



## Life in the next decade

Life insurance has become more relevant than ever in people's lives. The trajectory of change that COVID-19 launched will continue into the future and it is up to the industry to maintain that speed and rate to keep up with a world that demands more of its insurers than ever before. The Virtual Asia Life Insurance Summit brought together experts to discuss the future of life insurance in a world that has become digital.

By **Ahmad Zaki**



The industry needs to be reimagined. Life insurance needs to be integrated into people's lives and those same people need to be encouraged to have a better and healthier life. This philosophy is not new – insurers such as AIA and Manulife have been advocates for over five years – but the way digital tools and process have been enmeshed in people's daily lives since the pandemic has opened up new avenues for embedding life and health.

"To move closer to the consumer's life, we need to employ the REF factor – the relevance, the easy and the fun factor," said dacadoo CEO Peter Ohnemus during his opening address. "We need to benchmark this, and we need to improve it every single day. It needs to be user-driven. It cannot be rule-based driven anymore, so one-size-fits-all has to stop."

The industry must move away from offering a few different insurance products, which customers might not fully understand and start



Mr Peter Ohnemus

designing products that fit specific customer's needs. "We also must adopt an automated, real time-based straight-through-processing. You can take out 25% of the cost of issuing an insurance policy if you do straight-through-processing or real-time underwriting," he said.

In a later panel, Zurich Life Insurance Malaysia CEO Khoo Ai Lin noted that concerns regarding pricing and capital strain have grown recently, leading to more innovative products and services. "What we did this year was look at the product itself and start coming up with ways to have guaranteed acceptance. This helps ease the distribution channel in terms of sales, which then mitigates your risk of certain caps," she said.

More such products have been coming to market recently, which shows that underwriting has been ramping up. Further, many life insurers and managed-care organisations, even pilot clinics, have begun to offer home visits for health check-ups.



Ms Khoo Ai Lin

## Restructuring the business model

Life insurance as a product is going to go through some fundamental transformations over the next decade, said DocDoc co-founder and CEO Cole Sirucek during a panel discussion on how health has changed the life industry.



Mr Cole Sirucek

“It’s already started, but it’s really going to start accelerating. The thing that’s really propping up life right now, more than anything else, is the regulator. What we’re going to start seeing over time is there’s got to be more efficient distribution channels for life and there has to be a greater payback on a risk-adjusted basis to the consumer.”

In a lot of instances, it takes an insurer four to five years through premium payments to make back what they paid to the distributor or the agent, which he called ‘a clearly unsustainable model’. The industry will undergo major reform, especially in distribution as the world begins to see more longevity that works to the insurer’s benefit.

“If a person is living longer, then there’s more payments going in and there’s less payments going out at the end. That’s a net benefit for life insurance, but that’s kind of also what’s skewing the economics,” he said.

“There will be a refactoring of the underlying economics of the life model. On the back of that, we’re going to see a greater tying of life and health. And we’re going to see a broader trend of insurers having to play the role of true risk mitigators and not beneficiaries of information arbitrage and basically knowledge arbitrage and or regulatory arbitrage.”

The question then, he said, is just how much pain the consumer will have to endure before the regulator

forces a lot of these changes.

Later during the same panel dacadoo senior VP Asia Pacific Thomas DiJohn said that one of the very big demands dacadoo is seeing in the market right now is for the monetisation of digital strategies.

“It has always been a bit of a curiosity for the insurance industry, which historically has been about digitising existing processes as opposed to reinventing themselves in a digital world. And there’s a very big shift in the market right now, with the early adopters of these types of digital engagement solutions very much now looking at monetisation,” he said.

Insurers must ask themselves several questions in implementing a properly monetised digital strategy – how can they use it for acquisition; how they can use all the collected data to make more informed underwriting decisions; how to move to a more granular and decision to move to dynamic pricing?

“That’s one of the big demands coming out of the market at the moment, and that has really been accelerated a lot by COVID, which has so strongly emphasised the importance of digital,” he said.

## Going beyond distribution

Digital distribution and embedded insurance cannot be the end game, said Grab Financial Group managing director, head of insurance and wealth Tom Duncan.

“Ultimately, if you’re talking about providing people with real insurance, you have to extend the distribution capabilities or strategy beyond that. Connecting an individual with an agent through online channels so they



Mr Thomas DiJohn

can walk through and talk through a more complicated product that may be appropriate for some customers. I think that’s another trend that extends beyond just sort of embedded digital distribution,” he said.

He noted that this emerging trend is being seen in markets such as Indonesia, and it is probably quite mature in China.

## Growth areas

Mr Ohnemus emphasised the fact that life insurance today needs to be about connecting life and health and wellness, and ideally bringing it all together into one integrated platform.

“You all know the Apple Watch, you all know the Fitbit, but the next generation of sensors, they will be able to track your cholesterol and automatically track a lot of other things we are not able to today. Health is now becoming one of the largest industries in the world. Another growth area is the whole area around prevention. Meaning that you look at health, fitness, the whole area of preventing and driving good health,” he said.

Personal wellbeing is also a hot new issue and today around 25%-30% of all people in society have been diagnosed with some manner of mental issue. This extends into the workplace, especially in workaholic nations such as Singapore and dacadoo believes that one of the larger growth areas in Asia is digital health engagement space for employees.

“Corporate wellbeing in America has already begun to accelerate. Fifty two percent of all large employers already have a corporate health wellbeing or health and wealth wellbeing offering for their employees,” he said. “When we look in Asia, it’s only 5% and this market will provide very strong growth over the coming years.”

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