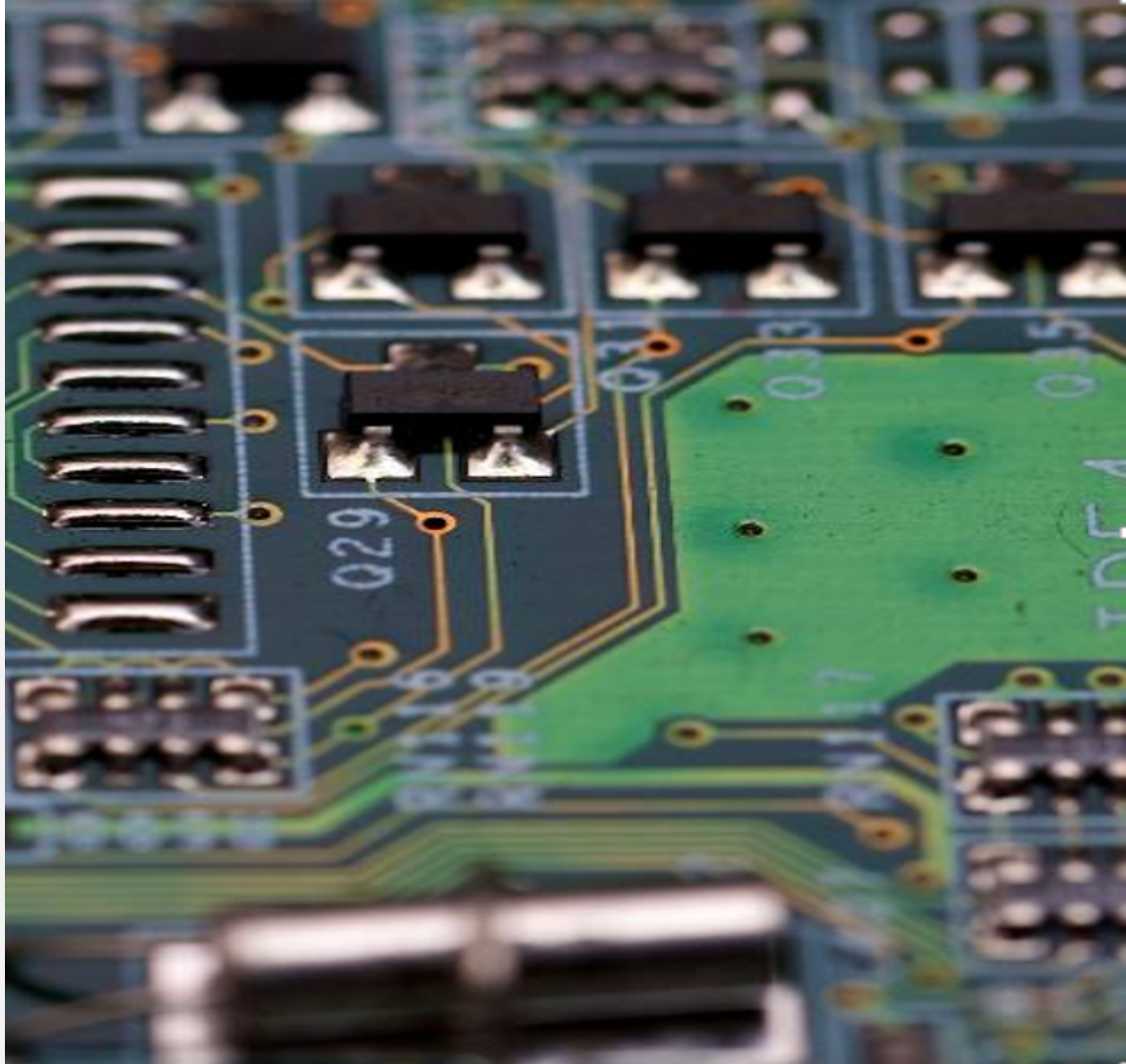
Cover's Insurtech's Conference Welcome

26 March 2019
Filipe Nunes

Munich RE

Agenda

1. The world we live in today
2. Innovation
3. Tech Trend Radar



Disruption is happening…

Fortune 100 companies turned over 1977 - 2000
21% of companies turned over

Fortune 100 companies turned over 2005 - 2012
89% turned over in 7 years

Fastest and biggest turnover rate ever

Digital disruption is happening – insurance sector is lagging, but for how long …

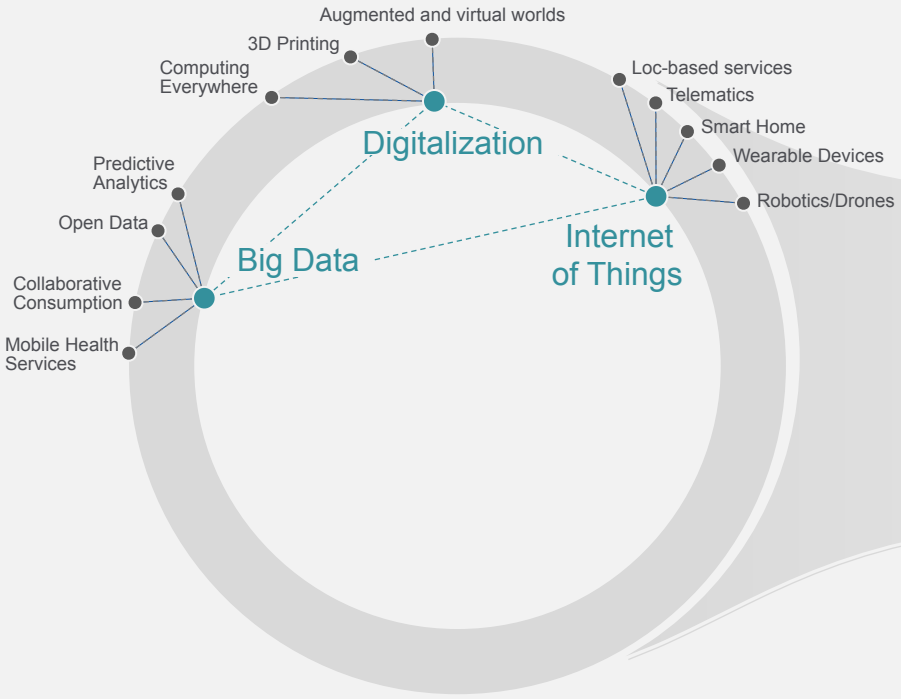
- The biggest taxi company does not own a single taxi. (Uber)
- The largest “MediaOwner“ who is not producing content itself. (Facebook)
- The biggest hotel company does not own property. (Airbnb)
- The fastest growing lender. (SocietyOne)
- The biggest Telecommunications comp. not owning infrastructure (Skype, WeChat)
- The largest movie company has no cinema. (Netflix)
- The most valued trade company not owning any stock. (Alibaba)
- The largest software-distributor who does not write (most) apps. (Apple, Google)

Source: Prof. Dr. Isabell Welpe following IBM (www.ibmforentrepreneurs.com)

The (data) world we live in today

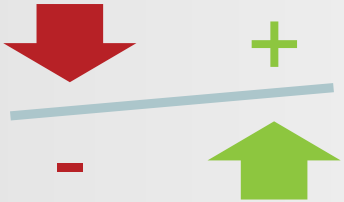
External context of our operating environment

Core drivers of global trends



Relative assessment of the insurance industry today:

- Automated underwriting
- Digital application processes
- Predictive analytics
- Safety and security
- Insurtech rising…



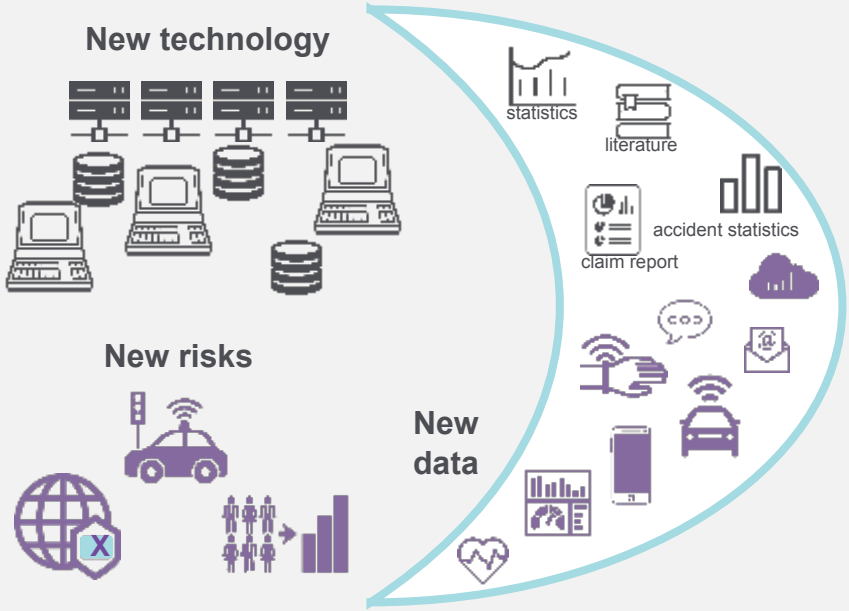
- Largely paper-based
- Usually face to face sales
- Time-consuming
- Static products
- Limited use of data

The (data) world we live in today

New technology and data leads to new risks and a need for change

We are used to analyse large amounts of data to identify trends, anticipate future events and price products.

Going forward we will be faced with new technology, new risks, new data and more effective tools to generate insights



Risk calculation in the past

Risk calculation in the future

Embracing our surroundings

Facts around our industry drives our current reality

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Insurtech has been around in the life insurance industry for many years, albeit with different names. But insurers are yet to fully embrace the technology available today, for many reasons.

Fact #1:

We have not had a real need to embrace technology yet.

- We make steady profits from large in-force blocks. And will continue to do so for the foreseeable future.
- Hence there is limited need to prioritise changes to underwriting approach, risk selection philosophy, sales process and experience.

Fact #2:

We are lost in (a lack of) data.

- We collect lots of (non-digitised) rich data, but use very little of it. Instead we categorise applicants into standard and non-standard risks only.
- Past and external data give insights into lifestyle, are available, but doesn't get used.

Fact #3:

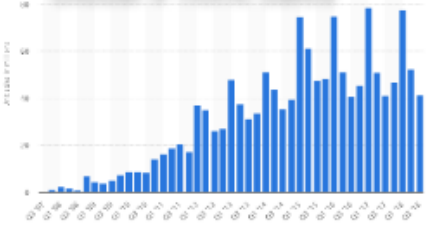
Propositions are mainly designed for the salesforce, not clients.

- Non-traditional distribution methods are a small proportion of sales globally.
- Processes designed for customers take priority after salesforce needs.
- Electronic applications are usually rolled out to intermediaries not clients.

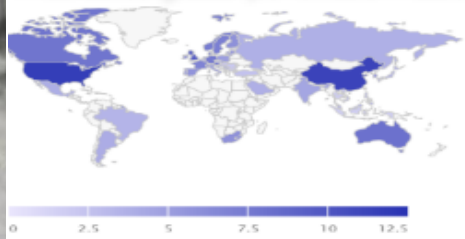
Our customers

Tell us something else…

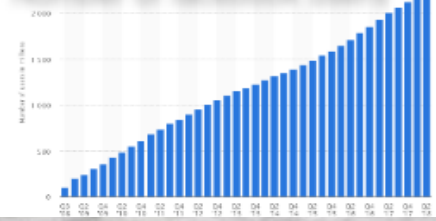
Global iPhone sales



Wearables global penetration rates



Number of facebook users



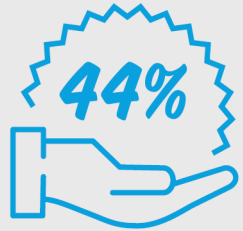
Source: Statista.com

65%

of consumers would like to use popular messaging services such as WhatsApp, Viber, Facebook Messenger, or iMessage to securely interact with organizations.

48%

of consumers have given up on an activity or request as information sharing was too difficult



44% of consumers would be happy for their insurance provider to utilize third-party data from the likes of Facebook and collect data about their behavior if it meant they were provided with a more personalized service and lower premiums

Source: Mulesoft Consumer Connectivity Insights 2018

Image: Google

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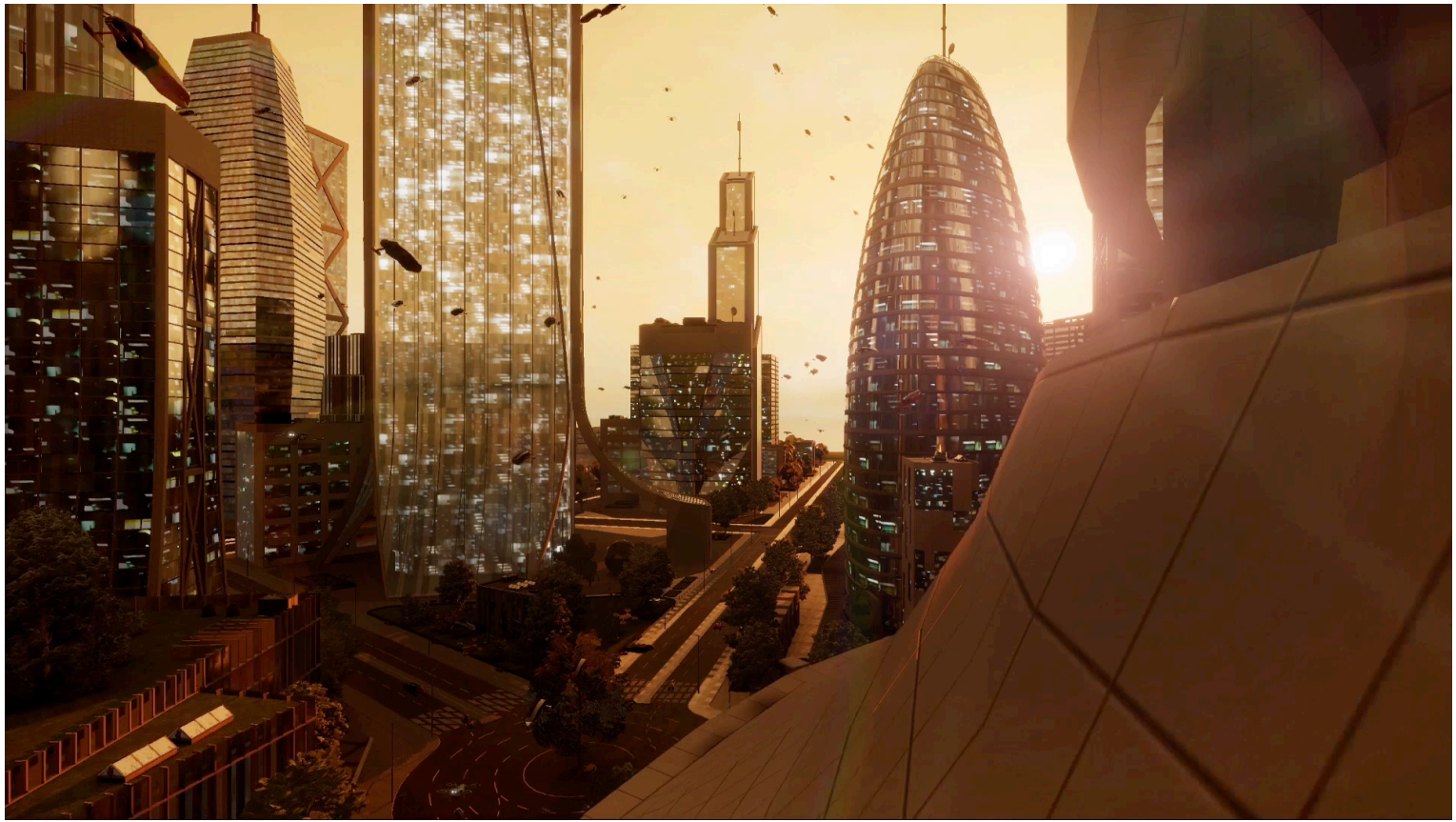

2 Innovation

Innovation and digitalization affects all parts of the insurance value chain

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Customer experience

Customer demand	Product design	Under-writing	Sales	Claims management	Asset management
▪ Digital natives ▪ Situational covers	▪ On-demand insurance ▪ Wearables ▪ Digital covers ▪ Smart mobile applications ▪ Flexible products	▪ Automated underwriting (e.g. by social media data) ▪ Predictive underwriting ▪ Capabilities to analyse big amounts of data	▪ Digitalization of sales organisation ▪ Digital player (e.g. We Chat) ▪ Start-ups ▪ Network provider (e.g. Telekom)	▪ Automated payout systems ▪ Fraud detection by AI ▪ Automated plausibility checks	▪ Investment options customized to specific clients' needs ▪ Investment into alternative asset classes

Automatization of corporate processes & cost savings

Selected start-ups are going to take over parts of the value chain in insurance

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Automotive

drivefactor, Zubie, Zendrive, Assisto, Drive Spotter, Metromile

Companies: 110

Benefits

Bespoke, Zenefits, InstaBenefit, benefitter, ZaneBenefits, LimelightHealth

Companies : 47

Commercial

Digital Risks, insureon, bizinsure, FounderShield, Ancileo

Companies : 88

Health/Travel

bloom health, OSCAR, pokitdok, PATIENTCO, GoHealth, SimplyInsured

Companies: 104

Data/ Intelligence

Praedicat, trayity, AUREUS ANALYTICS, EigenRisk, APIXIO, InforcePRO, ScoreData

Companies : 96

Consumer Mmgt.

Knip, Powered by snapsheet, Slice, INSURIFY, GIVESURANCE, feelix

Companies : 56

Education/ Resources

mfind, Agent Review, BRAVEday, inteliace research

Companies: 31

Comparison/ Marketpl.

FINANZCHEF24, policy genius, iMoney, bidu.com.br, CoverHound, Coverfox, Goji, LEAKY

Companies : 266

Backend

ClearRisk, Aurea, iqat, appulate, certtrack, CredSimple, CLAIMDOCS

Companies : 209

User Acquisition

Contactability, HEPSTAR, readymarkets, EVERQUOTE, DYL, Click Quote Save

Companies : 67

Life, Home, P&C

squareone insurance, MICROENSURE, Planned Departure, Bungalow, inshared, wallflower, LeaseLock

Companies : 82

P2P

Lemonade, BOUGHT BY MANY, insPeer, GUEVARA, friendsurance, inspool

Companies : 30

Product

simplesurance, AG ARMOUR, trōv, square trade, TEKDRY, upsie

Companies: 26

Re-insurance

Analyze Re, PeakRe, KUVARE, LOGIQ, QuanTemplate, sigortam.net

Companies: 26

Source: Infographic “Insurance Technology”, https://www.venturescanner.com/infographics, March 2017, Venture Scanner Inc.

How to tackle innovation?

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... It's a journey

Source: Munich Re, Willis Towers Watson InsurTech Briefing Q4 2017

Global Innovation Locations

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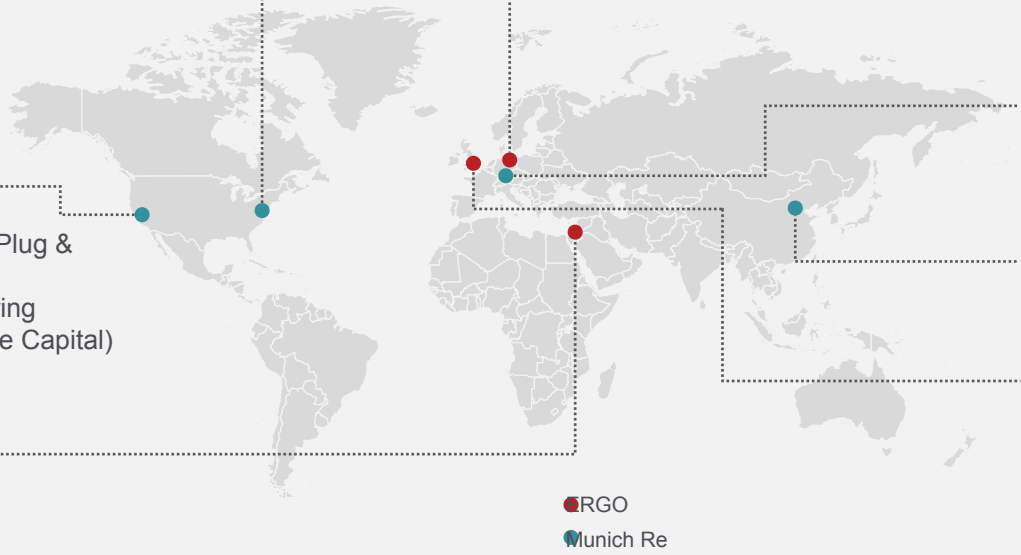
Princeton/New York
- Internal Incubator
- THE LAB US

Silicon Valley
- Inno Scouts
- Cooperation with Plug & Play Accelerator
- Corporate Partnering (Corporate Venture Capital)

Tel Aviv
- Inno Scouts



Berlin
- ERGO Digital Lab

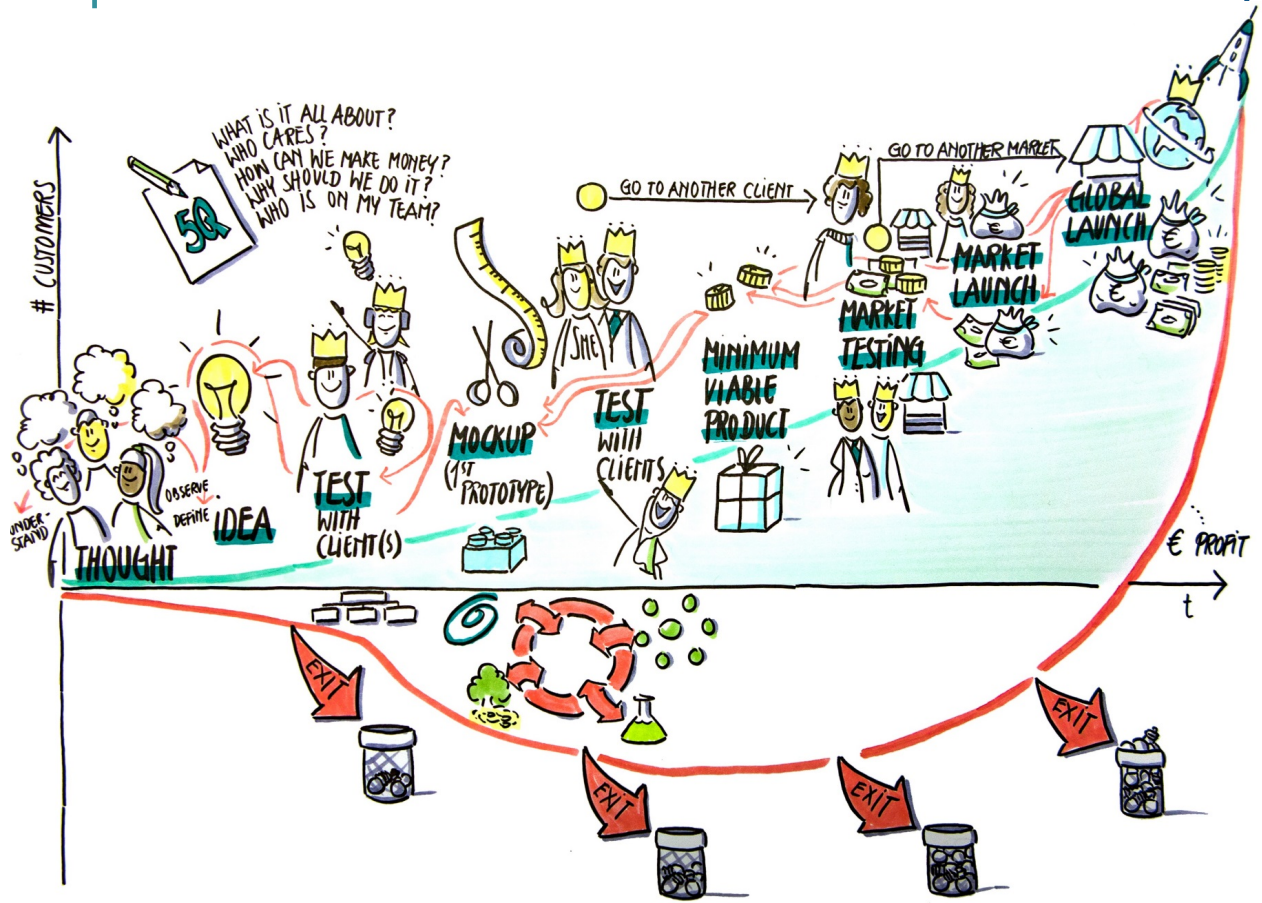
Munich
- Chair of InsurTech Hub München
- THE LAB Munich

Peking
- THE LAB Beijing

London
- Cooperation with StartupBootCamp Accelerator
- Munich Re Digital Partners

Global innovation hubs for customer proximity and wide range of innovation

Our innovation process



Example: innovation in action

Remote Sensing – Algorithm-based, automated claims processing after natural catastrophes

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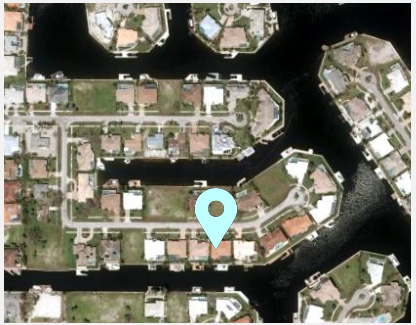
Day of the event	starting 3 days after event	4–6 days after event	5–10 days after event
Hurricane event	Aerial Imagery by NICB GIC	Computer Vision by Munich Re	Claims Solutions tailored to/by each insurer
Hurricane makes landfall and causes wide spread damage to insured property in US	Aircraft deployed capture high-res imagery of impacted areas	AI algorithms locate all property and assess the insured damages	Hurricane claims management solutions
			Bottom-up validated loss estimates Triage/coordination of various adjusters Semi-automatic roof damage pay-out (in 2019)

Solution available for windstorm (tornado/hurricane). Earthquake, wildfire and flood will follow later

“Remote Sensing” allows better claims triage and faster pay-out resulting in increased customer satisfaction

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Higher efficiency – lowers cost per claim

- More cat claims inspections per loss adjuster per day
- … resulting in lower cost per claim

Experienced adjusters handling more relevant work

- Use human labor where relevant, apply machine where beneficial
- Actively approach policyholders before FNOL

Faster pay-out increases customer satisfaction

- Pay-out 1st instalments with much higher accuracy
- Repairs start sooner and claims inflation mitigated

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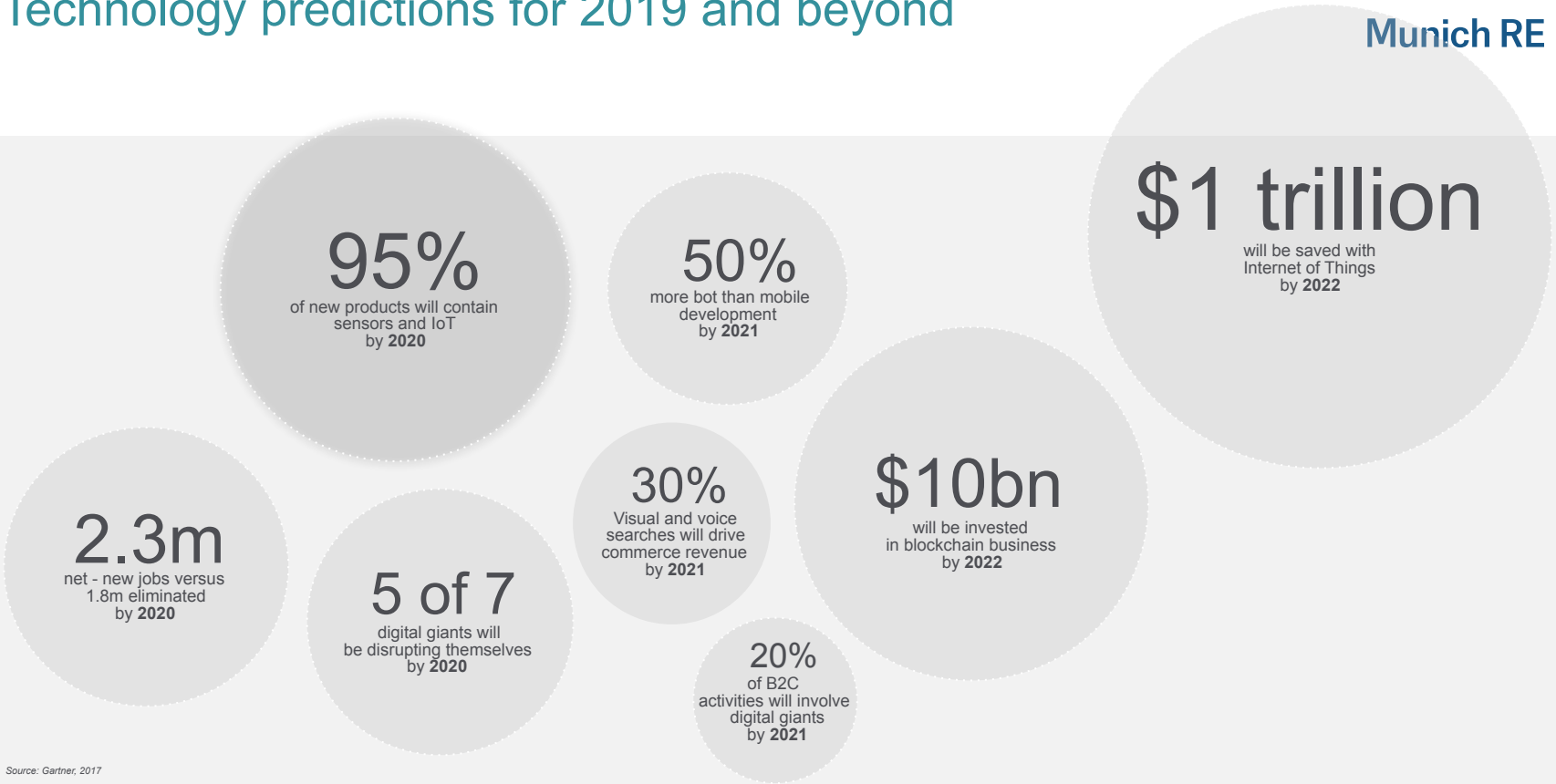
Technology predictions for 2019 and beyond



Source: Gartner, 2017

Tech Trend Radar 2018

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FOUR PRIMARY TREND FIELDS

Tech Trend Radar 2018

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Thank you

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