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Don’t Just Follow Trends, Anchor Them in Your Business Model

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Smart data. Technological advances. Partnerships. These three trends are vitally important for insurers. Tomorrow’s winners have already anchored these trends in their business model.

The speed of change in the insurance industry gives us plenty to discuss. We could, for example, focus on robotisation or blockchain, but I think it’s more interesting to examine trends in our field from a broader perspective. At the micro level, every insurer is very busy just keeping up. WhatsApp has emerged as the new communication standard and has been integrated into almost every facet of customer service, while video advice has become the rule rather than the exception. These are all smart moves that make the insurance journey easier for consumers, but do they also help you reach new customer groups? Let’s take a step back here. At the macro level, I see three trends that will shape the future of our industry. Tomorrow’s winners have already anchored these trends in their business model.

1. Data changes the way you insure yourself

For years we’ve all been talking about Big Data, but personally it’s a term I prefer to avoid. Data is data. As an insurer you’ve always had data at your disposal, but nowadays there’s just more of it. Today’s data is also much better and, when used properly, technology has made it much easier to exploit. In itself, there’s nothing that special about Big Data. Smart data, however, is a different story. That’s where the challenges will lie during the coming years: developing new services, based on smart data, that will make life easier for customers.

But how does that work? Nowadays, every insurer wants to ask fewer questions during the customer journey because the less information the customer is asked to provide, the quicker you can sell the policy. The problem is that if you don’t complement this shorter application and acceptance process with other data, it results in data asymmetry. This can lead to anti-selection, the undesirable situation in which a customer takes out a life insurance policy with far more coverage than would normally be approved because the customer has knowledge that you as an insurer don't have.

Clearly, the desired departure point is that the same information is available to both parties. If you want to simplify the application and acceptance process, you must include smart data sources. In the U.S., for example, we as RGA have developed data-supported underwriting tools which enable our clients to get a better and quicker understanding of mortality, longevity and persistence of the life policy. Therefore we use multiple data points to map the "risks".

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The privacy debate has demonstrated that transparency is important to the consumer, and you can capitalise on this by explicitly asking for insights into certain data. This can include health data from running apps such as Strava or Runkeeper, for example. Agreeing to jointly share data with your customer means a fair deal for both parties. The customer then has a choice: either complete a questionnaire, possibly including a medical examination, or answer just a few questions and share data sources under certain conditions. In this way you'll build mutual trust and collate better information. It's a good thing too, because so much more is possible. Consider how consumers apply for car insurance in the U.K. It's really high-tech, thanks to a black box that knows exactly how you drive. And everyone already carries tomorrow's black box around with them: the iPhone!

Another smart way of dealing with data is to create communities that positively influence behaviour. Take the Vitality programme from health- and life-insurance company Discovery, which is available in South Africa and the U.K. People who participate in sports and eat healthily qualify for discounts at gyms, medical check-ups, and train and air travel. It's all made possible by partners. And it works: consumers seem prepared to trade in some of their privacy for financial gain.

Programmes like these help you learn more about your customers, allowing you to make the necessary adjustments to your products. Used wisely, data can not only change your process, it can also change the products in your life cycle. Consumers get more than just the same standard insurance policy for life; they get one that automatically adjusts to the phases of their life. It makes insurance much more personal. In the future, insurers will offer millions of individual solutions for just as many individuals, each with his or her own behavioural and health characteristics. The trend is shifting from N = many to N = 1, as we see in the healthcare sector with targeted medicine.

2. Technology changes what and how you insure

Technological advances make new things possible in our society; that's just a fact of life. Thanks to medical technology, for example, we now live longer and healthier lives. That's fantastic, of course. The smarter medical science becomes, the more manageable and affordable it makes healthcare. It's a win-win situation all around. Technology is making risks more manageable in more insurance domains. But the point is, what are we doing with it? People's reasons for insuring themselves remain largely the same. In its basic form, insurance won't change. It's what you insure, and how, that changes.

Volvo, for example, is developing a safety system that can avoid obstacles and implement autonomous evasion manoeuvres to save a car from dangerous situations. This represents Volvo's last step towards its mission of ensuring that by 2020 no one who buys a new Volvo will be killed or seriously injured. The only thing you'll still have to insure against is causing damage to others. Suddenly, it makes insuring a car very straightforward. Just imagine these cars rolling off the production line with standard insurance. We could go from “Intel Inside” to “Insurance Inside”. A threat, or an opportunity? You decide. And if you extrapolate this example to other insurance policies, what do you see happening?

> “Nobody knows exactly what the future will look like. But if you look carefully enough you can see the outline”

Imagine the benefits that technology could bring to your own insurance domain. In an ideal world technology makes life better. It’s up to us to capitalise on its benefits. In Germany and France there are several medical technology startups that make specific conditions such as diabetes more manageable, with healthier patients as a result. Meanwhile, in the U.K. and the U.S. we, as RGA, are investing in connected homes for senior citizens. The connected technology in these smart households will allow seniors to live independently for longer, with medical diagnoses received in the comfort of their own armchairs. I’m often asked why RGA invests in initiatives like these. My answer is that it’s because we know we are getting progressively older; I want to invest in initiatives that contribute to people’s well-being later in life.

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3. Partnerships change the way you operate as an insurer

I don’t believe that Apple or Google want to be insurers. A few years ago, Google ran a comparison site for car insurance in the U.K., but eventually they refocused solely on their core business of generating advertising income. Being good at what you do doesn’t necessarily make you good at what you don’t yet do. You don’t have to be able to do everything. This also applies to insurers. Rather than chasing every innovation, it makes more sense to go back to your core business and decide from there how you can best serve your customers.

> “For a long time we’ve stressed that you have to **innovate or die**, but that doesn’t mean that you have to do everything yourself”

What exactly is an insurer’s core business? Covering the financial risks that exceed an individual’s or a family’s capabilities, and making sure that all peripheral aspects are adequately taken care of, from administration to legislation. That’s not something Google can easily emulate. As an insurer I’d opt to excel in your legacy, aiming for very satisfied customers. I’d also invest in partnerships so you are not setting up initiatives yourself, but embracing them by taking a share in them. In this way you’ll create value ecosystems centred around the insurance needs of your customers.

For a long time in the industry we’ve stressed that you have to innovate or die, but that doesn’t mean that you have to do everything yourself. For many insurers innovation has proved to be difficult and costly, in terms of time, energy and money. Insurtech, for example, could be perceived as a threat to traditional insurers, but startups and tech companies also represent opportunities. Sometimes it’s simply better to forge a partnership with a specialist that has exactly the right expertise and experience.

Here too, don't try to control everything. Instead, focus on your own insurance domain, be it providing care for later in life or insuring material property. Gather smart innovations associated with that insurance domain, then reconcile them so they optimally serve your customers. Such an ecosystem needs to be continuously tweaked to fit the prevailing time and needs. That won't be a problem either. Given that you won't be doing everything yourself, it'll be easier to shed what you no longer need and take up what you still miss.

As an insurer you'll become a director of ecosystems. In the meantime, you'll still have to offer your customers excellent service, in a modern and efficient way, and according to the latest legislation.

Fortunately, as an insurer, that's exactly what you're good at – today and tomorrow!

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