



2018 SOA Asia-Pacific Annual Symposium

Session 2A, Innovation Shaping Insurance

Presenters:

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SOCIETY OF
ACTUARIES®

Innovation Shaping Insurance



What is innovation?

innovation

The process of translating an idea or invention into a good or service that creates value or for which customers will ...

 BusinessDictionary

Innovation is:

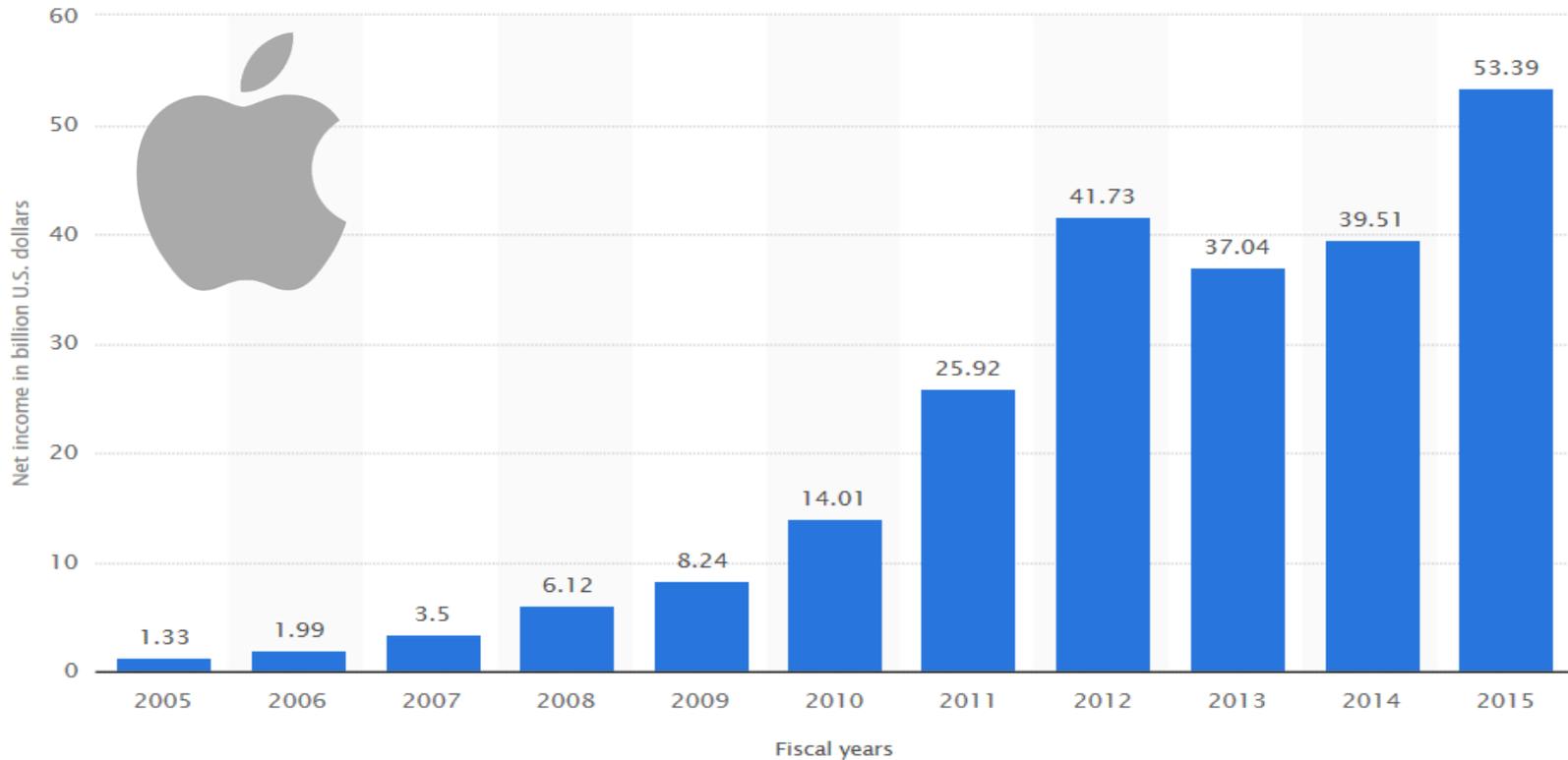
**"The Future
Delivered"**

New, value-creating match
between a need and a solution.

Breaking existing
performance trade-offs.

Expanding the realm of the
possible.

Importance of Innovation

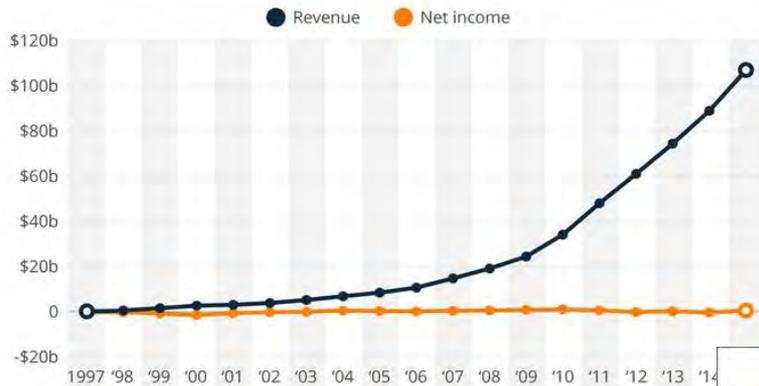


“Delighting” customers creates tremendous value

Importance of Innovation

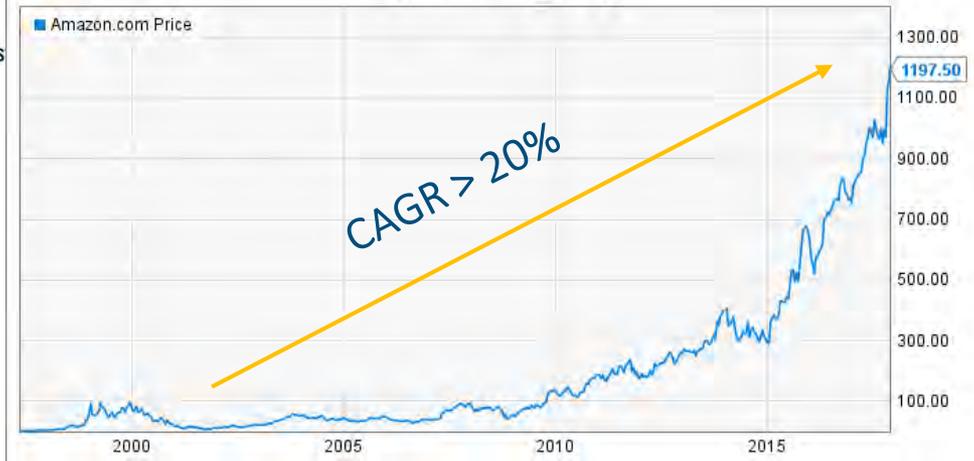
Amazon's Long-Term Growth

Amazon's revenue and net income from 1997 through 2015 (in billion U.S. dollars)



Steady revenue growth but little earnings growth?

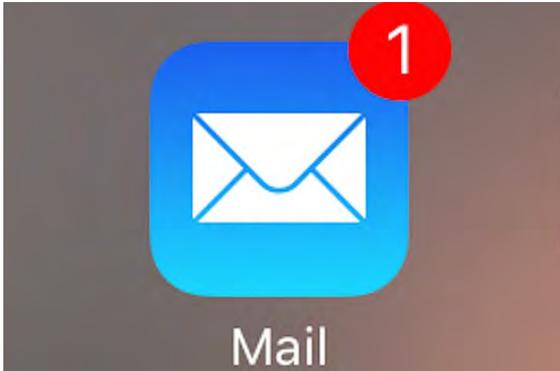
Amazon Price History



BUSINESS INSIDER

Source: Amazon

Innovation is happening around us Everywhere...everyday



Recognizable brands synonymous with Innovation



Unilever

How do they do it?

Why Amazon Is The World's Most Innovative Company Of 2017

A rapid expansion of Prime plus bold bets in the physical world are allowing the retailer to offer even more, even faster and smarter.



“Our job is to invent new options that nobody’s ever thought of before and see if customers like them.”

“Our customers are loyal to us right up until the second somebody offers them a better service.

And I love that.

It’s super-motivating for us.”

How do they do it?

Innovation starts with culture...

- Supports and encourages reasonable risks and uncertainty
- Based on experimentation and discovery
- Understanding that great ideas exist outside corporate boundaries
- Resources, values, behaviours that promote an innovative mindset and ability to evolve
- Empowered employees
- Collaboration

Innovation is not about...

- Copying systems or processes
- Blame and finger-pointing
- Quick wins
- Separate innovation team

Innovation Shaping Insurance



Risks will continue to evolve and we must evolve too

Regulations

Low Interest Rates

Economic Environment

Emerging Asia

Wealth accumulation

Aging societies

Millenials

Smartphone trends

Political outlook

Digitalization

Cyber security

Data Privacy

Why is innovation important for insurance?

Brand image



Solutions must evolve to meet current and future needs

Profitability



Motivate distributors

Innovation in life insurance is easy...right?

Running to keep up
with day-to-day requirements



Lack of internal skills to
drive innovation

Lack of investment
and rising cost
pressures

(KPMG 2015)

Focus on the fundamentals



Product that adapts with a customer's lifecycle



What makes a BrightRock policy different?
YOU do.

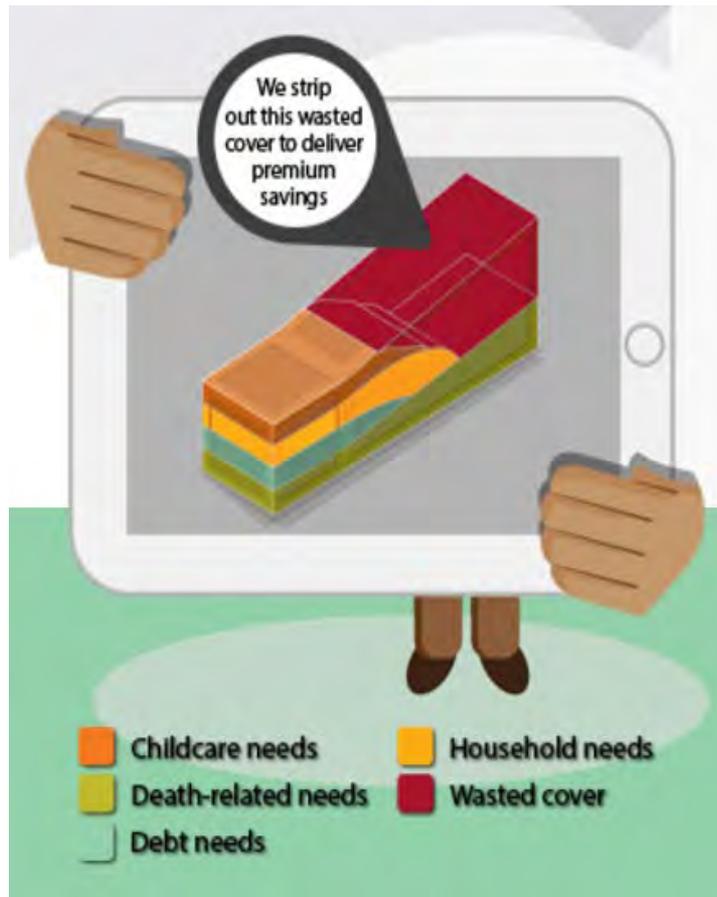
Because we build your BrightRock policy specifically for your needs, you're its central component.

BrightRock offers you value, better premium efficiency, richer benefits and absolute claim certainty – whether you need cover against the financial impact of temporary illness and injury, permanent disability or death.

Sign me up

- The “first ever life insurance” that changes with you as your life changes
 - Needs-matched life insurance is different from other products
 - Uniquely structured to allow customer to create the best life insurance solution – just for you.
- It's made for you at the start and changes as your life changes. Best of all, because it's more efficient, you can save 30% on your premiums from day one.

Product that adapts with a customer's lifecycle



- Cover is designed to exactly match each specific financial need.
- Saves average of 30 percent of premiums
- Easy to adjust cover (add, remove, change) to match customer needs
- Unique policy designed to meet each customer's specific needs:
 - Customer decides exactly how to cover different financial needs if get ill, suffer an injury or die
 - For each different needs, customer chooses payment, amount of cover and duration
- Can change cover as needs change.
- Customer is guaranteed it can always buy more death cover, even when claims against policy
- Ability to change payment options to maximize tax efficiency

Distribution



- What is the future of distribution?
- Buying behaviours will be influenced by experiences from other industries
- 4 fundamentals that will be critical
 - Speed
 - Seamless cross-channel service
 - On-demand, high quality service
 - Digitalization

Artificial Intelligence to provide a better customer experience



THE CURRENT PROBLEM



Relatively Bad
Customer Experience



Low Conversion Rate

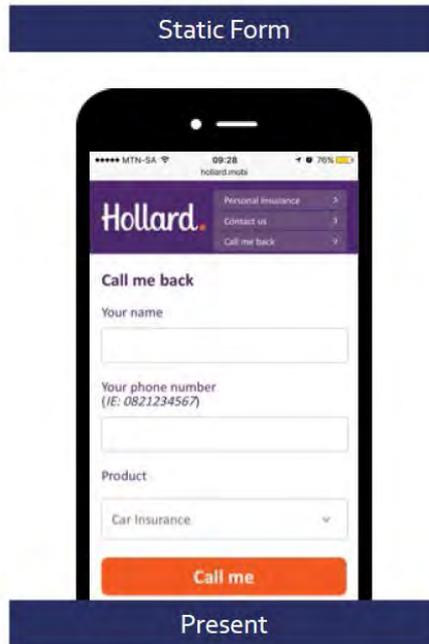


High Operational
Costs

- Consumers demanding more self service ,using multiple customer access points
- Millennial's will engage using the technology of their choice
- 24/7 access to full suite of services
- Cellphone messaging platforms allow easy to use customer service entry points
- Cloud-hosted gives secure, cost effective high speed and efficient delivery to market

Single channel distribution and servicing model will become obsolete

Artificial Intelligence to provide a better customer experience



A **Conversational Agent** powered by machine learning that customers interact with via a chat interface

Based on **Artificial Intelligence**, the platform is both **autonomous** and **intelligent** and is constantly learning from interactions with customers

Integration of all financial services within a chat platform and interface

Many insurers investing in multi-channel servicing that will ultimately lead to multi-channel distribution

Data...why so important?

Data is growing exponentially as is computing power

Companies investing in trying to acquire data and better understanding of their customers

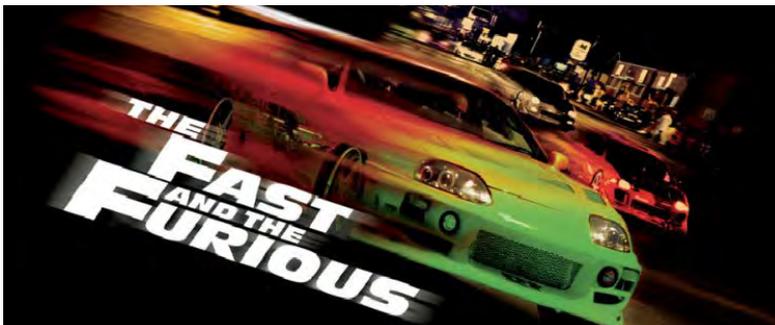
- Comprehensive risk profiles
- Accurate and competitive pricing
- Targeted product sales
- Competitive advantage
- Converting data into actionable insights
- Developing products based on results
- Tapping into market quickly and effectively

Innovate with data: What's under your hood?

- Other industries are already using predictive modeling and analytics to improve efficiency and profitability

Identified uses of Predictive Modeling in life insurance

Propensity to Buy	Propensity to Claim
Fraud	Propensity to Lapse
Risk selection	Agent Quality
Pricing	Distribution



Create a
'what's under your hood'
competitive advantage

Using data to drive value



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Get more for your vouchers with The Easter Clubcard Voucher Exchange

Don't miss out! Exchange by 5 May

THE EASTER CLUBCARD VOUCHER EXCHANGE

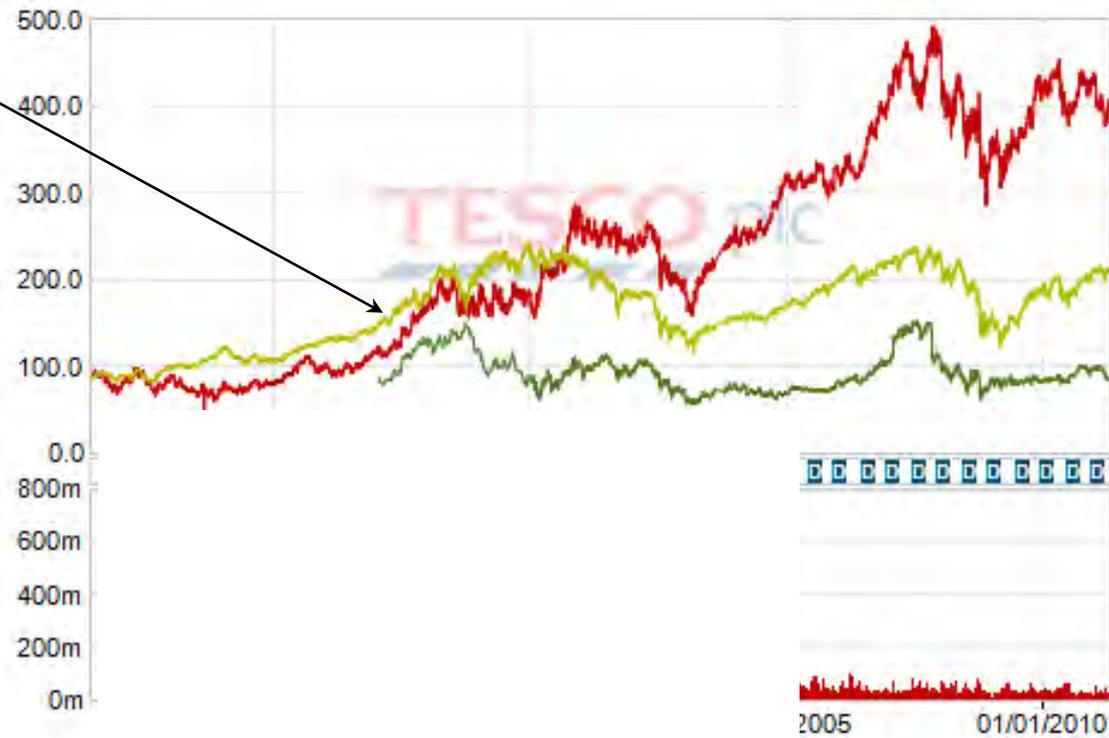
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<p>75^p off</p> <p>when you buy Tesco Finest meatballs 480g</p> <p>Use your Clubcard with this coupon Valid until 15/03/11</p>	<p>£2.50 off</p> <p>when you spend £10 or more on any kids' clothing</p> <p>Includes back to school</p> <p>Use your Clubcard with this coupon Valid until 15/03/11</p>
<p>25 extra points</p> <p>when you spend £1 or more on condiments</p> <p>Use your Clubcard with this coupon Valid until 15/03/11</p>	<p>50 bonus Airmiles</p> <p>when you exchange a minimum of £15 in Clubcard Vouchers for Airmiles in one transaction at tesco.com/rewards. Exchange by 31/03/11. Visit www.airmiles.co.uk/rewards for more information. See overleaf for Terms & Conditions</p> <p>Valid until 31/03/11</p>

Using data to drive value

dunnhumby
essential customer genius



Tesco

FTSE 100

Sainsbury

Sales were up but Tesco wasn't sure why. When we presented our findings, Sir Ian MacLaurin [then Tesco chairman] said, 'What scares me about this is that you know more about my customers after three months than I know after 30 years'"

Clive Humby

What does the future hold?

- Relentless focus on innovation
 - Must constantly challenge the status quo and make enhancements and improvements to provide sustainable competitive differentiators to counter disruptions ahead.
- Remember, it starts with culture...once the culture is right, positive outcomes will follow