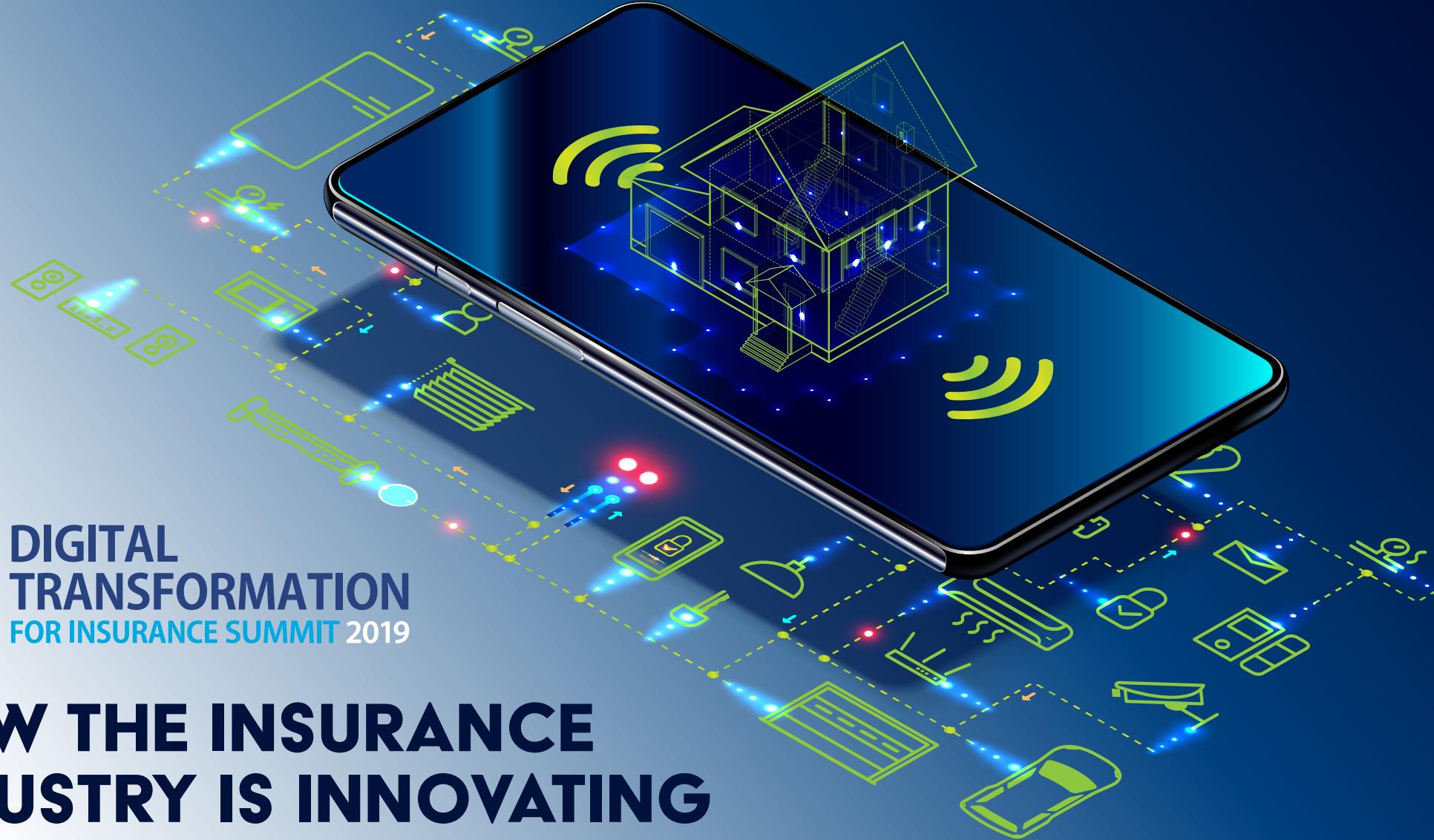




DIGITAL
TRANSFORMATION
FOR INSURANCE SUMMIT 2019

HOW THE INSURANCE INDUSTRY IS INNOVATING TO STAY RELEVANT

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HOW THE INSURANCE INDUSTRY IS INNOVATING TO STAY RELEVANT

The competitive landscape is changing in the digital age and with it comes elevating customer expectations. The insurance industry is in the midst of a shake-up when it comes to digital transformation. It must innovate to stay relevant and to meet these rising expectations. Here we explore how the trailblazers in the industry are using innovative products and technology to disrupt traditional business models and remain relevant.



INNOVATIVE USE OF BLOCKCHAIN

Back in September 2017 **Industry Blockchain Initiative**

B3i developed a reinsurance blockchain prototype for a property excess-of-loss (XOL) contract. B3i “is a startup formed to explore the potential of using Distributed Ledger Technologies within the re/insurance industry for the benefit of all stakeholders in the value chain.”¹

Since then B3i has been testing the product with its peers in the industry, collecting feedback through its Early Mover programme in 2018. The testing by 40 insurers, reinsurers and brokers identified a few problems with the platform, which B3i have been working to resolve ready for going live in 2019.²

The property excess-of-loss (XOL) contract is designed to handle reinsurance contracts on a state-of-the-art distributed ledger.³ It allows for secure, confidential and efficient transactions in a blockchain network. The focus of the platform is expected to grow, with the entire value-chain of the insurance and risk transfer industry being explored by the B3i group.⁴

Pioneering InsurTech firm **Etherisc** believes in a decentralised future for the insurance industry. It has

been busy in 2018 developing products using blockchain technology.

Their Flight Delay product is the first decentralised insurance app that enables customers to insure flights against delays or cancellations whilst also guaranteeing immediate payouts right after landing.⁵

With traditional insurance models, payouts are slow in forthcoming and there isn't a 100% guarantee cancelled or delayed flights will be covered. Blockchain technology addresses these issues and makes travelling for customers an easier experience.

Last year the company also launched HurricaneGuard, an insurance product designed to offer super-fast relief from hurricane disasters. It was created in the aftermath of Hurricane Maria which affected Puerto Rico in particular.⁶ The product again attempts to disrupt the current insurance model for natural disasters where payouts can take months. The concept with blockchain technology is to get money to victims quicker to survive the first few months following a storm.⁷

1 <https://b3i.tech/home.html>

2 <https://www.insurancejournal.com/news/international/2018/09/12/500855.htm>

3 <https://b3i.tech/our-product.html>

4 <https://www.artemis.bm/news/reinsurance-blockchain-prototype-launched-by-b3i/>

5 <https://blog.etherisc.com/first-blockchain-based-app-to-insure-your-next-flight-against-delays-10f53b38ad2d>

6 <https://www.linkedin.com/pulse/blockchain-dlt-insurance-2019-part-i-recap-2018-rahul-mathur>

7 <https://hurricaneguard.io/>

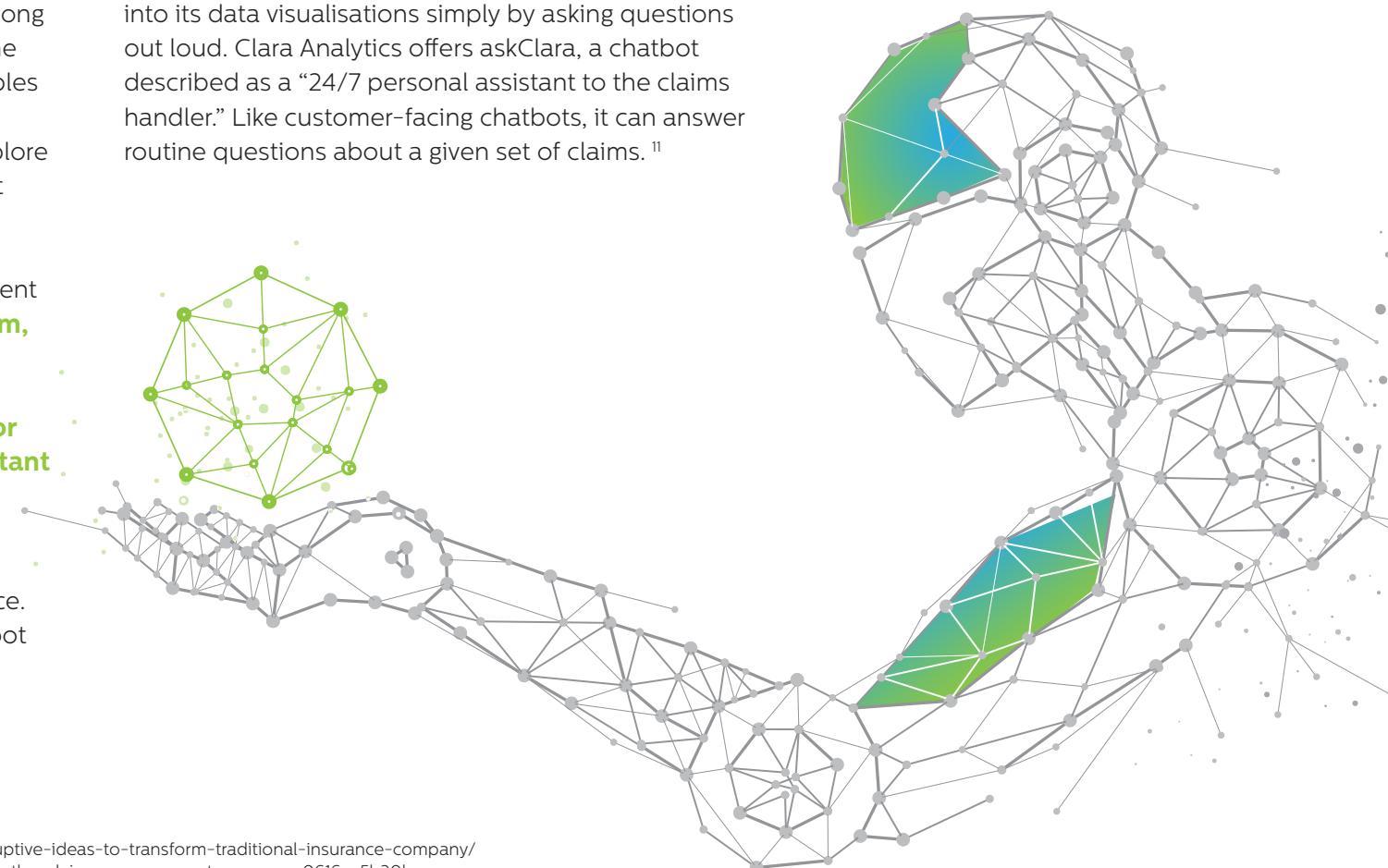
AI INSURANCE SOFTWARE TO RESHAPE CLAIM PROCESSING

A pain point for both insurers and customers is the length of time it can take for claims processing. There are multiple issues with the variety of differing claims. For example say land was affected by drought and there are thousands of acres sown with crops. How long would it take employees to gather and process all the data required for payout decision-making? In examples such as these, machine learning algorithms can calculate loss using satellite images or drones to explore fields. This kind of technology would significantly cut time and cost.⁸

AI-powered claims bots can also streamline the current model for claims processing. **By reviewing the claim, verifying policy details and passing it through a fraud detection algorithm before sending instructions to the insurance company to pay for the claim settlement, these bots can deliver instant customer assistance.**⁹

They can take out unnecessary steps, providing a much quicker and more efficient customer experience. Insurance company Lemonade asserts that its chatbot Jim settled a claim within 3 seconds.¹⁰

Other insurers are making headway with AI-powered chatbots for claims processing, including looking at behind-the-scenes processes. Tableau's prototype chat software, Eviza, has a voice interface so users can dig into its data visualisations simply by asking questions out loud. Clara Analytics offers askClara, a chatbot described as a "24/7 personal assistant to the claims handler." Like customer-facing chatbots, it can answer routine questions about a given set of claims.¹¹



8 <https://www.altexsoft.com/blog/finance/insurance-technology-7-disruptive-ideas-to-transform-traditional-insurance-company/>

9 <https://medium.com/datadriveninvestor/how-can-ai-assist-streamline-the-claims-management-process-a0616ca5b20b>

10 <https://venturebeat.com/2018/06/19/why-insurance-companies-are-betting-big-on-ai-powered-chatbots/>

11 <https://venturebeat.com/2017/05/27/how-chatbots-can-settle-an-insurance-claim-in-3-seconds/>

COMBINING INSURANCE WITH IOT TECHNOLOGY AND DATA

IoT gives the insurance industry access to more data than ever before, allowing companies to more effectively determine rates and offer services that keep customers and their assets safe.

For example connected car and mobile technology can enable the next generation of motor insurance products. The challenge at the moment being mass adoption of connected cars. TrueMotion are a company providing smartphone telematics to help insurance companies identify the best drivers and therefore be able to price more profitably. Mobile phones are a great IoT device, with the ability to use accelerometers, gyroscopes, GPS, and more sensors to provide data on consumer driving habits.¹²

Another area of insurance innovating in this space is in the home. ROC Connect is an organisation exploring creative home insurance solutions built for the connected home. The ROC Connect platform helps clients and partners install new products and services easily for the smart home.

Smart home systems and devices could pave the way for insurers to reinvent their current business models. Rather than simply insuring against risk they can help customers protect their properties. IoT provides opportunities to offer product-service bundles. For example a bundle of home insurance and home monitoring technology would lead to the reduction of the probability of damage, lowering the overall risk for homeowners and their insurers.¹³

IoT is also revolutionising the health insurance industry. The John Hancock Vitality Program is a great example of wearable devices being utilised in an innovative way. A customer with diabetes will usually pay more for life insurance. But in the Vitality Program, they can use an Apple Watch to track activity and, if they meet certain goals, they will get a discount on the following year's premium.¹⁴



In fact John Hancock has announced it will stop selling its traditional life insurance and only market interactive policies that record the exercise activities and data of health of its customers through wearable devices like Apple Watch or Fitbit. This year will see the company move its entire portfolio of policies to the new procedure. These types of policies are becoming increasingly popular in markets such as South Africa, the United Kingdom and the United States.¹⁵

12 <https://medium.com/iotforall/how-will-iot-transform-the-insurance-industry-609f89a12bf1>

13 <https://medium.com/iotforall/how-will-iot-transform-the-insurance-industry-609f89a12bf1>

14 Ibid;

15 <https://www.forbes.com/sites/enriquedans/2018/09/21/insurance-wearables-and-the-future-of-healthcare/#4b60e4071782>

16 <https://www.altexsoft.com/blog/finance/insurance-technology-7-disruptive-ideas-to-transform-traditional-insurance-company/>

17 Ibid



INSURANCE APIS ADDRESS INSURER FLEXIBILITY

In the age of industry 4.0 customers increasingly demand a flexible and innovative experience. According to IBM, 41% of customers abandon their carrier for a new one because the provider doesn't want to adjust services for customer needs.¹⁶

This is where the use of insurance APIs (application programming interfaces) comes into

play. **APIs enable the sharing of information and services with third parties. They provide an opportunity to suggest better customer experience, create new digital products, increase sales, and try disruptive business models.**¹⁷

For example AXA Insurance launched its own API to improve its Insurance-as-a-Service strategy that is pioneering in the Asia region. The APIs can be embedded into any application, website or digital channel to deliver real-time insurance cover to customers.¹⁸ Partners with complementary offerings can connect to the APIs to deliver seamless insurance protection when it is most relevant to the customer.¹⁹

Lemonade has also created an API designed to integrate seamlessly into any app or website

providing a quick and easy way for customers to protect their homes. The API provides a developer with products, quotation, policy creation, and payment functions. It also has a customisable chatbot interface.²⁰

Innovative uses of technology will transform the traditional and often frustrating insurance model into one where processes offer a fast, simple, and satisfying experience. To remain relevant traditional insurers must move quickly to integrate digital technologies into their operations.

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.

¹⁸ Ibid

¹⁹ <https://www.axa.com.sg/latest-news/axa-turns-insurance-as-a-service-a-reality-by-launching-regions-first-partner-transactional-api>

²⁰ <https://www.altexsoft.com/blog/finance/insurance-technology-7-disruptive-ideas-to-transform-traditional-insurance-company/>

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A successful digital transformation can radically improve the customer journey in the insurance industry. Insurers need to turn the process of buying a policy to sorting out claims into a fast, simple and satisfying experience. While each phase of the journey has its own transformation the whole life cycle needs to be looked at holistically.

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