

A better insurance industry – how to surf the next wave of innovation?

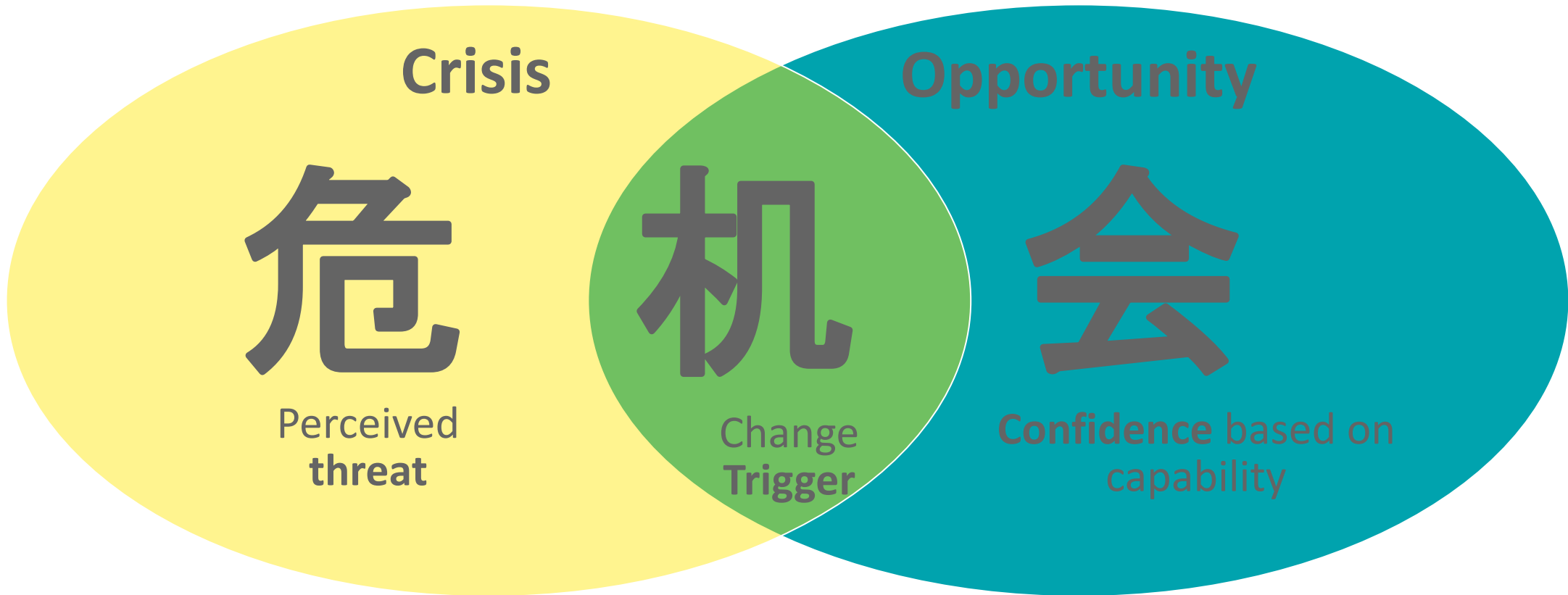
SVV Fachtagung Rechtsschutzversicherung
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“You see a threat, I call it opportunity”

– founder of a UK InsurTech



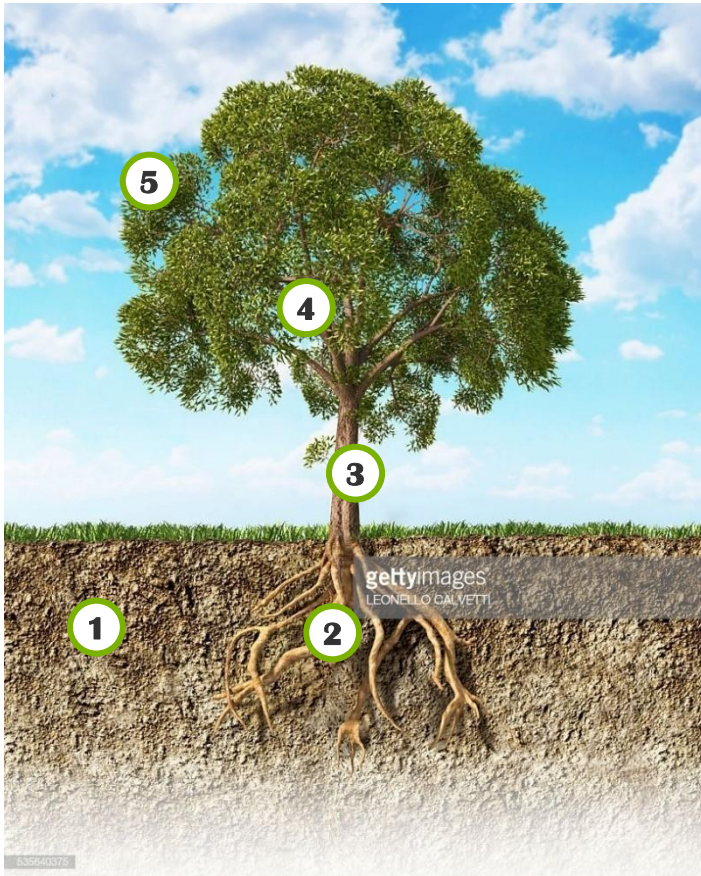
When changes happen, our mindset makes a difference in the outcome



Agenda

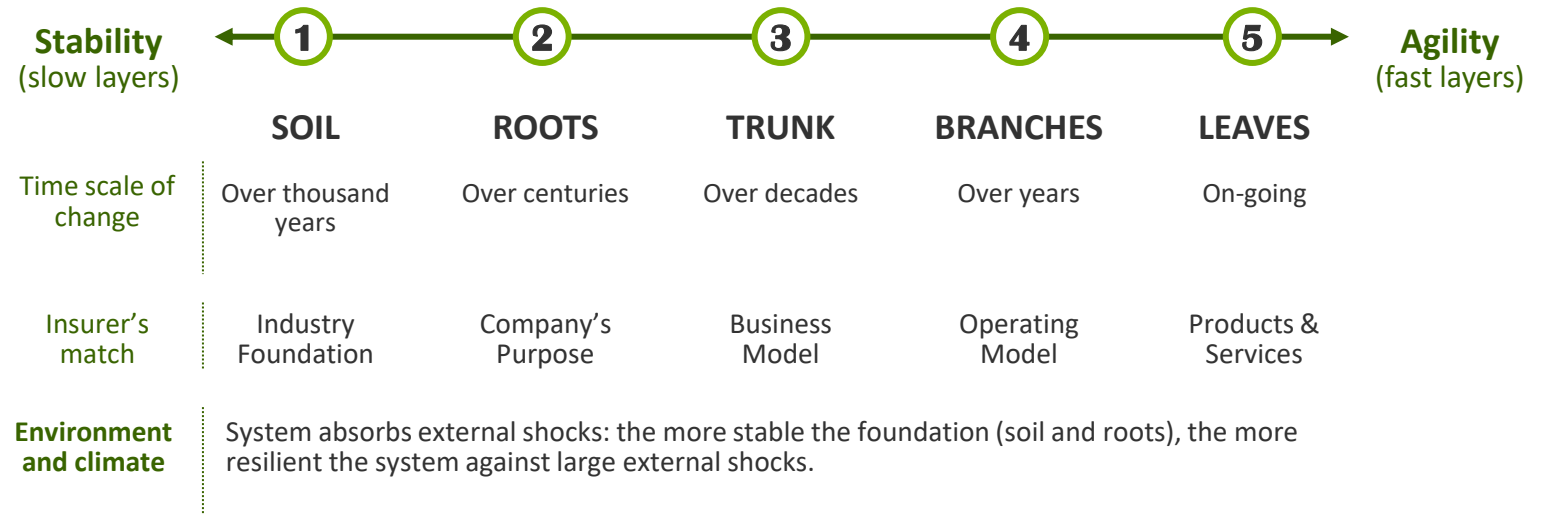
1. **Intro:** learning from mother nature
2. **From lens of customers:** Insurance's role in future customer journey
3. **From lens of insurers: "NextWave"** business models and the journey to innovate
4. **"How"** - Essential **capabilities** of NextWave insurers
5. Innovation is not a sprint, but a **journey** - What did we learn from successful cases

Velocity and scalability are key for innovation, but they all rely on a stable foundation



Learning from the trees: pace layers

Complex systems consist of fast layers and slow layers. **Slow layers remember and give stability; Fast layers learn and give agility**—It's a dynamic system to survive external shocks and changing environments.



In which climate are insurance players acting? 5 key trends that shaped the industry



Consumers expect something different

What is happening in retail, transportation and other industries is on the verge of happening to insurance: firms with strong technology, intuitive experiences and clear value propositions have a huge head start in stealing market share.



Revenue threats are everywhere - opportunities, too

Megatrends and disruptions driving uncertainty today will have definitive impacts in the near to middle terms, potentially diminishing traditional lines of business and revenue sources. At the same time, innovators – including non-insurers – may view crises as opportunities to enter the business, either directly or through partnerships with incumbents.



The numbers must get better

Today's marketplace is already hyper-competitive, with extremely tight margins, slow (if any) growth and unnecessarily high operating costs. The current economics are unsustainable.



Trust suits the brand

Insurance as an industry prides itself on being there when customers are in need. With new threats emerging and privacy regulation under way, maintaining trust is more critical than ever. What takes years to build can be lost in an instant.



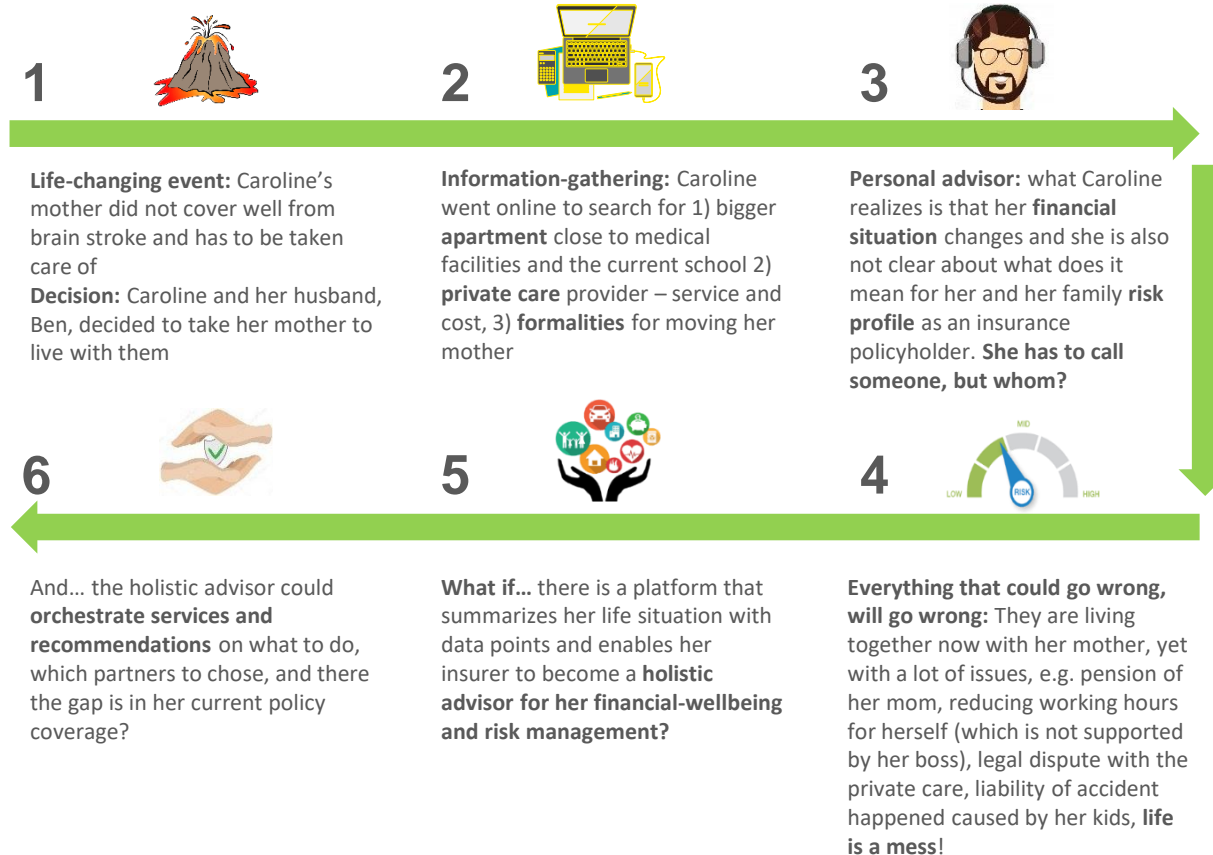
The upside of underinsurance

As younger consumers wait longer to buy homes, purchase vehicles, get married or have children, their first interactions with insurers happen much later in life. They may not understand just how little protection they have, so insurers must find ways to engage them sooner.

How can we talk about “customer-centricity”, if our customer journey is still product-centric?



- ▶ **Caroline**
- ▶ **33 years**
- ▶ **Married**
- ▶ **Two children (6&8)**
- ▶ Lives in an city **apartment**
- ▶ Works as a **kindergarden teacher**
- ▶ **Mother (70)** lives in Germany, alone, recently had a brain stroke



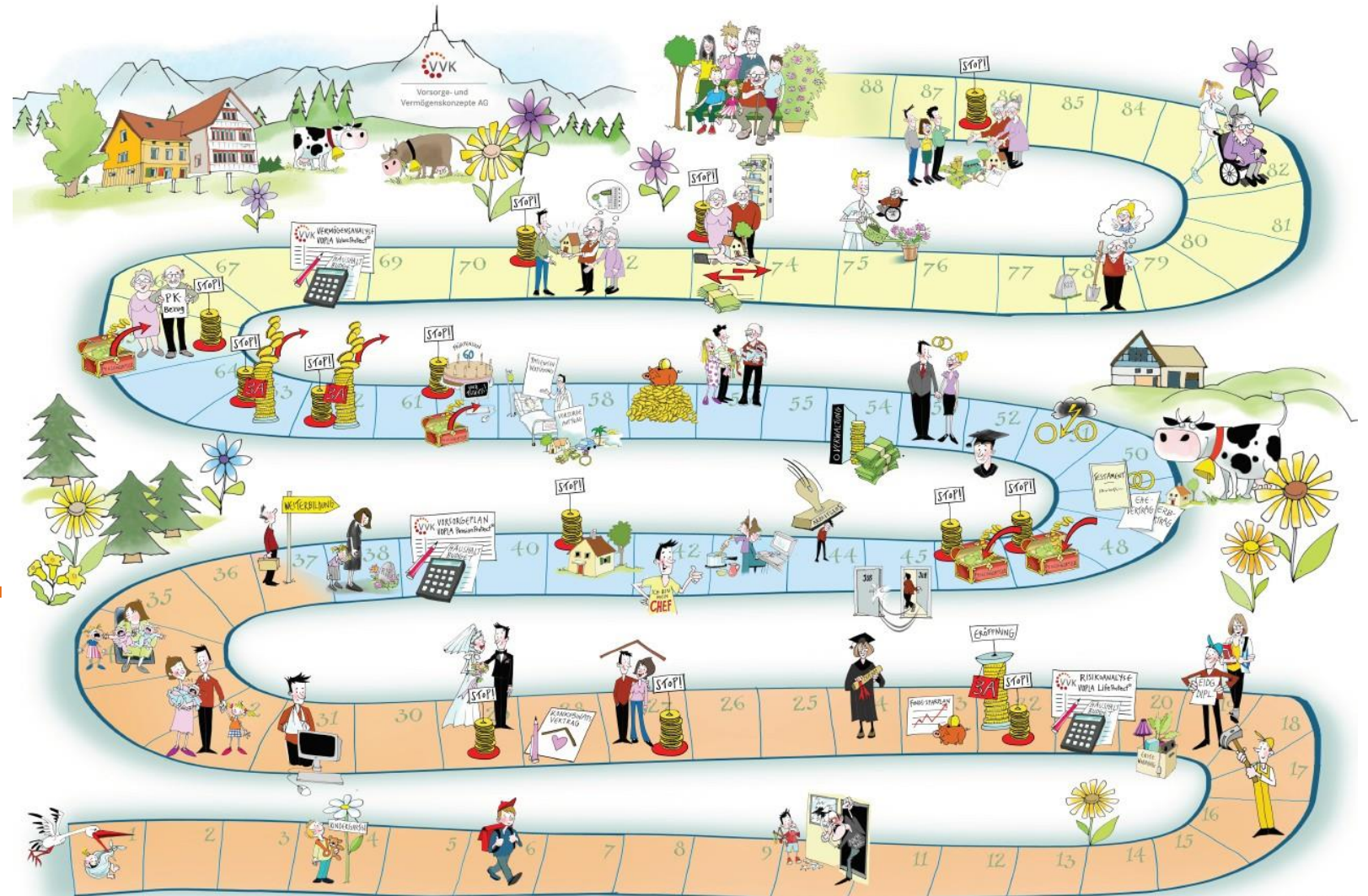
How many insurance products are needed in this journey? And where should insurer engage the customer?

True customer centricity is about understand the scenario the customer is facing and help them through towards the goals

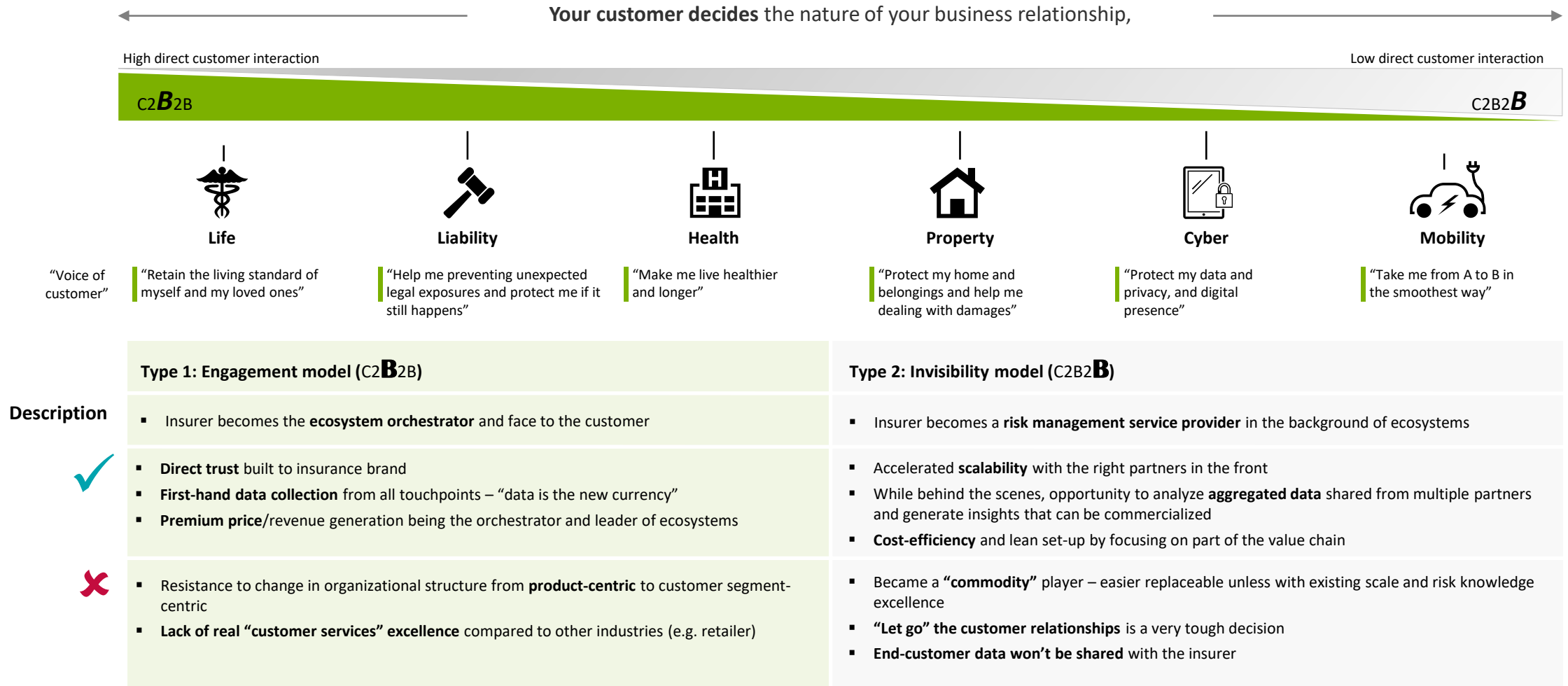
40 events that shape our lifecycle

(Non-exhaustive)

- | | |
|---------------------------------------|-------------------------------------|
| 1. Birth | 21. Self-employment |
| 2. Nursery | 22. Working part-time |
| 3. Kindergarten | 23. Unemployment |
| 4. School | 24. Separation |
| 5. First liability | 25. Heritage |
| 6. Apprenticeship | 26. Divorce |
| 7. Colleague | 27. Remarriage |
| 8. Moving out from parents' home | 28. Grandchildren |
| 9. First bank accounts | 29. Medical care |
| 10. First income | 30. Early retirement |
| 11. Graduation | 31. Cash-out Company's pension fund |
| 12. Employment | 32. Cash-out state pension fund |
| 13. First relationship | 33. Pay-off mortgage |
| 14. Cohabitation (agreement) | 34. House sale |
| 15. Marriage | 35. Endowment |
| 16. (Temporary) Disability | 36. Home care service |
| 17. Children | 37. Become a widow |
| 18. Household helper | 38. Move to nursing home |
| 19. Death of the main income provider | 39. Arrange the will (for heritage) |
| 20. Buy a house | 40. Death |

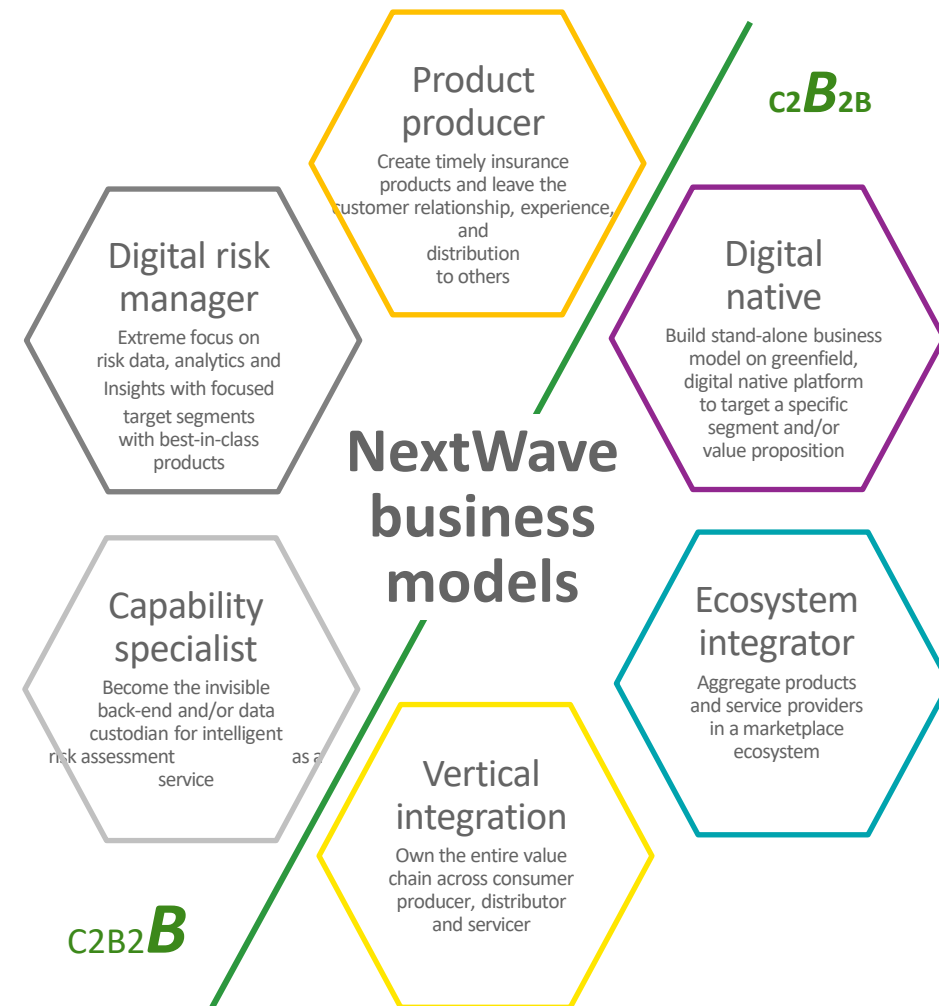


The proximity to customers' life events and core needs will define the insurers business model (C2B2B or C2B2B)

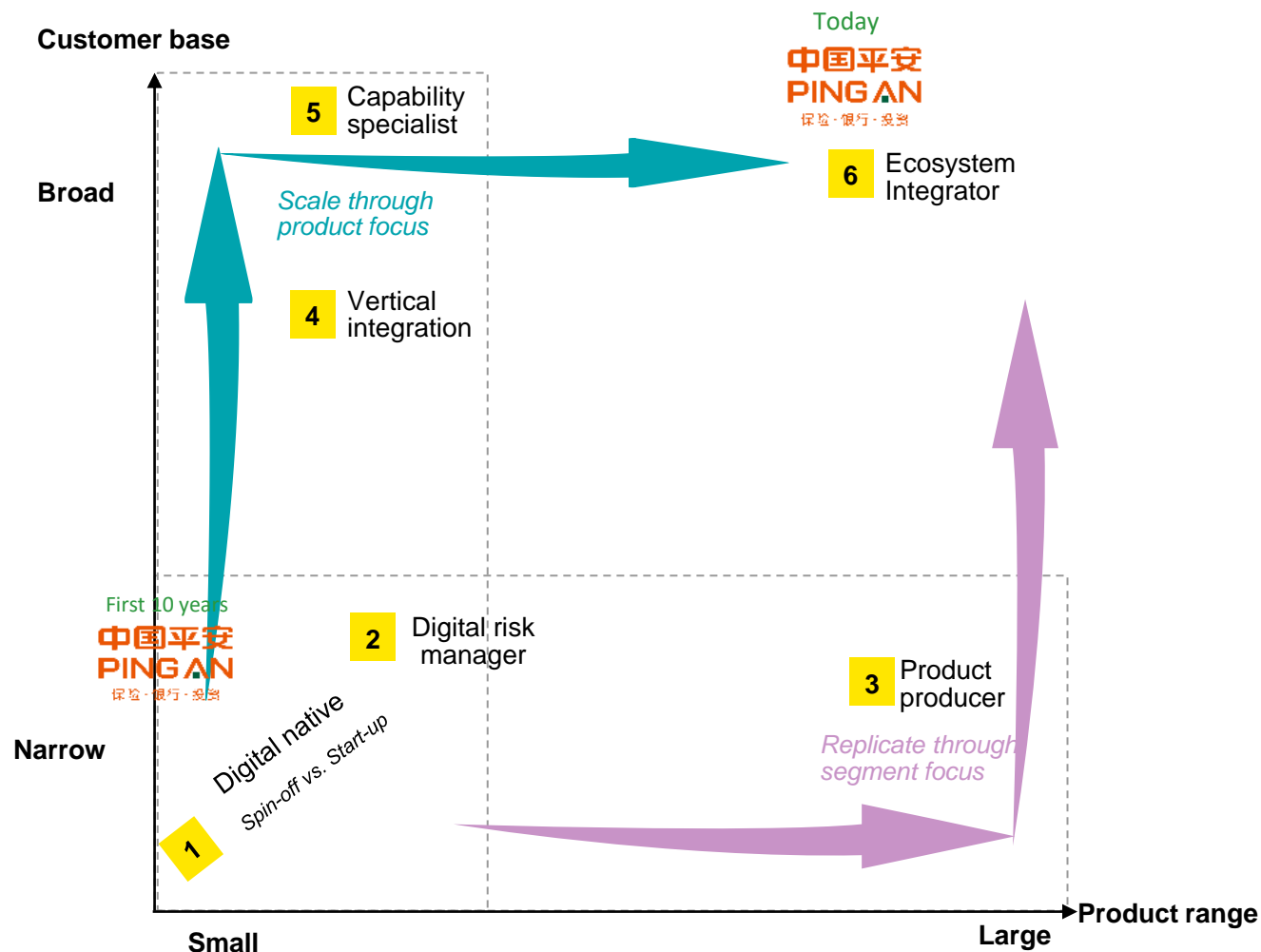


Taking a more specific look into the **C2B2B** vs. **C2B2B** model, we identified 6 viable NextWave Insurance business models

In ongoing dialogue with industry leaders and stakeholders, we have identified a number of business model templates that will guide insurers as they seek the optimal business model for their markets and objectives. These are not mutually exclusive and insurers will combine and merge elements in line with their strategies and objectives.



Each of the 6 business models is for particular stage of growth and non-static, yet the growth trajectory has to focus

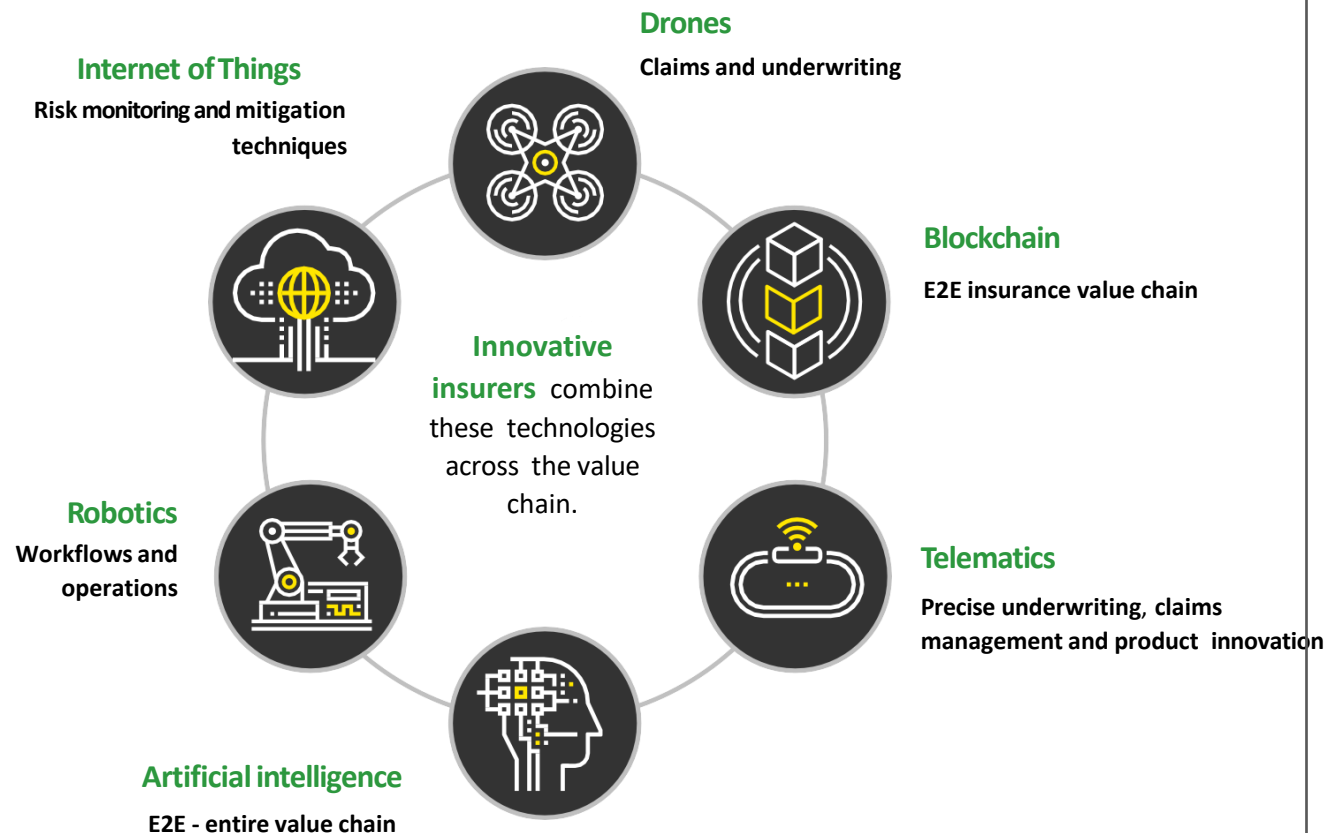


Key take away

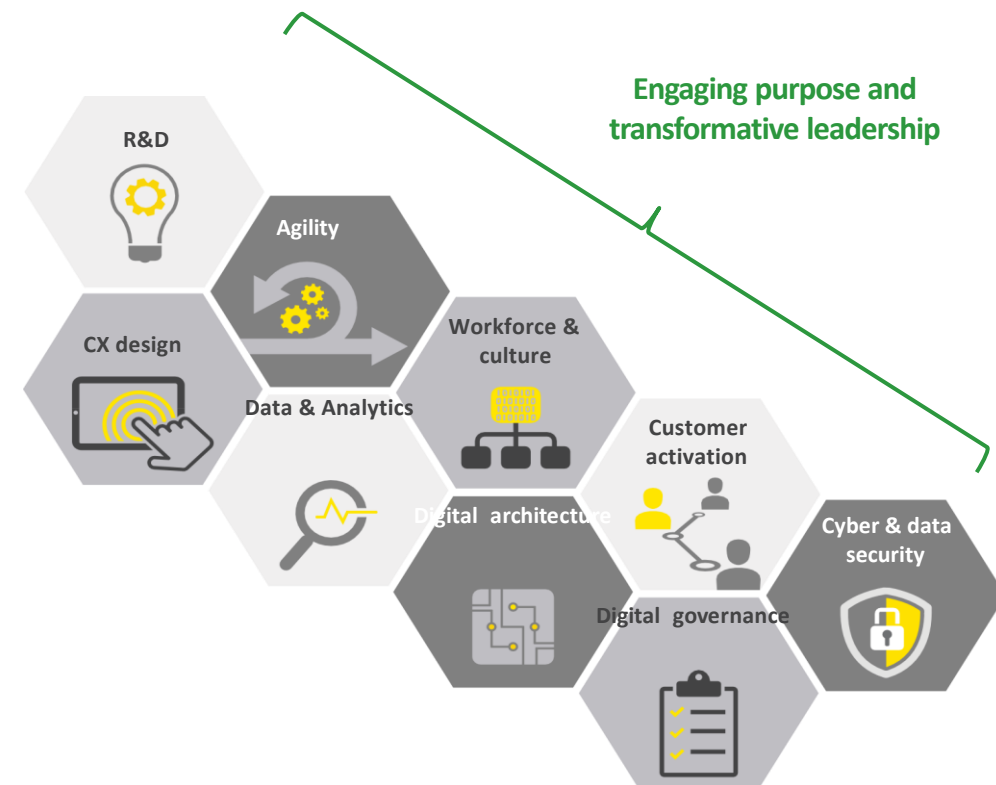
- In the early stage, products need to be **focused and simple** to **penetrate the market with speed**, **whatever growth trajectory to choose**
- With a big enough customer base and established trust, players were able to **learn and meet multiple customer needs** with a growing product portfolio and complexity
- Or some players **focus on a specific customer segment first, orchestrate all services** for them and try to replicate overtime
- **Digital and Mobile-only** allows easy and fast scalability, but **won't guarantee customer loyalty in a long run**
- And **no player** ever managed to scale for **being everything to everyone**, within or beyond financial industry

NextWave innovation - technologies are the surf board, it still comes to the capabilities of the surfer

Technologies – selected 6 features of the “surf board”



Business capabilities – the “surfer” skills



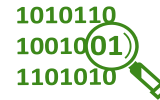
The future belongs to the company that can adapt to change

Ping An overview – its business foundation and key facts



Market momentum

- **Original Purpose:** accompany China's economic growth in the open market economy
- Founded in 1988, with subscribed capital of **USD 6m**
- 31.12.2020: Shareholders' Equity **ca. USD 763 billion**; revenues **ca. USD 180 billion**; and net income of **ca. USD 21 billion**
- Grew into Forbes 500 in 2007 and stayed until today
- **190'000** employees and about **1.2m** tied agents



Technological advancement

- **Ahead of all emerging technologies** – AI, Blockchain, Biometrics, Blockchain and IoT
- Interconnected network that provides and updates **big data**
- Focus on development of **cloud and blockchain based platforms and products**
- **22'000+** IT developers, **500+** big data scientists, **2000+** global patents



Differentiation

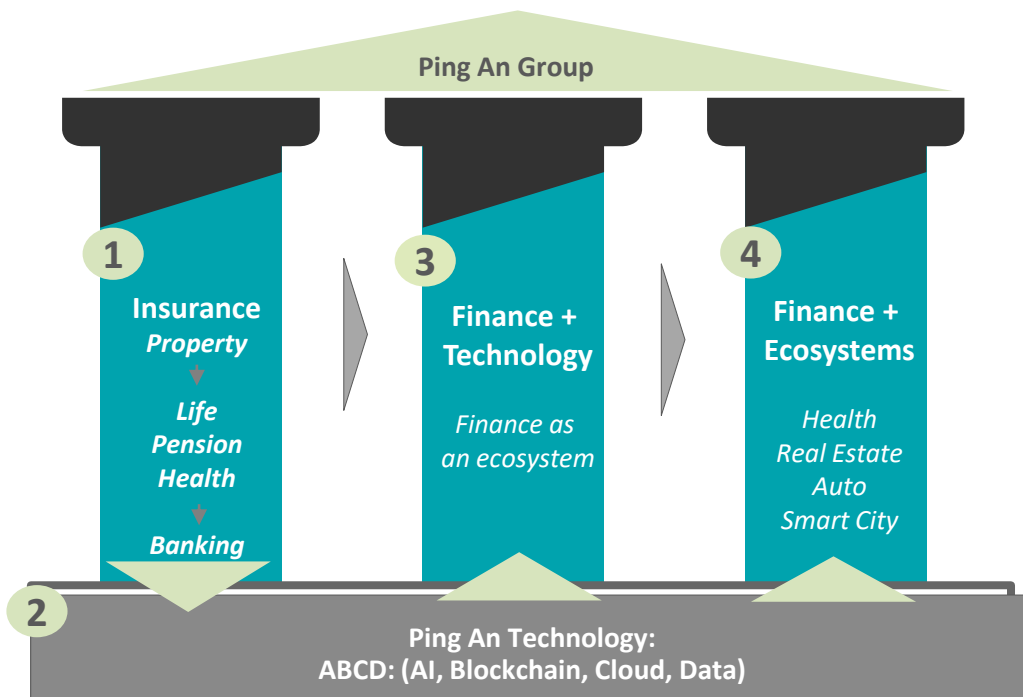
- **Orchestrator of 5 ecosystems**
- **O2O – online-to-offline**, dual dimensional process: it provides services online and it is crucial to maintain the connection also offline
- Build an **integrated financial services platform** that is in line with the vision of “One Customer, One Account, Multiple Products and One-Stop Services”
- Business model serves players **beyond direct Customers (2B, 2C, 2F – financial institutions and 2G – governments)**
- **Efficiency** – claims within **30 minutes** at average and “trusted claims” in car insurance within **3 minutes**



Key success factors

- **Right time, Right location, Right people**
- **Leadership** – 80% of the success goes back to Peter Ma
- **Learning culture:** from leading global insurers, from global banks, from internet companies (BAT) and from management consulting firms
- **Purpose aligned** with the national pride – building a leading Chinese company
- **Business scenario – based capability building**
- **Risk Management** as key differentiator and a discipline to build trust

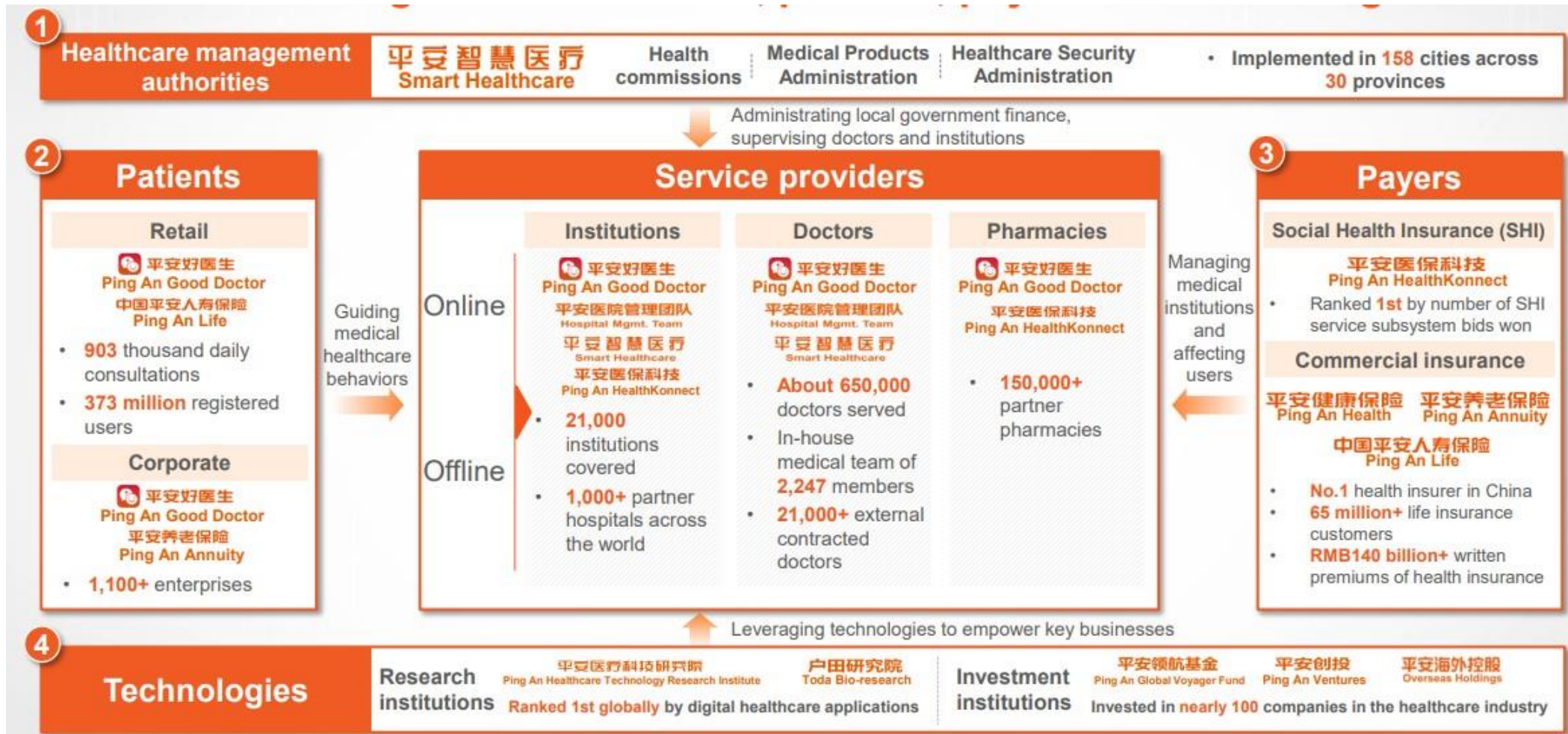
The journey from a niche property insurer to a true ecosystem leader empowered by Tech



Ping An's journey step-by-step

- 1 **Integrated financial institute (Bancassurer)**
 - Always has a sense of urgency to change
 - Service Speed and operational excellence, learn from the best
 - Responsibility + Professionalism (responsibility for employees, customers, shareholders and community)
- 2 **Technology transformation in 3 steps**
 1. 2002-2003: Optimization and consolidation – consolidation of tech landscape and data for CX – 3A (anytime, anywhere, anyway)
 2. 2003-2007: Tech platform – 4A (3A + any product)
 3. 2008 – now: Tech enabling ecosystems - Ping An Tech as an incubator of innovation and start-ups with own revenue (e.g. OneAccount) through
 - Invest into key technology: Example: Investing into AI and other new technologies: e.g.
 - 2011: Claims within 3 days; 2013: within 2 days; 2017: Claims within 30min
- > **Use Tech to transform Financial Services into its own ecosystem**
- 3 All customer needs will lead to demand of finance solution (e.g. payments, bank accounts)
 - Fin-tech to support the ecosystems (e.g. OneAccount, Payment)
- > **Ecosystems as multiple entry points for more financial services**
- 4 New business models beyond FS (Good Doctor, HealthTech)
 - Ecosystems: Health, Real Estate, Auto and Smart City

Deep dive health ecosystem – how Ping An facilitated collaboration among players with technology and data



Key take-away's

"What keeps me awake at night is that we are not fast enough"
– Jessica Tan, Co-CEO of Ping An

LEADERSHIP

1

Think big

Think big from "outside-in":

- Which ecosystems have the most volume and stickiness for customers (NOT which brings money)
- Key areas in each ecosystem where insurer adds real value

2

Start small

Bring the vision to micro level – what do customers face in their lives:

- What are the value for them, how do they think?
- Start with solving particular problem in specific segment

3

Act now

Remove organizational blockers and build capabilities in convergence between Business and in-house IT:

- "Scenario-based" problem solving between business and IT
- Less structure, more agility

4

Repeat

Repeat with reflection on learnings, esp. the decision-making process: Decisions are made with two fundamental principles:

- Always based on clear vision and aggressive targets
- "zero-based": always forward-looking