

# Embrace changes and take the plunge



With new technologies and innovations reshaping the insurance risk landscape, it is imperative that insurers embrace these changes and take the plunge to invest in these areas, says **Mr Wil Chong** of **Allianz Re**. He also shares their various investments in projects ranging from creating personalised and transparent solutions to working on a joint distributed ledger for reinsurance transactions driven by blockchain technology.



**O**n my recent overseas trip, I forgot to purchase travel insurance. Normally my fellow companions would settle such purchases. With less than an hour to board the flight, I checked online to Allianz Global Assistance portal to buy a travel policy.

Honestly, I am not a fan of online purchases and often worry about security. I did not realise how easy and safe it was. The whole process took less than 5 minutes to complete – from entering my details to payment, and receiving the confirmation and policy online! Indeed, technology, innovation, FinTech, InsurTech, IoT, Artificial Intelligence, smart devices are not just a phase or trendsetter. They are with us for the long haul.

## Industry disrupter or transformer?

In the past, not many industry players have been keen to jump on the digital bandwagon, and view technology as industry disrupter.

As the fog has been lifted, InsurTech is now becoming more widely accepted, and insurers are taking pro-active approaches to develop cutting-edge risk analytic models and data management platforms to improve their underwriting and claims processes more efficiently.

Insurers are also investing and partnering with innovators (45% in 2017,

versus 28% in 2016 stated in PwC Global InsurTech report 2017) to find innovative ways to efficiently elevate customer engagement, manage and price risks, as well as expand insurability.

In health insurance, wearable biometric gadgets like FitBits have the ability to instantaneously track invaluable data about customers' fitness habits, such as heart rate, blood pressure. They have changed the method of risk and underwriting assessment. Nowadays, the development of health insurance plans, can be individualised, preventive, and predictive according to the customers' lifestyle.

## The trendsetters

### Millennials

The digital natives and trendsetters – millennials, a group of young people born between 1980 and 2000 – are also setting the pace for dynamic changes in demands and buying patterns in the (re)insurance market place.

They are the driving force who have forced insurers to re-think their strategies and look at new ways to do their business. In particular, they have high expectations for technology-based services that speak speed, convenience, and transparency, from one-size-fits-all solutions to personalised ones.

Today's mobile technology has paved ways for new methods of communication and accessibility to products and services. This has tremendous impact

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on customer engagement and brand loyalty, and enables the spread of on-demand tailored insurance plans – for example buying travel insurance. Customers are now able to purchase personalised coverage for specific durations and plans in real time. This makes insurability more convenient, affordable, and accessible to a larger market segment.

## Startups

From mobile insurance policy management platforms to usage-based automobile insurance, the InsurTech industry is expanding exponentially.

According to a report by Institute of International Finance (September 2016), there is a growing momentum of insurance investment in InsurTech companies, from US\$740 million in 2014 to more than \$2.6 billion in 2015, and strong inflow of capital has continued in 2016, with more than 45 deals raising \$650 million in the first quarter of 2016.

Insurers and reinsurers are taking a more proactive approach to seize the InsurTech opportunities and leveraging on data technology to transform the conventional character of risk. With the existence of countless new sources to automatically and non-intrusively acquire customers' data in real-time, it has allowed insurers to access and reduce unknown risks, as well as create innovative insurance products and solutions.

Allianz established its in-house Global Digital Factory in 2016. The GDF team consists of experts from different Allianz entities, whose mission it is to create personalised and transparent solutions which are easy to use and accessible from anywhere, any time.

Recently, the team launched the "MyMobilityAllianz" app in Austria. This app puts customers' personal emergency and assistance contacts (Allianz SOS) in their pockets, allowing them to easily and quickly report damage and provide an overview of their insurance plan, during emergency situations like an automobile accident.

This unit also unveiled the "life onboarding journey" pilot, launched in Belgium, Spain and Germany this year. It is a prototype solution that provides a personalised microsite to assist customers in navigating the diverse mix of marketing channels, social media and display ads. The microsite provides

a questionnaire to the customers to analyse their investment profile and tailor information on products such as saving-plan options and contracting processes, as well as simulating the impact of their investment decisions.

## Allianz Asia Lab

Closer to home, Allianz Asia Lab was established in May 2016, with the primary focus on serving customers with the best and smartest financial and protection solutions using analytics. The team of data scientists and innovation leaders work very closely with other Allianz entities in the region to develop new and innovative solutions.

Currently, the lab is working with one of the Allianz life entities in the region to deploy an underwriting risk prediction algorithm called SmartCatch for Risk to help detect new policyholders with high risk exposure. It helps the insurer and their agents to manage, flag and categorise high-risk policies from non-disclosure, mainly for unit-link products. SmartCatch for Risk had successfully detected 10% to 15% of non-disclosure cases.

There are several other digital projects that are being developed under the Smart Solution Suite, for example, SmartCatch for Health is able to detect abnormal health claims by doctors, medicenters and agents.

To improve customer experience, Allianz Asia Lab has recently tested a new algorithm that outfits the Welcome Call initiative with enhanced capability to recommend the best time to contact each customer so as to reach them in a positive mood. It has improved our call success rate by more than 50% thus far.

## Collaboration between reinsurers and insurers

Technology and innovation can help to extend beyond the traditional relationship between reinsurers and insurers. Allianz, along with other reputable industry players, is amongst the group of global insurers, reinsurers and brokers that has been working on a joint distributed ledger for reinsurance transactions driven by blockchain technology.

The group of 15 B3i members recently expanded with 23 new entrants joining the Market Testing program. This follows the successful launch of a working market testing prototype of its integrated blockchain solution

for the (re)insurance industry at the recent Monte Carlo RVS conference on 10 September 2017.

The B3i member firms took part in the market testing of the prototype in October 2017 to learn from each other's expertise and experience. During testing, each member firm will simulate the creation and management of property catastrophe insurance contracts, including a smart contract set-up through to the automated calculation for payment claims. Feedback from users' experience will be used to aid in the development of a viable production platform for the insurance and reinsurance industry by the second half of 2018.

## Data technology management

Data quality management is crucial to develop innovative solutions. It is the core element of the industry's model which help insurers to create, capture and analyse the value of data. Especially in Asia, we are constantly lamenting about the paucity of CAT risk data quality and availability. As a global reinsurer, Allianz Re has continuously supported our entities to structure, manage and build state-of-the-art data analysing platforms.

GIRDA, which stands for Group Insurance Risk Data & Analytics, CTA – Cat Target Architecture – are amongst the several digital platforms initiated by Allianz Re. These initiatives aim to lay the foundations of the Group's future risk data infrastructure, including a group-wide framework for integrated CAT risk management and a central data hub and analytics for insurance risk exposure data for Allianz.

## Conclusion

New technologies and innovations will continue to re-shape the (re)insurance dynamic risk landscape. It provides opportunities for industry players to revolutionise, create new insurance products and solutions, and transform their strategies and business models.

Through the development of high-tech, savvy gadgets and the continuous expansion and breakthrough in innovations, it will continue to change the nature of risks, thus enabling industry players to collaborate to produce innovative products, solutions and channels to better serve our customers. ■