurtech/life-insurance-made-easier-singapore-life/
https://www.idc.com/getdoc.jsp?containerId=AP43545718
https://www.linkedin.com/pulse/25-asiapacific-banks-insurance-companies-deploy-rpa-kapoor-mishra-2/
https://insuranceasianews.com/wp-content/uploads/2018/12/ey-insurance-outlook-asia-pacific.pdf
https://www.mckinsey.com/industries/financial-services/our-insights/insurance-2030-the-impact-of-ai-on-the-future-of-insurance
https://www2.deloitte.com/us/en/pages/financial-services/articles/insurance-industry-outlook.html
https://www.the-digital-insurer.com/the-future-of-insurance-2018/
https://insuranceasianews.com/wp-content/uploads/2018/12/ey-insurance-outlook-asia-pacific.pdf
https://www.capco.com/Intelligence/Capco-Intelligence/Five-Insurtech-Trends-to-Watch-in-Asia
https://www.ey.com/en_gl/insurance/five-tech-trends-that-will-define-the-future-of-insurance
http://techgenix.com/ai-insurance-industry/
https://www.sas.com/en_sg/insights/articles/risk-fraud/big-data-analytics-improves-claims-processing.html
https://www.sas.com/en_sg/insights/articles/risk-fraud/big-data-analytics-improves-claims-processing.html
https://www.the-digital-insurer.com/wp-content/uploads/2015/03/472-omni-channel-customer-experience.pdf
https://www.iii.org/article/background-on-insurance-fraud