Insurtech – Bridging the Industry’s Trust Gap

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Chief Actuary, RGA Middle East

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PROLOGUE: RIDING THE INSURTECH WAVE
# PROLOGUE: RIDING THE INSURTECH WAVE

## US Insurance Tech Market Map

### Health
- Oscar
- Clover
- bright health
- Devoted Health
- care.com
- 21st Century HealthCare
- HealthShopper
- SimplyInsured
- alaya care
- HealthCare.com

### Home
- Jetty
- Hippo
- kin.

### Auto
- Root
- Metromile
- Co
- The Zebra
- Clearcover

### Pet
- FIGO

### Small commercial
- Cyber MGA
- Coverwalet

### Crop
- Ladd

### Energy
- Life, annuity, & disability
- HealthIQ
- Ladder

### Life
- ziparti

### Health
- Lemonade
- Jetty
- kin.

### B2B
- P&C
- Slice

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The graphic above shows only a sampling of companies in each category. Data cumulative through September 2019.

Source: CB Insights, Venture Scanner
PROLOGUE: RIDING THE INSURTECH WAVE

Quarterly InsurTech funding volume – all stages

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tr>
<td>2012</td>
<td>$0</td>
<td>$32</td>
<td>$31</td>
<td>$44</td>
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<tr>
<td>2013</td>
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<td>2014</td>
<td>$135</td>
<td>$180</td>
<td>$132</td>
<td>$180</td>
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<tr>
<td>2015</td>
<td>$1,865</td>
<td>$376</td>
<td>$300</td>
<td>$412</td>
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<tr>
<td>2016</td>
<td>$825</td>
<td>$233</td>
<td>$271</td>
<td>$328</td>
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<tr>
<td>2017</td>
<td>$1,000</td>
<td>$314</td>
<td>$633</td>
<td>$725</td>
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<tr>
<td>2018</td>
<td>$1,591</td>
<td>$1,443</td>
<td>$592</td>
<td>$1,504</td>
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<tr>
<td>2019</td>
<td>$1,987</td>
<td>$1,414</td>
<td>$40</td>
<td>$40</td>
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Deal count

P&C: 5 3 4 4 5 4 12 9 10 7 16 8 17 13 16 21 44 18 33 29 26 37 29 45 46 40 41 58 49 52 40
L&H: 8 6 7 9 15 8 9 4 9 15 14 15 11 19 15 20 16 17 6 13 17 32 21 11 24 27 17 23 29 20 31 35
A life insurance start-up backed by Jay Z and Will Smith is now worth nearly $500 million

PROLOGUE: RIDING THE INSURTECH WAVE
PROLOGUE: RIDING THE INSURTECH WAVE

2019 COMPANIES ATTENDING

Over 7,000 delegates from 60+ countries attended ITC 2019.
WHAT DO I BELIEVE ABOUT THE INSURANCE INDUSTRY?

Insurance serves an **honorable purpose** and changes the lives of customers and their beneficiaries.

There is an **enormous gap** between the amount of insurance that is owned and the amount that is needed.

**Trust** and **transparency** are the cornerstones of a sustainable insurance industry.
Edelman Trust Barometer: How much do you trust businesses in these industries?

Source: 2019 Edelman Trust Barometer. 
Harris Poll: “EquiTrend” Rankings

**Selected Industries**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>Food</td>
<td>65.0</td>
</tr>
<tr>
<td>Restaurants</td>
<td>63.8</td>
</tr>
<tr>
<td>Retail</td>
<td>63.5</td>
</tr>
<tr>
<td>Technology</td>
<td>62.6</td>
</tr>
<tr>
<td>Travel</td>
<td>60.9</td>
</tr>
<tr>
<td>Beverage</td>
<td>60.7</td>
</tr>
<tr>
<td>Media</td>
<td>60.5</td>
</tr>
<tr>
<td>Non-Profit</td>
<td>58.4</td>
</tr>
<tr>
<td>Automotive</td>
<td>58.1</td>
</tr>
<tr>
<td>Alcohol</td>
<td>57.1</td>
</tr>
<tr>
<td>Financial Services</td>
<td>55.3</td>
</tr>
<tr>
<td>Pet Care</td>
<td>54.5</td>
</tr>
<tr>
<td>Telecom</td>
<td>52.5</td>
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</table>

**Financial Services Subcategories**

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
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<tr>
<td>Payment Card</td>
<td>66.6</td>
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<tr>
<td>Mobile Payment</td>
<td>62.1</td>
</tr>
<tr>
<td>Tax Preparation</td>
<td>55.1</td>
</tr>
<tr>
<td>Discount Brokerage</td>
<td>54.7</td>
</tr>
<tr>
<td>Regional Bank</td>
<td>54.4</td>
</tr>
<tr>
<td>National Bank</td>
<td>54.1</td>
</tr>
<tr>
<td>Insurance (Multi)</td>
<td>53.4</td>
</tr>
<tr>
<td>Auto Insurance</td>
<td>53.2</td>
</tr>
<tr>
<td>Home Insurance</td>
<td>53.1</td>
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<tr>
<td>Investment</td>
<td>53.0</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>52.4</td>
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Source: Harris Poll 2016 EquiTrend Insurance Report
MISTRUST IS A TOP REASON FOR THE INSURANCE PROTECTION GAP

LIMRA Research: Reasons People Don’t Purchase Life Insurance

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>I WOULD NOT QUALIFY</td>
<td>23%</td>
</tr>
<tr>
<td>NO ONE HAS APPROACHED ME</td>
<td>22%</td>
</tr>
<tr>
<td>I DON'T WANT TO THINK ABOUT DEATH</td>
<td>31%</td>
</tr>
<tr>
<td>IT IS TOO EXPENSIVE</td>
<td>62%</td>
</tr>
<tr>
<td>I HAVE OTHER FINANCIAL PRIORITIES</td>
<td>61%</td>
</tr>
<tr>
<td>I HAVE AS MUCH AS I NEED</td>
<td>51%</td>
</tr>
<tr>
<td>I DON'T FEEL I NEED ANY</td>
<td>36%</td>
</tr>
<tr>
<td>I'M NOT SURE HOW MUCH OR WHAT TYPE TO BUY</td>
<td>39%</td>
</tr>
<tr>
<td>I DO NOT TRUST INSURANCE AGENTS</td>
<td>33%</td>
</tr>
<tr>
<td>I DO NOT TRUST INSURANCE COMPANIES</td>
<td>31%</td>
</tr>
<tr>
<td>I HAVEN'T GOTTEN AROUND TO IT</td>
<td>29%</td>
</tr>
<tr>
<td>I HAVE OTHER FINANCIAL PRIORITIES</td>
<td>61%</td>
</tr>
<tr>
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</tbody>
</table>

A VICIOUS CYCLE OF MISTRUST

- Invasive Underwriting
- Denied Claims
- Misaligned Incentives
- Complexity
- Anti-Selection
- Non-Disclosure
- Misselling
- Fraud
THE FIRST STEP IS ADMITTING THERE IS A PROBLEM

https://www.policygenius.com/about/trust
AND THEN WE HAVE TO SOLVE IT

**Build Trust**
1) Provide Trusted Advice
2) Deliver a Modern Experience
3) Make it Easy

**Borrow Trust**
4) Leverage a Trusted Brand
5) Connect People Together

**Increase Transparency**
6) Deliver Price/Value Transparency
7) Align Incentives
8) Utilize Data & Analytics
1) PROVIDE TRUSTED ADVICE

“I trust that these guys know what they are talking about”

Leveraging the power of customized content, brands build trust with consumers and guide them toward a purchase decision.
1) PROVIDE TRUSTED ADVICE

Build Trust

Borrow Trust

Increase Transparency
New brands are bringing modern digital design approaches to better meet customers expectations around user experience.

“I trust it because it looks cool and works the way I expect it should work”
2) DELIVER A MODERN EXPERIENCE

Fabric

“İ am a ___ year-old

GENDER ___ living in ___ STATE ___.

I DO / DO NOT USE ___ tobacco.”

Fabric instant accidental death insurance is guaranteed issue for anyone 25 to 50 years old. Gender and tobacco questions are used to generate a quote for Fabric Premiums only.

Haven Life

HAVENlife

If Life Insurance Could Start Over, This is What

It Would Do

Coverage that’s clear, affordable and worry-free.

I am a man born on ___/___/1982.

I currently live in the __ZIP I am in

excellent health and I do not smoke.

I want to protect my family by providing a

$500,000 policy lasting 20 years.

$21.00/mo

GET STARTED

Still thinking? Save your progress.

Ladder Life

Get a quote in seconds.

I am a ___ man ___ woman

and was born ___ mm-dd-yyyy.

I’m ___ feet ___ inches tall and weigh ___ pounds.

I do ___ don’t ___ smoke.

My zipcode is ___.

My overall health is

Valid income value is required to get a quote.

Oscar Health

My zipcode is 10001.

I’d like to cover

me, my spouse and my kids.

I’m ___ years old, my

spouse is ___ and my 2 ___ kids are ___ and ___.

My family makes $___ yearly

with ___ people in my tax household.

Some brands are offering starter products and simplifying the customer journey to overcome consumer inertia and build trust.

“I’m cautious, but this seems like an easy, low-risk way to get started”
3) MAKE IT EASY

Fabric Instant

Start with Fabric Instant.
If you're 25-44, accidental death is your life's single biggest risk. Get covered with accidental death insurance in under 2 minutes with Fabric Instant.

* CDC. National Vital Statistics Report, Volume 64, Number 2, (February 15, 2016), Table 9.

Upgrade anytime to Fabric Premium.
Upgrade coverage later to include death from accidents and illnesses by replacing Fabric Instant with Fabric Premium, a 20-year term life insurance policy.

Next

Let's do this!
3) MAKE IT EASY

Free Parent Life Cover (UK/Ireland)

- **AVIVA**
  - Insurance
  - Investments
  - Retirement
  - Health

**Free Parent Life Cover**

£15,000 free life insurance for 1 year - for each parent with a child under 4.

That's £15,000 each for mums and dads.

At Aviva, we're here to help protect what matters most to you. And what could matter more than your family? We're giving each parent a £15,000 free life insurance as a first step towards protecting your family. There's no purchase necessary and there are absolutely no strings attached.

A free life insurance policy – easy to set up, and protect what matters most today.

- Covers lasts for 12 months from acceptance and pays out £15,000 if a parent covered dies during this time.
- It takes just a few minutes to apply and cover will start as soon as you've completed the short application process.
- You can take out the plan once your child has been born and before they are four years old.
- No payment is needed and we won't request bank account or credit card details.
- Rest assured any personal information included on your Free Parent Life Cover application will not be sold onto a third party.

**Irish Life**

**€25,000 Free Parent Life Insurance**

Protecting your family's future is one of the most important things to plan for. Yet, with so many other financial commitments, it can sometimes be hard to follow through. So, we're giving you a helping hand, by giving parents €25,000 life cover for 12 months absolutely FREE.

Eligibility Questions

- Your youngest child is aged 13 or younger when you apply.
- You are aged 55 or younger.
- You are resident of the Republic of Ireland.
- You are named on the Birth Certificate or Adoption Certificate of your child.
- You consent to being kept informed in writing by post, email or telephone about products, services or additional benefits Irish Life believe might be of interest to you.

- You have not had or do not currently have any form of malignant cancer, brain tumour, heart condition or heart surgery; stroke; multiple sclerosis; motor neurone disease; transplant; disorder of the kidney, liver or pancreas, you have not been an in patient in the last 12 months unless in a coma.

Download the Pan Booklet with Terms & Conditions

This offer is closed.

- Free Life Insurance of €25,000 for each parent for 12 months.
- No payment needed, and cover begins instantly.
Build Trust  
Borrow Trust  
Increase Transparency

3) MAKE IT EASY

Cardiogram Launches Insurance Program for Wearable Technology Users

SAN FRANCISCO (PRWEB) September 27, 2018

Health app developer Cardiogram today announced that it has partnered with Amica Life Insurance Company (Amica Life) and the recently established Greenhouse Life Insurance Company (Greenhouse Insurance) to offer Accidental Death (AD) insurance coverage for wearable technology users. The program offers Apple Watch, Android Wear, or Garmin wearers the opportunity to qualify for $1,000 of AD coverage at no cost for 12 months. Qualified Cardiogram users will also have the option to purchase up to $500,000 of additional AD insurance coverage through the app in as little as three minutes.
4) LEVERAGE A TRUSTED BRAND

“I trust these guys, so I’ll give this other thing a try”

Partnerships with other non-insurance companies or influencers provide insurers with access to new customers with the implied endorsement of a trusted brand.
4) LEVERAGE A TRUSTED BRAND

Partner Programs

Build Trust  Borrow Trust  Increase Transparency

Who Are You Planning to Protect?

Life Insurance

Life Insurance from New York Life Insurance Company offers members both term and permanent coverage. No physical exam is required. For most products, acceptance is based on your health information. Find out which coverage is right for you.

AARP Life Insurance Program from New York Life

Life Insurance and Annuity Programs from New York Life offer sample, secure choices just for AARP members. Decide which is right for you.

Costco Wholesale

Serving families across the U.S. for more than 100 years

Protective Life Insurance Company

Quality Life Insurance from Protective to Meet Your Specific Needs

Part of creating a safe and financially healthy future means obtaining a flexible life insurance plan that meets your and your family’s specific needs, even as those needs evolve throughout life. And that’s why Costco entrusted Protective to look after its members.

Get a Personalized Quick Quote.

State: 
Birth Date (Day/Month/Year): 

[Image of AARP and Costco websites]
"I trust that what my friends (or people like me) do will be good enough for me"

Affinity platforms and peer-to-peer insurance marketplaces allow consumers to leverage the trust of their peers to feel more confident and engaged with their insurance choices.
5) CONNECT PEOPLE TOGETHER

Percent who rank each spokesperson as extremely or very credible

- Technical Expert
- Academic Expert
- A Person Like Yourself
- Employee
- Financial Industry Analyst
- NGO Representative
- CEO
- Board of Directors
- Journalist
- Government Official/Regulator

Peers are deemed as nearly as credible as experts

5) CONNECT PEOPLE TOGETHER

Customized affinity programs

**FitLifeCovered**

**HealthIQ**

**BoughtByMany**
5) CONNECT PEOPLE TOGETHER

Peer-to-Peer Models

Guevara (UK)

Friendsurance (DE)

Peer Cover (NZ)

“30% of consumers would be likely to purchase life insurance via a peer-to-peer platform if available”*

6) **DELIVER PRICE/VALUE TRANSPARENCY**

“I want to know that I’m paying a fair price for what I’m getting”

Digital marketplaces create a one-stop shop for consumers to research, select and purchase insurance products.
6) DELIVER PRICE/VALUE TRANSPARENCY

Online Aggregators
6) DELIVER PRICE/VALUE TRANSPARENCY

Online Aggregators

Build Trust  Borrow Trust  Increase Transparency
Incentivized wellness programs and other consumer engagement platforms can help align the interests of the consumer and insurance company.

“I trust that they have the same interests as me”
7) ALIGN INCENTIVES

LIMRA: Sharing Health/Activity Information With a Life Insurance Company

- **Build Trust**
- **Borrow Trust**
- **Increase Transparency**

- **Build long-term relationship with company**
  - Seniors: 13
  - Boomers: 21
  - Gen X: 32
  - Millennials: 48

- **Interaction with an insurance company**
  - Total: 31

- **To establish wellness goals/make healthier choices**
  - Seniors: 25
  - Boomers: 52
  - Total: 65

- **Financial savings**
  - Total: 31

Source: LIMRA, 2016 Insurance Barometer Study
https://www.lifehappens.org/industry-resources/agent/barometer2016/
7) ALIGN INCENTIVES

Wellness programs

Build Trust
Borrow Trust
Increase Transparency
An increase in the availability of health, financial and behavioral data is helping simplify the application and underwriting process for consumers and control fraud and anti-selection*.

* For much more on this topic, see: http://www.rgare.com/knowledge-center/media/videos/behavioral-drivers-of-mortality-experience
Over 80% of companies now query the MIB and prescription databases on simplified-issue products*. Motor vehicle records, criminal histories and many other sources are routinely collected. Advanced analytics approaches are being deployed to improve the predictive value of the data being used.

* Source: LIMRA, Simplified Issue Insurance Made Simple, 2017
8) UTILIZE DATA & ANALYTICS

- Financial credit data has proven to be very predictive of mortality and persistency and is now being used in life insurance underwriting.
- New medical data sources are seeking to supplement prescription histories and reduce attending physician statements.
- Other third-party sources are being actively explored as predictors of lifestyle or other behavioral risks.

8) UTILIZE DATA & ANALYTICS

This one is a little trickier...
8) UTILIZE DATA & ANALYTICS

Are you using appropriate data?

- Inappropriate use of data will be rightly opposed by consumer advocates and regulators and will put at risk the industry’s right to underwrite.
- Despite increased availability of data, insurers must be careful to safeguard the interests of consumers.
- Transparency is critical to building trust
8) UTILIZE DATA & ANALYTICS

Do you have the right to use the data?

Nov 2, 2016 1:00 AM BST

Nov 2, 2016 9:00 PM BST

https://www.theguardian.com/technology/2016/nov/02/admiral-to-price-car-insurance-based-on-facebook-posts

https://www.theguardian.com/money/2016/nov/02/facebook-admiral-car-insurance-privacy-data
Is your data secure?

8) UTILIZE DATA & ANALYTICS

Build Trust

Borrow Trust

Increase Transparency
<table>
<thead>
<tr>
<th>Year</th>
<th>Company/Affiliation</th>
<th>Records Stolen</th>
</tr>
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<tr>
<td>2004</td>
<td>AOL</td>
<td>92,000,000</td>
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<tr>
<td>2005</td>
<td>CareFirst</td>
<td>1,900,000</td>
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<tr>
<td>2006</td>
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<td>2013</td>
<td>2012 PayPal</td>
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<tr>
<td>2022</td>
<td>2020 Target</td>
<td>7,800,000</td>
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<tr>
<td>2023</td>
<td>2021 Target</td>
<td>7,800,000</td>
</tr>
<tr>
<td>2024</td>
<td>2022 Target</td>
<td>7,800,000</td>
</tr>
</tbody>
</table>

Source: databreaches.net data at https://docs.google.com/spreadsheets/d/1Je-YUdnjhQJO_13r8iTeRxpU2p8BuV6VVRHoYCgM/edit#gid=322165570
8) UTILIZE DATA & ANALYTICS ... BUT

KEEP DATA SECURE

AND...

DON’T BE CREEPY
Blockchain protocols may transform how information, value and trust are distributed.

**KPMG: Blockchain Accelerates Insurance Transformation**
“Most observers therefore believe the system to be immensely more trustworthy and transparent than traditional approaches…”

**TechCrunch: Blockchain is Empowering the Future of Insurance**
“Digital trust is now an ever reasonable possibility”

**Accenture: Blockchain: Industrializing Trust in Insurance**
“Blockchain has the potential to provide a secure, transparent and verifiable mechanism to execute transactions in a manner that replaces the traditional notion of utmost good faith with provable trust.”

**Deloitte: Blockchain: Trust Economy**
“The emerging trust economy depends on each transacting party’s reputation and digital identity—and that’s where blockchain comes in.”

https://techcrunch.com/2016/10/29/blockchain-is-empowering-the-future-of-insurance/
SUMMARY

Trust and transparency are the cornerstones of a sustainable insurance industry.

**Build Trust**
1) Provide Trusted Advice
2) Deliver a Modern Experience
3) Make it Easy

**Borrow Trust**
4) Leverage a Trusted Brand
5) Connect People Together

**Increase Transparency**
6) Deliver Price/Value Transparency
7) Align Incentives
8) Utilize Data & Analytics
9) Block Chain
Trust arrives by foot and leaves by Ferrari

Mark Carney,
Governor of the Bank of England
Thank You