



Article from

Product Matters

June 2018

Issue 110

Product Trends Around the World

By Elena Tonkovski and Joshua Dobiac

2017 was another year filled with innovation in the life and health insurance industry around the globe. The world around us keeps changing and changing F.A.S.T. propelling companies to respond with F.R.E.S.H. solutions! The F.A.S.T. changes are:

Financial: The world is more interconnected than ever before. While frictional challenges still exist in international banking and insurance, the ease with which an individual can invest in foreign stocks, bonds, and currencies has increased rapidly over the last 20 years. This has created opportunities for insurers to explore more diverse hybrid investment/insurance offerings that provide more tailored solutions to potential policyholders. The success of many future products will be tied to how they leverage the greater connectedness in financial markets and how they link it with traditional insurance offerings.

Authoritative: Solvency II, New GAAP, IFRS 17, new U.S. Valuation Manual regulations, tax changes, and more are also bringing a whirlwind of change. Marrying these regulatory changes to the growing concerns around

privacy and data protection reveals a profound shift in how insurance is not only sold, but managed. This presents increased risk, to be sure, but insurers who take a forward-thinking attitude towards these opportunities will be able to get ahead of the market and define what insurance looks like in the future.

Social: Population growth, lengthening life expectancies around the world, increasing employment, and shrinking family size are fundamentally redefining social dynamics. Thus, the needs of people at different points in their life cycle are changing. Products that may have made sense 50 years ago (or even 20 years ago) may be poorly suited to current requirements. Recognizing how social dynamics are changing insurance needs will be instrumental for growth and success in the near- and medium-term.

Technological: The world now has a population of over 7 billion people, almost half of whom access the internet and utilize mobile phones regularly. 2.3 billion of them regularly use social media, mostly on their mobile devices. Not only have the financial markets become more interconnected, but so have people and businesses. Social media has extended well beyond just posting selfies or giving likes; it has now integrated into sales and marketing platforms. Never before has there been such a low-cost, globally penetrating means to advertise and sell products and to receive near-instantaneous feedback. Customers' buying habits and expectations are further fueled by smartphone applications, wearables, chat-bots, and more.

So how should insurers respond? Here are some F.R.E.S.H. product ideas companies have engaged in:

Flexible: One of the most salient characteristics of generational changes is the rejection of the one-size-fits-all model. Younger generations crave flexibility while those entering retirement are healthier than any prior generation, allowing them to pursue a wide range of activities in their golden years. Insurers can help by providing more flexible options to increase cover, to allow for policy loans and to promote greater convertibility between products (such as going from term to permanent life). A menu-like approach to rider features to allow for changes across family members, across benefits, or across investment options, as well as the use of web tools for customizing coverage, are additional means to entice clients to purchase products tailored to their specific needs. Allianz1 in Italy is a great example of a very user-friendly customizable web tool that helps clients choose the amount and type of coverages they want from Allianz's 13 individual



building blocks from P&C, life and health insurance lines. Premiums for all selected products are bundled into one monthly payment. Another interesting example of flexible insurance is Sanlam's Go Cover product offered in South Africa. It is an on-demand type of micro-insurance for accidental death that can be easily bought on your phone for any length of time between 1 to 30 days. It's especially useful for customers who are going on a trip, engaging in a hazardous sport, or who wish to provide cover for their temporary employees.

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Rewarding: We have already seen the rise in wearable tech—the internet-of-things has created an explosion of activity and lifestyle tracking. While privacy concerns are still under consideration, there is a profound opportunity to leverage this technology in the insurance space. By rewarding activities, insurers can move to a more-involved, central role in lifestyle promotion and management. This can encourage persistency, help to improve claims experience, and foster greater customer loyalty. For example, Prudential Hong Kong is currently offering policyholders nutrigenomic testing, which uses a person's DNA to determine how their genes affect their nutritional needs. A dietary sensitivity profile is then delivered through a mobile application to customers to be used to help them improve their well-being. Similarly, AllLife in South Africa is offering an affordable life insurance product to anyone living with diabetes. Premiums fluctuate depending on annual HbA1c tests, thereby encouraging people to proactively manage their health. Not only are customers rewarded with lower premiums for achieving good results from their annual tests, but they are also penalized when results have worsened.

Essential: In general, insurance is often not regarded as a necessity until it is either too late or not an ideal time to purchase it. Products are increasingly customer-centered, targeting needs at different life stages like senior-care products for the elderly, mortgage and wealth protection for the middle-aged, and savings plans for young families and their children. Products are also targeting substandard or underserved customer segments through disease-specific

covers or affordable microinsurance and bancassurance channels. Companies now offer services beyond paying claims, such as rehabilitation; nutritional and psychological therapies; pre-screening benefits; doctor's hotlines for consultation and more. Union Life in China, for example, has focused on the primary need of many retirees: having a place to live as long as they need through the purchase of an annuity. Combining aspects of an annuity with inflation protection and focusing on specific needs of retirees, Union Life is offering upscale apartments equipped with medical facilities, hospitals, recreational facilities and more. Sun Life in Malaysia is another interesting example. They offer a Shariah-compliant protection and savings product which also provides for your religious needs by guaranteeing someone will perform the Hajj on your behalf if you are physically or financially unable to do so. This product combines traditional insurance with additional Islam-specific protections that help to assuage meaningful concerns among Malaysian Muslims.

Streamlined: Customers no longer need to travel to the local insurance agency to purchase their coverage. Websites, mobile apps, and engaging communication platforms can allow customers to handle every aspect of the insurance process, from purchase to filing a claim, without ever having to travel anywhere or even talk with someone. Accelerated underwriting can obviate the traditional challenge in insurance whereby many people abandon applications if they discover they cannot get instant coverage. Leveraging predictive analytics, machine learning, and related algorithms/tools can also enable targeted cross-selling and up-selling; such tools also allow for improved robo-advisors, which in conjunction with remotely situated human advisors can allow for a more optimal and low-cost business model. And while it may sound like science fiction at this point, virtual reality (VR) may eventually be leveraged to engage customers and provide low-cost customer service. MetLife in India has, in fact, piloted a VR-based customer service platform available at selected branches. VR headsets are provided for use by customers to get instant access to experts, view their policy details, make service requests, and check the status of their claims, all interactively. Another innovative example to engage customers can be found in Brazil, where insurance can be bought from a vending machine. BB MAPFRE is offering simple multi-line insurance products through specially made vending machines that are available in supermarkets, subway stations, local stores and other locations that people frequent while commuting or running errands. The idea is to make it as easy and convenient as possible for otherwise busy people to get



coverage. Sometimes all that is needed is accessibility. If buying insurance was as easy as buying a Coke, how many more people would have coverage?

Holistic: While insurers are focusing more and more on specific needs, they should never lose sight of the customer as a complete individual. The goal must be to provide targeted services, either alone or in partnership, that offer a comprehensive insurance and savings/investment experience for customers. This may include a suite of products that will cover life and P&C; protection and savings; families and individuals; and coverage for both high-concern critical conditions and for other less critical conditions that may still impair quality of life. An example of a holistic product for young families can be found in Indonesia where Prudential is offering expectant parents a product called My Child—a comprehensive and flexible solution that provides protection benefits, investment options, as well as savings riders for your child’s education years. This product can be bought before the child is born and protects the mother until childbirth, or it can be bought after the child is born. Once the child reaches a certain age, the cover will get automatically transferred in their name. Green Delta’s Nibedita product in Bangladesh offers another holistic example exclusively for women. Besides the traditional accidental coverage areas, it provides trauma allowance in cases of rape, road bullying, robberies, and acid attacks, and extended coverage for loss or damage to household goods and personal effects due to natural disasters. To create a one-stop service solution platform,

customers are also given access to a mobile app which allows them to purchase the correct insurance, save for education or retirement, dial an emergency hotline should they be in distress, and get women-specific assistance to ensure they achieve their goals and become more self-reliant.

CONCLUSION

It seems cliché to say, but the world is changing and changing rapidly. This is resulting in an explosion of innovation in insurance offerings in all parts of the world affecting all customer segments, and there will be more to come from existing players and new market entrants ready to bring in their new ideas to the marketplace. Rethinking how insurance can and should be sold as well as moving to a non-commodified view of insurance, where products become more bespoke, will help insurers get closer and more integrated with the lives of their customers and proactively help them achieve their goals. ■



Elena Tonkovski, FSA, is assistant vice president & actuary, Global Products at RGA International Corporation. She can be reached at ETonkovski@rgare.com.



Joshua Dobiac is a consultant with Milliman. He can be reached at josh.dobiac@milliman.com.