

Harnessing technology to narrow insurance protection gaps

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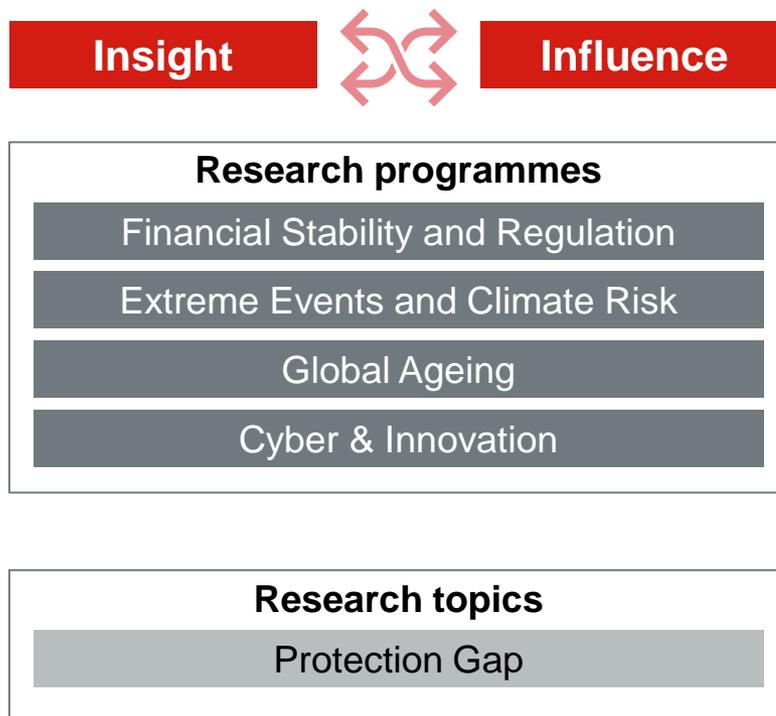
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Agenda

- 1 The Geneva Association at a glance
- 2 Defining insurance protection gaps
- 3 Root causes
- 4 How technology can boost insurance markets' efficiency
- 5 The regulatory dimension
- 6 Success stories
- 7 Some empirical results from Geneva Association interviews
- 8 Key take-aways

The Geneva Association is a unique forum exclusively for ~80 CEOs of leading global (re)insurers – 14 members from Asia

Think Tank:
Developing research papers with industry experts and academics



The **leading advocate** of insurance specific interests at the global level

Direct **interaction with central banks and international organisations** such as IAIS, FSB, World Bank, UN and OECD

BASIS

Academic work

e.g. Publishing two peer-reviewed academic journals

The Geneva Papers on Risk and Insurance – Issues and Practice

The Geneva Risk and Insurance Review

The Geneva Association (co-)hosts leading insurance networks and offers awards and grants for research excellence

- 1 Annual General Assembly of CEO members
- 2 Key meetings for CFOs, CROs, CIOs and Chief Economists
- 3 Academic Networks, e.g.
 - WRIEC – World Risk and Insurance Economics Congress
 - EGRIE – European Group of Risk and Insurance Economists seminar
 - EALE – Joint seminar of the European Association of Law and Economics (EALE) and The Geneva Association
- 4 Awards and Research Grants, e.g.
 - Ernst-Meyer Prize for the best PhD thesis in insurance economics in insurance
 - Shin Research Award, a joint GA/IIS award to promote applied research
 - Research grants, 2016 on Cyber

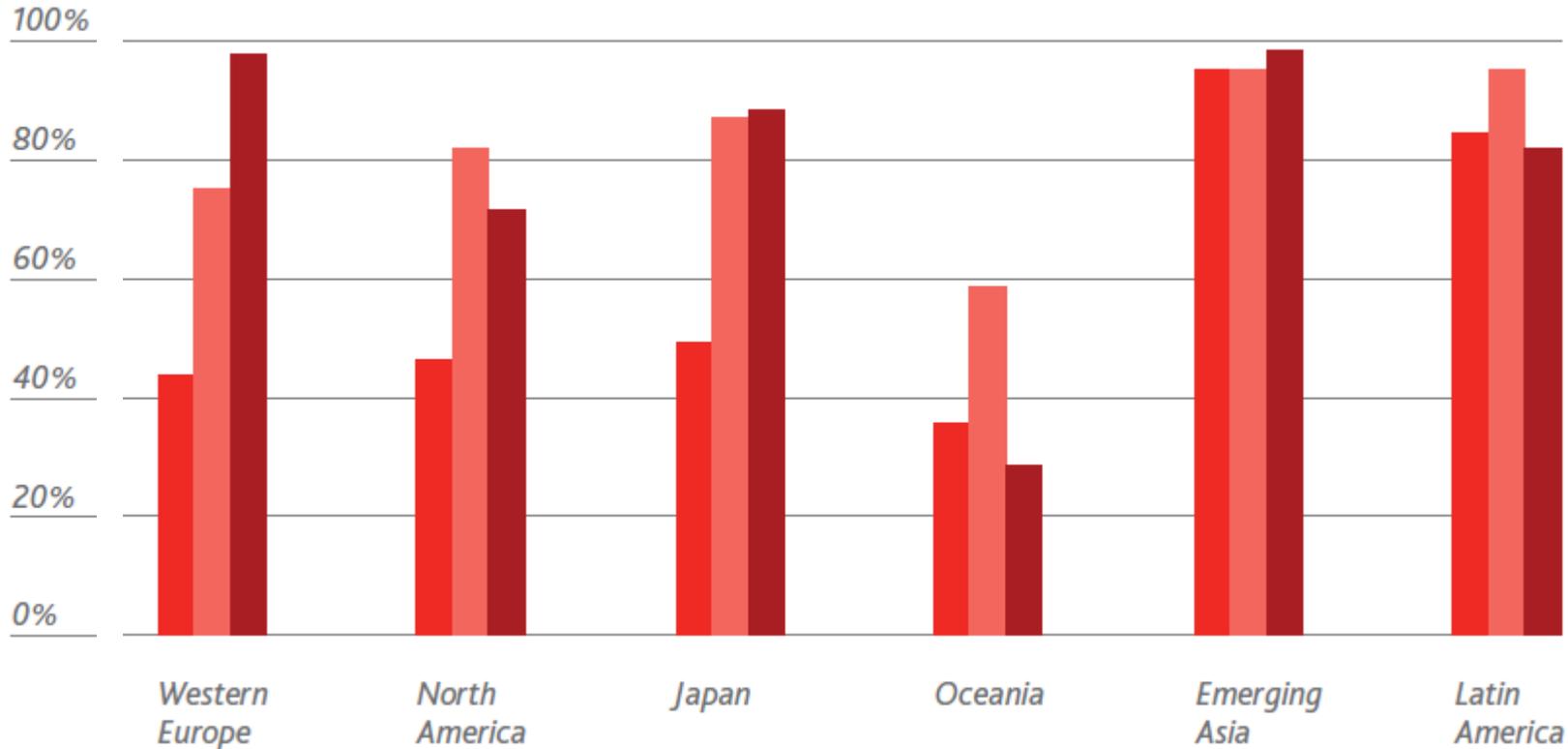


Defining insurance protection gaps

- → Uninsured losses as a share of total losses
- → Uninsured people as a share of the total population
- → Actual insurance penetration against benchmark
- → Insurance actually purchased against economically beneficial coverage

The Property Insurance Protection Gap

Uninsured losses as a share of total losses, 1975-2014



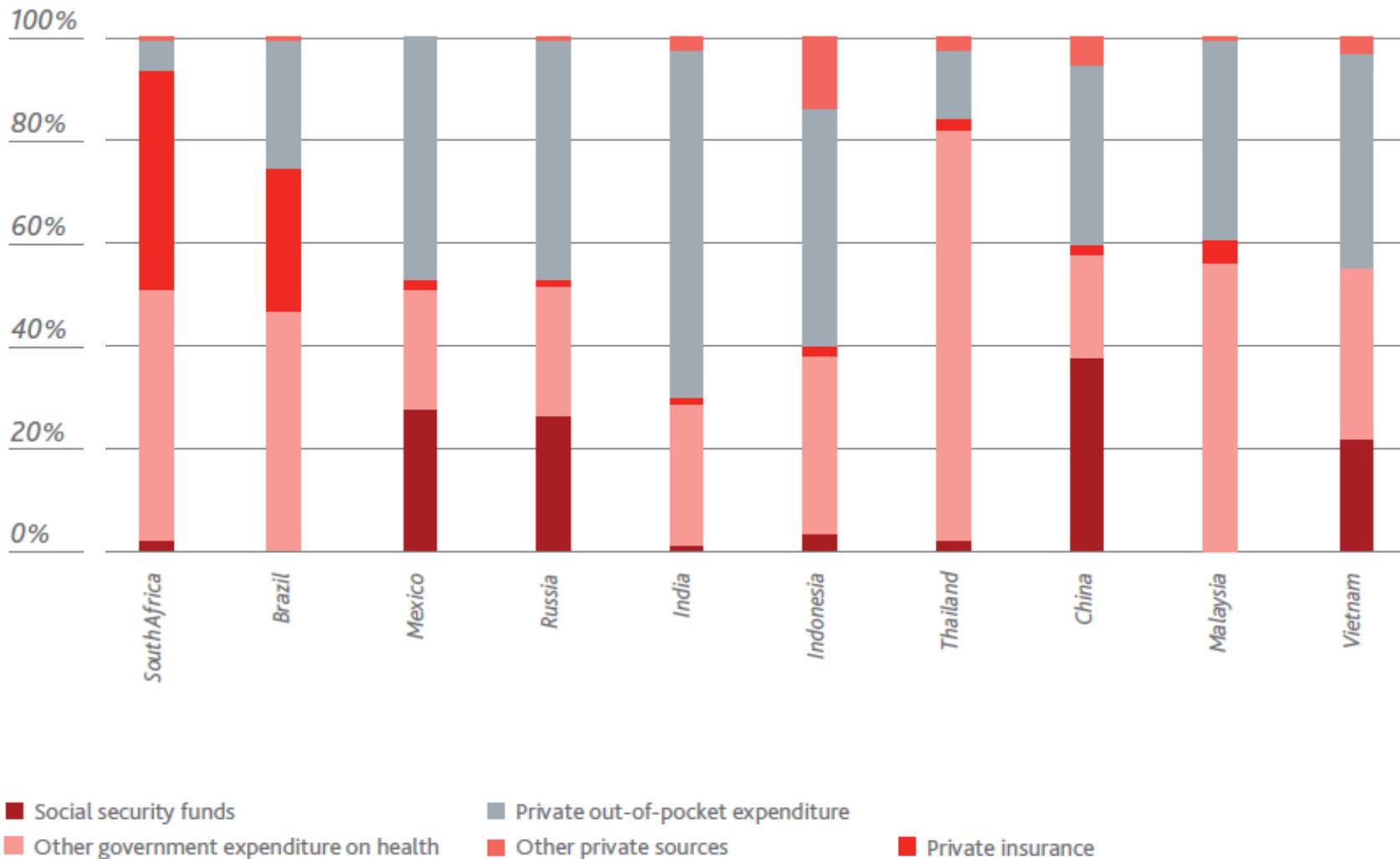
The protection gap in emerging Asia exceeds 90% for all major perils

Earthquake risk remains largely uninsured in mature markets, too

■ Storms ■ Floods ■ Earthquakes

The Health Insurance Protection Gap

Breakdown of national health expenditure (2014)



Six root causes for protection gaps



Economic reasons

Limits to insurability

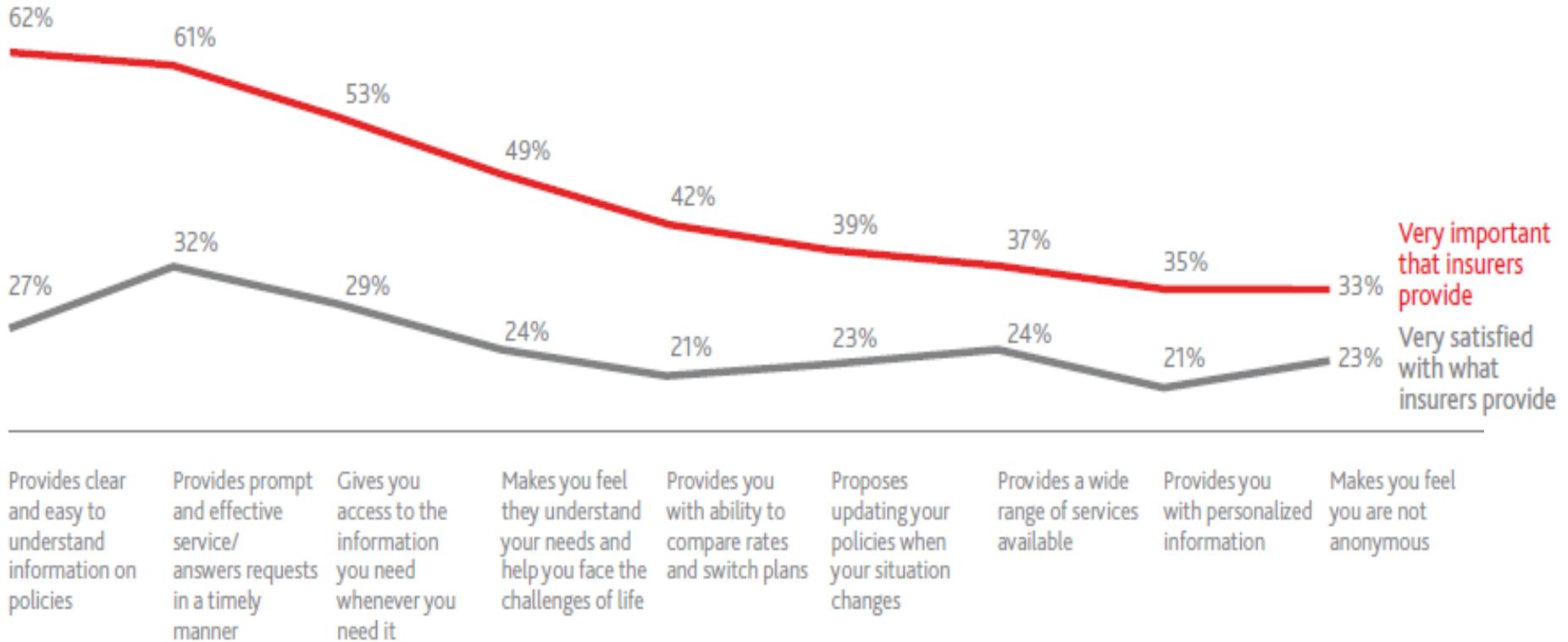
Lack of affordability

Low risk awareness

Product complexity/lack of client centricity

Immature regulations

Perceived lack of comprehensibility and responsiveness



Mismatch between what customers expect and what insurers provide

How digital technology can make a difference and help address protection gaps

Mitigating moral hazard

- 'Big Data' enabled pricing is likely to change policyholder behavior
- 'Big Data' creates new markets for hitherto uninsurable risks

Reducing information asymmetries

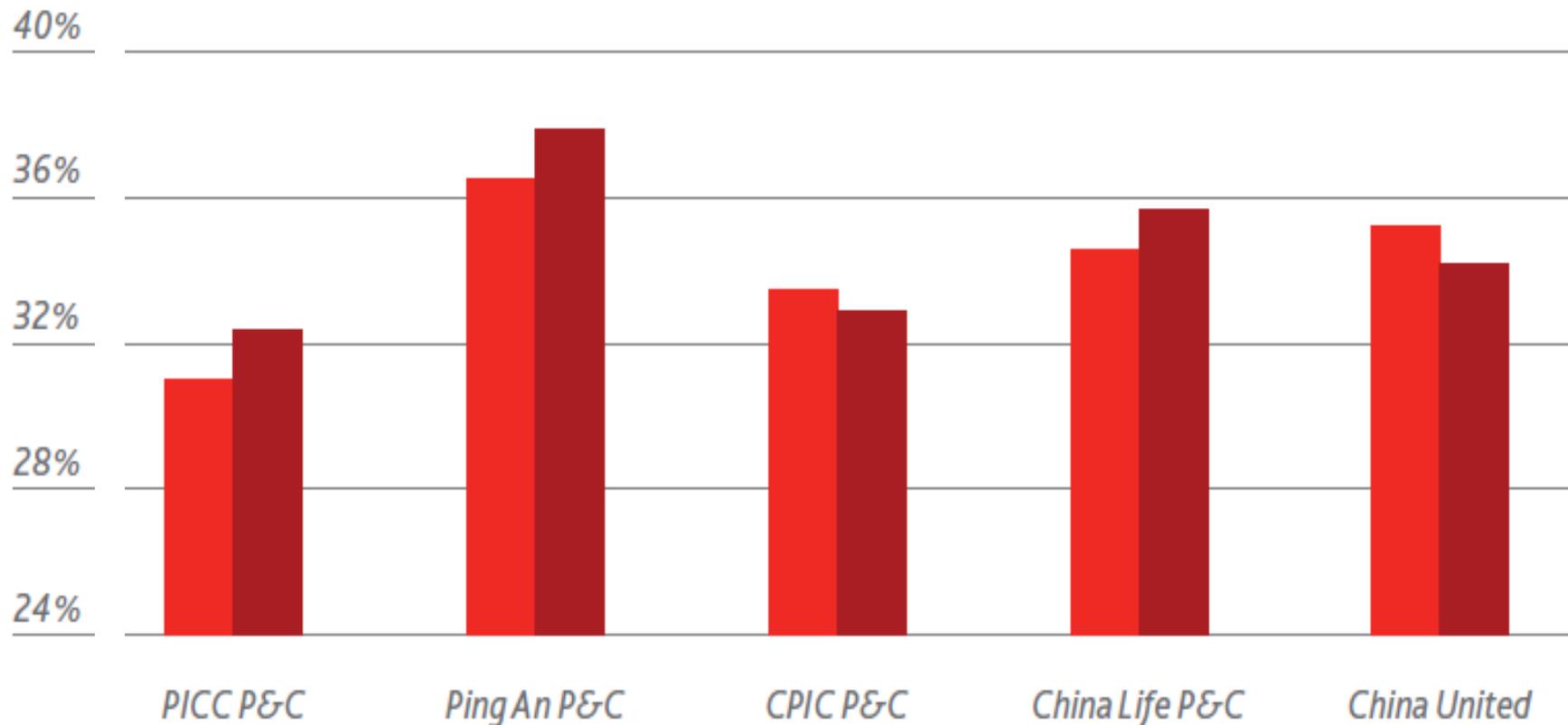
- Much improved information at lower cost
- Digitally-sourced data allows to more clearly discern 'good' and 'poor' risks

Cutting transaction costs

- Much reduced cost of information gathering and processing across the entire insurance value chain
- Economics of self-retention change

Digital technology and **advanced analytics** address long-standing insurance market inefficiencies and make risk transfer through insurance more cost-efficient and appealing

Illustration: Scope for reducing transaction cost



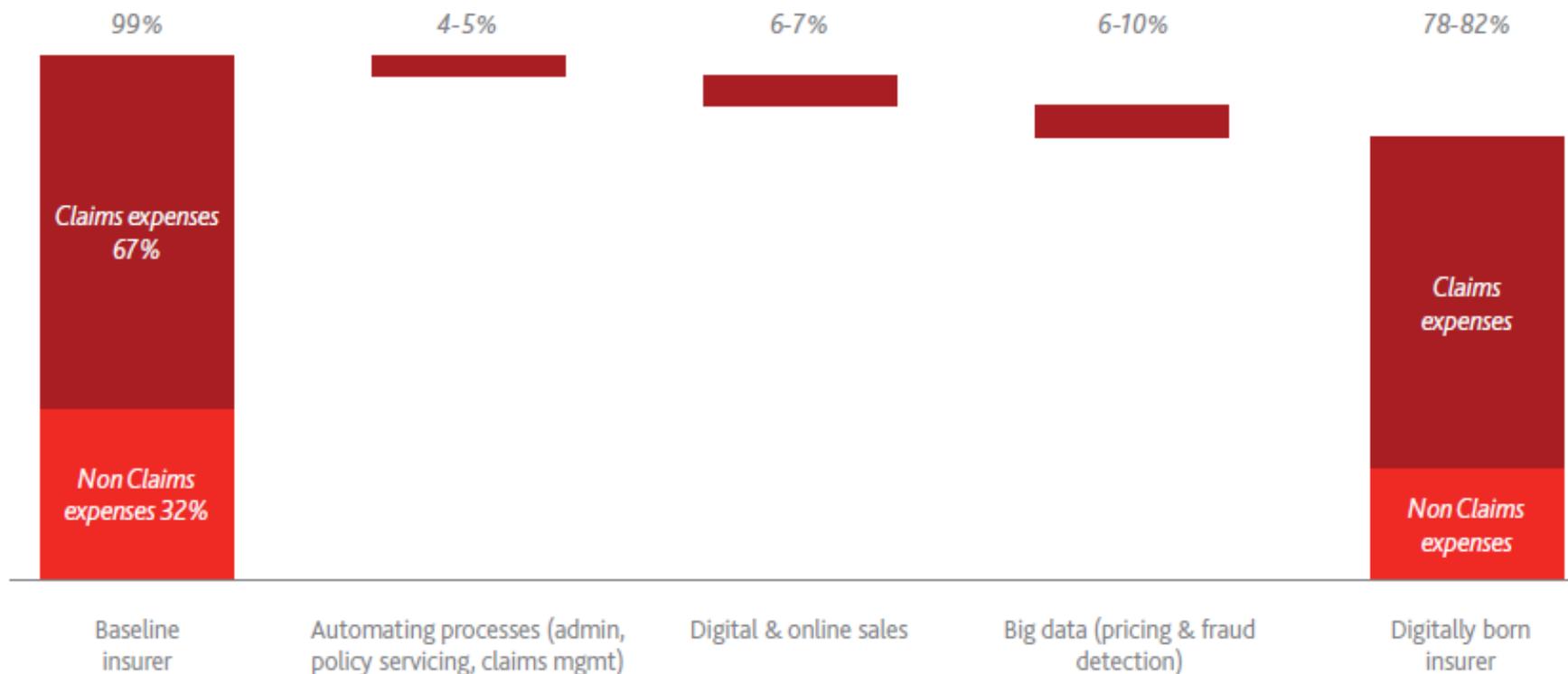
In China up to 38% of premiums cover transaction costs

The picture for mature markets is similar

■ 2014 ■ 2015

Illustration: Specific Areas Of Efficiency Gains

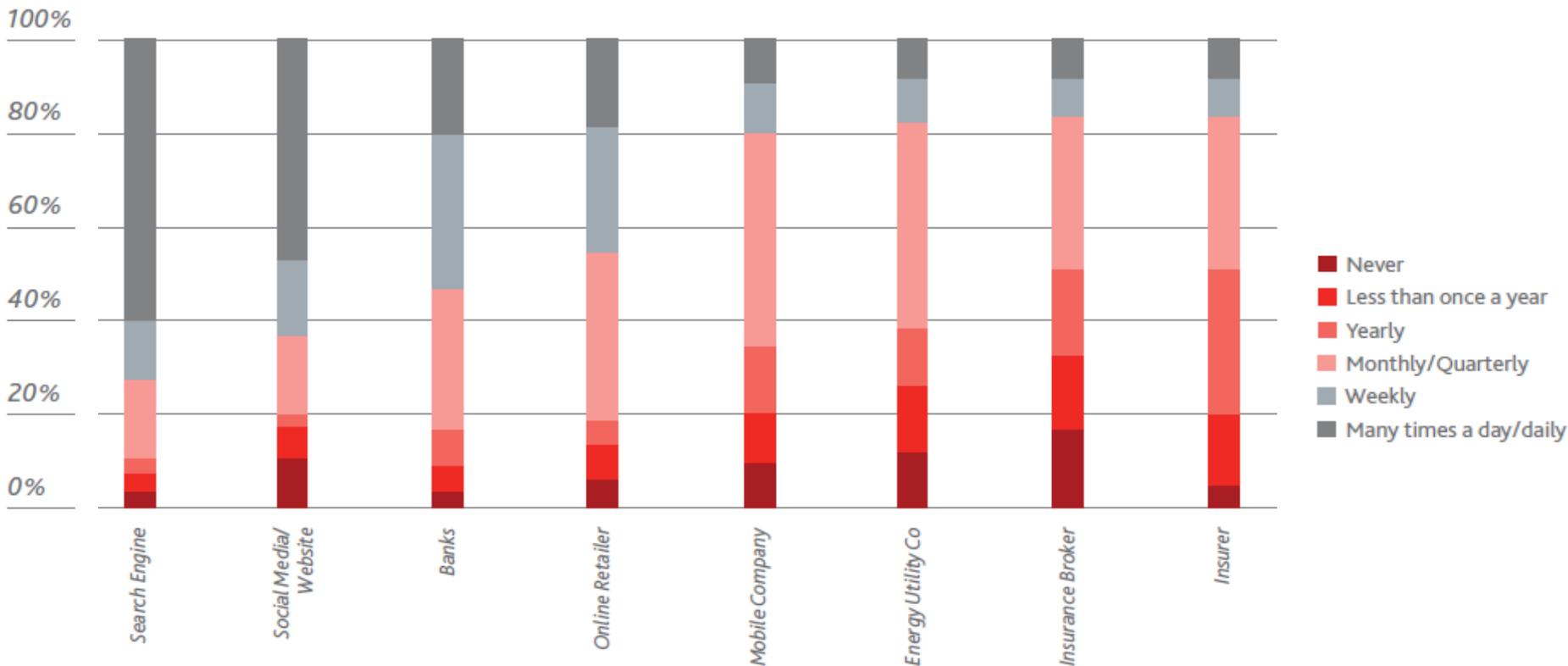
Combined ratio [%]



Major cost savings in administration, acquisition, underwriting and claims settlement

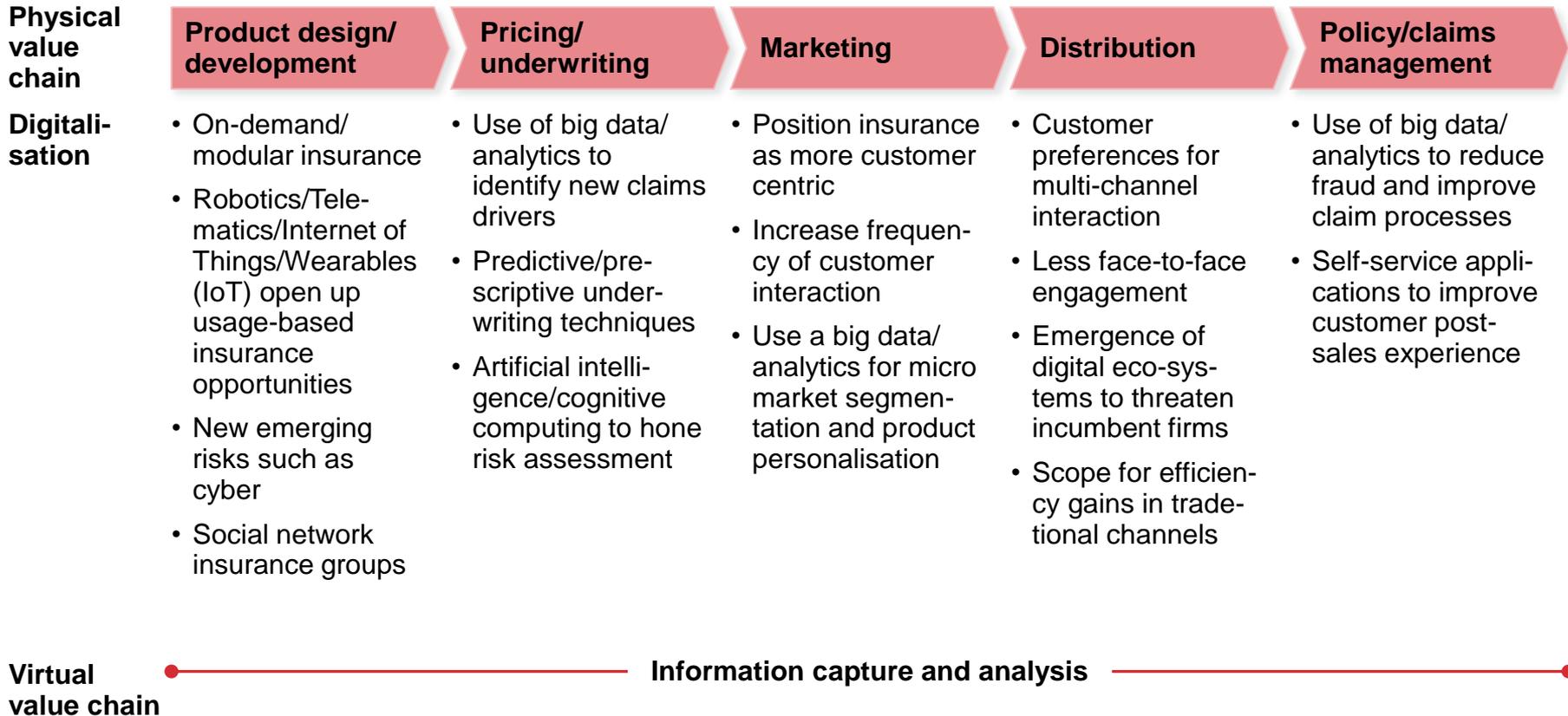
Illustration: Increasing customer interaction

Frequency of customer and provider interaction



Through modern technologies, insurers can address a major weakness compared with other industries — the current relative paucity of client interaction

Towards a digitally enabled insurance value chain ...

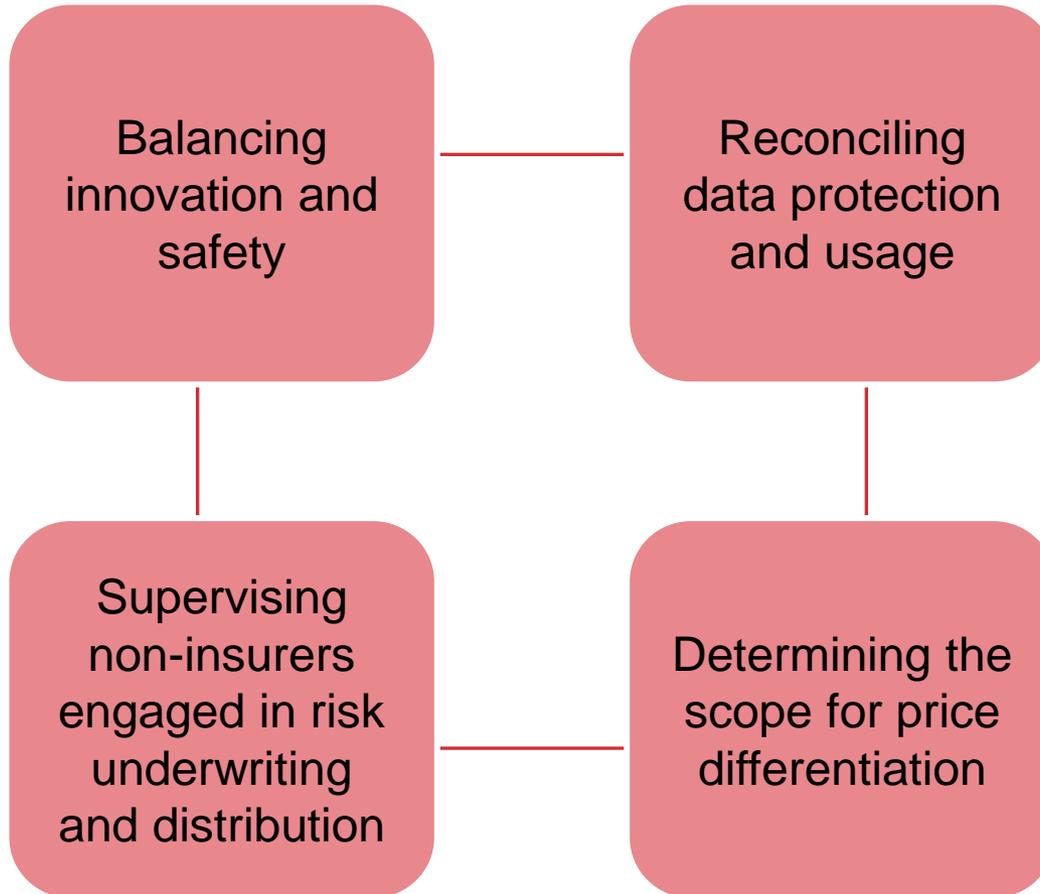


... which promotes all key levers of insurance demand



The radical changes to the insurance value chain brought about by digitisation are set to boost insurance demand via all three major levers

The regulatory dimension – a catalyst or a road block?



ID	Geographical reach	Key issue(s) addressed	Technology	Line(s) of business	Distribution	Prospects
A. Airtel Ghana	Ghana	Lack of insurance awareness	Mobile phone	Disability and hospitalisation	Mobile only	Expansion to additional African countries and lines of business; higher penetration
B. BIMA	Developing countries	Lack of insurance awareness	Mobile phone	Life, personal accident, health	Mobile, call centre-based agents	Further geographical expansion in developing markets and higher penetration
C. Discovery	Global	Demand for behavioural insurance; mitigation of moral hazard and adverse selection	Health monitoring and tracking devices	Life and health	Online direct or via partner insurers	Further geographical expansion and higher penetration
D. Friend-surance	Germany	Demand for peer-to-peer insurance, mitigation for moral hazard and insurance fraud	Social technology	Multiline	Online only	Further geographical expansion (e.g. Australia) and higher penetration
E. Kilimo Salama and Acre	Eastern Africa	Lack of insurance awareness; demand for 'pay-as-you plant' insurance	Mobile and meteorological technology	Agriculture	Traditional and mobile	Higher penetration
F. Pacifica	France	Lack of pasture insurance cover	Satellite technology	Agriculture	Traditional	Higher penetration

Case study: Mobile microinsurance through BIMA

Mobile operator



Mobile insurance provider



Insurance provider



Product development

Distribution

Mobile insurance platform

Insurance administration

Premiums are paid through deductions of prepaid airtime credit

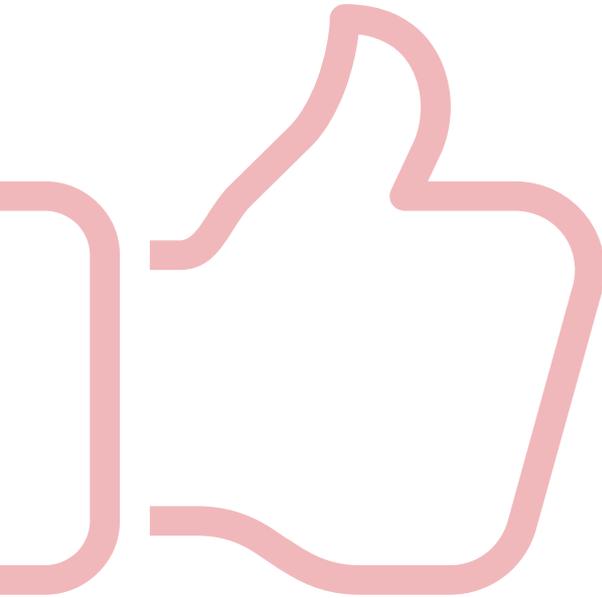
Marketing, distribution and claims and policy management are conducted through the mobile channel only

Organisations interviewed by the Geneva Association



Key findings from expert and executive interviews

Ranking (no. of mentions)	Key weak-ness of traditional insurance business models	Areas of biggest potential for digital insurance	Key drivers of digital insurance	The insurance business model of the future	Elements of insurance value chain particularly prone to digitisation	Recommen- dations for insurance regulators
1	Lack of client centricity and knowledge	Personal lines	Advanced analytics	Digitally enabled value chains	Distribution	Focus on data protection and security to foster trust in digital solutions
2	High cost of distribution	'Pay-As-You-Go' insurance in the sharing economy	New sources of data	Disruption and disintermediation of incumbents	Underwriting	Invest in developing digital expertise
3	Lack of product simplicity and transparency	Improved targeting of underserved client groups	Advanced software and cloud technology	New partnerships and collaborations	Product design	Ensure customer protection



- 1 **Technology boosts insurance markets' efficiency**
- 2 **More appealing and cost-efficient products will help narrow long-time insurance protection gaps**
- 3 **A unique opportunity for insurers to enhance their societal relevance**
- 4 **There are already encouraging success stories, for example**
 - \ Mobile micro-insurance
 - \ Behavioural insurance
 - \ P2P insurance
 - \ Parametric insurance based on improved models and analytics



www.genevaassociation.org

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