InsurTech and Digital ecosystems

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Yannick Even - Head Digital & Smart Analytics APAC @ Swiss Re
“Tech is **changing the rules of the game**. Tech transformation is here and accelerating, the only uncertainty is **who will be the winners**.”

*Christian Mumenthaler, Group CEO Swiss Re*
Our industry continues through a phase of change and digital transformation

Rapid Consumer Behaviour Changes
- Renovated consumer
- Smartphone dependent
- Changing expectations

Emergence of new Business Models
- Omni-Channel
- Digital Ecosystem
- B2B2C

Access to data & Tech Advancement
- IoT / connected sensors
- Artificial Intelligence
- Distributed Ledger
Three major implications for the insurance industry

1. Change of risk pools
2. Automation
3. Disruption
Digital ecosystems could account for 30% of global revenues by 2025

Estimated total sales 2025, $ trillion

A fast growing middle class and mobile unbanked population across Asia

88% of the next billion middle class will be Asian

+380m in India by 2030
+350m in China
+130m in rest of the world
+210m in rest of Asia

“41% of Asians are willing to buy insurance from Tech giants - the highest % worldwide”

Cap Gemini survey 2018

https://www.brookings.edu/research/the-unprecedented-expansion-of-the-global-middle-class-2/
China Digital Ecosystems are leading the way

• **BAT is dominating the daily life interactions of the 800m+ mobile Chinese netizens.**

• **11x more mobile payments in China than in the US.**

• **57% of the time spent online in China are on BAT developed apps.**

% in respective market - Data source: Deloitte China 2017
Only 25% of Chinese population had a credit score ➔ untapped pool of borrowers at needs

Ant Financial Sesame Score, launched in Jan 2015, is now used for personalised access to financial services and also non financial to 65% of china population as part of the “inclusive finance” national initiative.

Ant Financial Sesame Credit Score based on 5 dimensions - Identity, Compliance, History, Networking and Behavior
New emerging digital insurance models are starting to impact product innovation

Wave1 – Tech enablement
Homogenous products with limited incremental innovation features

Wave2 – Ecosystem integration
Dynamic needs discovery
Tailored products in cust. journey
Risk profiles / Dynamic pricing

Wave3 – Ecosystem Aggregation
Integrated personalised services
Dynamic features adapting with customer needs and behaviours

Est. China 2020 - CNY 747 Bn
Source: Oliver Wyman

Est. China 2020 - CNY 197 Bn

Est. China 2020 - CNY 202 Bn

Est. China 2020 - CNY 747 Bn
Source: Oliver Wyman
InsurTechs enablers are already covering the insurance value chain

Source: Swiss Re Institute June 2017, based on information from company websites and media reports By % share by number of start-up investments 2014-2016
A sudden acceleration of AI applications across Asia

USA Leading

- Sudden acceleration of AI applications from a 70 years journey
- GAFA/Silicon Valley leading position in AI talents & tech
- AI applications & adoption slowed by regulations and customers privacy concern

China Rising

- China already #1 in AI patents, papers, innovation funding
- Rapid growth – AI market valued at USD150b
- 800M mobile netizens spending 11x more than US online
- BATX trailing the GAFA
- Ping An leading AI FS applications
- Emerging digital health platforms

“Made in China 2025” AI Blueprint
- 2020: Keep pace with the US
- 2025: Achieve AI breakthroughs
- 2030: Be the AI world leader

Asia Emerging

- Rising mobile transactions and usage
- Financial inclusion / Ageing Asia governments agenda to bridge the protection gap
- BATX investments across Asia in leading epayment, ecomm, digital health, aggregators...
- Ping An One Connect Cloud & AI platform ready for Asia FS
Examples of application of AI / Machine Learning in insurance

- **Clustering: Targeted sales**
- **Classification: Simplified Underwriting**
- **Regression: Claims Triage & Fraud prediction**
From data access to AI-enabled solutions across the insurance value chain

**Input data**

- Sales / campaign
- In-force
- Claim
- Channel

**Insurance data**

- Propensity to buy
- Propensity to claim
- Propensity to lapse

**Alternative data**

- Online browsing
- Wearable / fitness
- Social media

**AI Models**

- Contextual distribution to micro segments, sense customer needs, identify sale triggers, sales compliance
- Alternative data, digital health data for more precise and automated UW
- More dynamic risk engineering processes (e.g., regular risk assessment, dynamic pricing mechanism)
- Better identification, prediction and management of risk to prevent /reduce/delay claims
- Automate claims / risk retrocession / capital management

**AI enabled solutions**

- Better identification, prediction and management of risk to prevent /reduce/delay claims
Swiss Re cutting-edge analytics capabilities in Asia / Globally

Combining Swiss Re’s bespoke risk knowledge with state of the art data science

- Internal data
- External data

- Big Data Methods
- Text Analytics
- Machine Learning
- Predictive Modelling
- Visual Analytics

- Insight Generation
- Productivity Enabling
- Digital Business

External data

Combining Swiss Re’s bespoke risk knowledge with state of the art data science
Selection of Swiss Re AI-enabled solutions launched across Asia

Predictive Underwriting L&H Models
Using Inforce and/or banca/digital/health data to automatically classify standard vs substandard risks

Predictive models (& platform) for parametric products
E2E automated customer journey from onboarding to claims: Flight delay, Typhoon, Gestational Diabetes

Early Warning System
Identify as early as possible emerging innovation with potential to highly impact the insurance business
Want to know more?

Website
AI @ SRI
Digital Ecosystem

Wechat
Swiss Re
TDI China in Focus