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Simpler products and a right human-digital balance will drive insurance forward*

Insurance players have been watching from the sidelines how their banker cousin is taking on digital disruptions. While digital disruption isn't entirely new, the Covid-19 pandemic now gives the insurance giants a harder nudge to digitalize. There is no better time than now to rethink the values and products needed to serve the new age customer smartly.

The odyssey of digital transformation starts with entering the minds of the consumers and how Covid-19 has altered lifestyles.

In China, where the coronavirus first emerged, Ping An Good Doctor app, China's largest online medical consultation platform by registered users, recorded a nine-fold uptick in daily online consultations between 22 January and 6 February 2020. Some 67 million monthly active users were able to receive consultations, diagnosis, prescriptions and insurance coverage remotely, thanks to the sizable team of doctors and network of partner hospitals and pharmacies on the platform.

Pay-per-use micro-insurance

The lockdowns and safety measures kicked in during the pandemic have left consumers wondering if their life and auto insurance premiums still make sense when they are traveling and driving less. The fact remains that insurance products are relatively standardized and customers tend to only purchase the coverage they deem necessary. The question now trends towards micro-insurance; whether insurance premiums can be cleverly charged based on usage.

Like micro-loans offered digitally by the banks, small ticket-size products and usage-based pricing were never viable for financial institutions through traditional channels. This uncharted space will be at its best in the hands of technology. Artificial Intelligence (AI) and Big Data will be the key to creating highly personalized micro-insurance products so as to deliver big value to customers.

New age insurance products will see AI crunching massive telematics from wearables and in-vehicle devices to perform invaluable analytics, predictive analytics and self-learning (known as machine learning) to derive responsive underwriting and claims management. For instance, premium pricing will be based on telematics collected from the miles driven and discounts could be applied when safe driving habits such as adequate speeds and braking patterns are picked up by AI.

In China, Ping An launched an automobile claims app that revolutionizes car claims using AI, telematics and Big Data. AI-assisted assessments and granular datasets – capturing nearly 70,000 car models and 15 million car parts, coupled with information from over 120,000 garages and a massive database linking to vehicle numbers – are capable of detecting the severity of damages and flagging probable fraudulent claims when processing the claims. Claims efficiency improved from a 40-minute to a five-minute affair of handling a minor car accident claim. 98% of the car claims submitted through the app were paid out within a day.

The human-robot equilibrium

Insurance is an intricate commodity for the man on the street. The human agent is indispensable in the selling process; customers want agents to walk them through the coverage and the fine prints that they are getting into.–

The first wave of digital adoption took off with simple forms of digital communication channels, paperless documents, claims apps, and the likes. These have chalked up the first-mover advantage that improved customer experience incrementally. In the future, a seamless customer experience will be an absolute prerequisite. The high-touch insurance sector now needs to tread carefully on finding the delicate equilibrium between humans and the next generation of robotic means to simplify its offerings and pivot to a less labor-intensive sales process.

One good example is how OneConnect's Agent App enables an end-to-end platform that brings offline agent-customer relationships online. Using the app, an agent is able to onboard his customer digitally using facial and voiceprint recognition technologies. AI then begins to record the sales process and flag out any explanation that is missed out, at the same time, it picks up the customer's voiceprint biometrics. Finally, the customer accepts the policy and makes payment seamlessly. In the future when the customer calls the hotline, an AI bot will be able to instantly recognize and authenticate his voice as he asks questions. In the background, the bot wittily analyzes his voice to predict his mood, and extracts a 360°view of the customer before tailoring an impeccable service and deciding the customized products and offers to recommend and cross-sell.

Braving the future of insurance

For decades, insurance remains a traditional and stable industry that has managed risks and profitability very well. Certainly, digitalization is a long journey but the need for digital transformation is more apparent than ever before. Insurers can draw some learnings from their banking cousin to understand the speed, the level of investments and the kind of shift in mindset required for digital transformation. They need to take the first bold step, start experimenting with

different facets of digitalization to identify the right balance between human and digital touches, and start building simpler products and smarter usage-based options.