



Are the current wellness initiatives which centre on wearable technology the golden fleece that holds out the best prospect of delivering innovative, market-disrupting change to insurance markets on a global scale? **Mr Richard Verdin** of **RGA UK Services Ltd** explores.



Every now and then, a great life/health insurance product or process idea comes along that, at first glance, makes us think “wow, this could really change our market globally.” Then, we tend to think again – and again – often overthinking in line with our industry’s cautious, risk-averse nature.

In insurance, innovations that deliver successful change on a global scale must meet several criteria. At the very least, they need to rely on certain “universal truths”. By this, I mean any innovation must appeal to basic human needs, and, at the same time, be timely, adaptable to multiple local market conditions, distribution channel structures and regulatory regimes, and be culturally relevant to many and varied individual local populations.

Without all of these elements, even the best and most innovative ideas fail to achieve the traction to grow beyond their originating business’ geographical boundaries.

#### **Innovations – Critical illness cover and online/digital platforms**

Examples of globally relevant innovations in life and health insurance are rare,

but critical illness cover would certainly belong in this category, I would also include the shift to online and digital platforms of new business developments (including but not limited to automated underwriting).

Over the years since its emergence, critical illness cover has both changed the relevance of insurance products for customers and created genuine product differentiation in many of the world’s life insurance markets.

Online and digital new business development (where the internet is accessible) has both fundamentally changed cost and efficiency metrics for most existing sales channels and increased overall insurance access by creating new channels.

#### **Wearable technology**

Another universal truth is that today, those who innovate best are not those early to identify a prevailing zeitgeist, but those who identify it and then execute upon it brilliantly, without necessarily being fastest, or first.

And so to wellness – the prevailing zeitgeist’s current darling. Some insurers see wellness initiatives and the quantified-

self movement, which is currently centred on wearable technology and allied with the insurance industry, as the golden fleece that holds out the best prospect of delivering innovative, market-disrupting change to insurance markets on a global scale.

When one looks at leading insurance companies now engaged in the wellness arena, it is easy to be mesmerised by the reported successes and sizable shifts in customer propositions and offerings which have been created, set forth as the keys to solving all the grumbles of life companies around insights, relevance, value creation and engagement.

### Is wellness initiatives a global game-changer?

Right now, however, whether wellness is a “particular time and particular place” phenomenon, or is truly something that could redraw the competitive landscape and rewrite the competitive rulebook beyond its originating geography, is still unknown.

Many in the industry are still in the “global willness” camp (ie, they would like wellness to be a global game changer) but not yet in the “global wellness” camp (ie, wellness is definitely a global game-changer).

For many, moving from “willness” to “wellness” would require good answers to several complex questions around wellness’ frictional areas of value, economics, and technology, as well as around issues of trust and engagement.

### Where is wellness’ Value?

What can the currently available, observable metrics of wellness really tell us about a user’s health and lifestyle improvements? Also, which of these “tells” can create sufficiently tangible value beyond an insurer’s initial insurance underwriting activity?

### How do wellness’ Economics stack up?

Building insurance solutions that incorporate wellness aspects involves more than collecting, collating and analysing the information: it also involves providing the hardware (the wearables themselves) and developing reliable user interfaces to collect and track the information.

This is not cheap. Neither, for that

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matter, is managing ongoing customer engagement. These expenses would need to be funded through a reduction in insurance margin, an increase in customer premium or some other payment from the customer.

### How good is wellness’ current Technology?

With inaccuracies and variations occurring in certain metrics (and indeed some legal cases now) as well as several incidents of falsified data, with some individuals reportedly going so far as to hack their devices, wellness tech might not yet be where it needs to be.

Wearables also might not quite be where they need to be in terms of comfort and style, especially for the devices that need to be worn daily (and sometimes through the night as well) and in ways that differ from ordinary use. Wearables might need medical-grade technology in order to provide truly meaningful benefits to those who might use them as part of their commitment to a healthier lifestyle.

Also, with diet having so much importance, the issue of tracking food without the need for long, laborious inputs must be resolved.

### What about issues of Trust?

Trust is a two-way street, and this issue can cover a range of items.

On the customer side: Can policyholders trust that insurers will keep their data secure and use it only for stated purposes? Conversely, can insurers trust that the data they receive is true and honest? And: can agents and advisers trust insurers not to use wellness as an opportunity to squeeze them out of their client relationships – relationships the agent or adviser might have created for the insurer in the first place?

### What is the real level of user Engagement with wellness?

Most wellness devices, sadly, end up in a drawer after only a few months, and whether improvements in healthy activities and health metrics are real and sustainable is still being determined.

Incentivising users to engage fully and frequently with wellness and with their wearables really depends on building measures and interfaces (including nudges and rewards) that users find beguiling and enjoyable.

### Conclusions

Insurers will have a sizable part to play in leveraging this trend properly. However, insurers looking to be a core part of this trend ought not to place selling insurance products and services as the core reason for engaging with it. Rather, an insurer’s wellness strategy should emerge from the principle of building products and services from customer wants and needs.

Getting the current wellness trend right will not entail copying what already exists. Equally, inventing and building unique programmes are generally uneconomic, and unlikely to result in many winners.

Several effective market-available modular and brandable platforms are available, and may be the best answers for insurers looking to take part in the wellness trend.

Finally, for insurers, the only truly poor wellness strategy is no wellness strategy. As such, it is imperative for insurers to understand each of the five frictional areas cited above so that they determine what they may do in this space, which will have the greatest benefit for their businesses and their customers. ■