



WORLD BANK GROUP

Inclusive InsureTech

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24 February 2017

The essence of insurance

■ Insurance consists of

- Flow and transformation of information
- Flow of money

■ Based on trust

- Client trusting insurer
- Insurer trusting client

■ Nourished by a legal framework

- Providing a fair, safe and stable environment
- Balancing information asymmetries
- Securing enforceability of rights

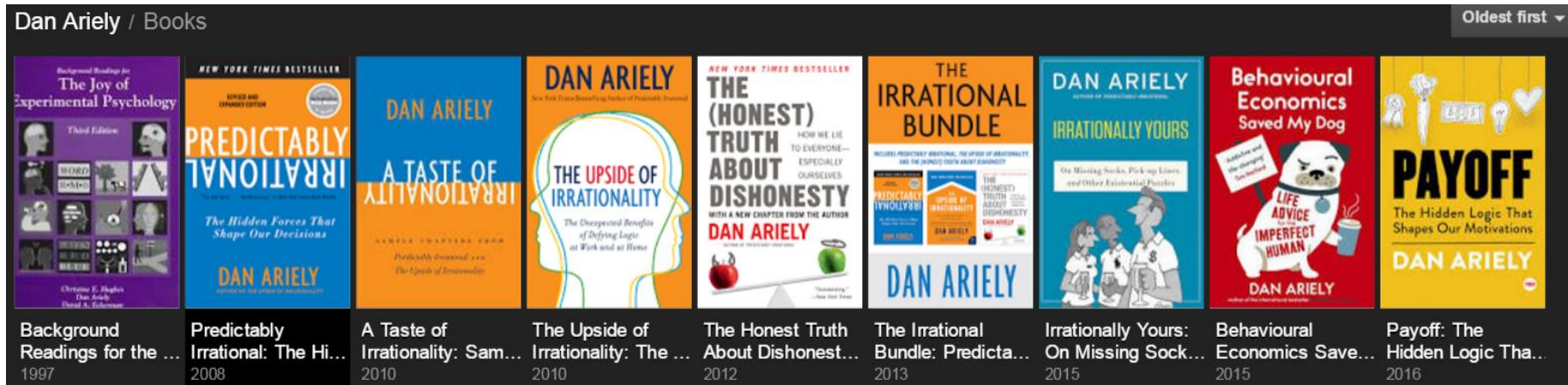
■ Perfectly digitizable?

- How much **paper** is necessary to conduct insurance business?
- How many **people**?

Why insurance does not work, mostly

- **Most adults in developing economies don't access insurance**
- **The reasons why most people in the world are uninsured:**
 - **Because they have low and irregular incomes**
 - **Because they are difficult to reach and serve**
 - **Because they don't know about insurance**
 - **Because they don't trust insurance / insurance providers**
 - **Because there are few products and distributions that suit their needs**
 - **Because there are few business models that attract insurers**
- **Microinsurance coverage around the world**
 - Africa: 62 million persons insured (5.4% of population), Asia: 170 million persons insured (4.3% of population), Latin America and Caribbean: 49 million persons insured (7.9%)
- **Examples**
 - Nigeria 2014: 2.25 million people insured out of 177.5 million population (1.2%)
 - Kyrgyz Republic 2015: 113 thousand insured out of 6 million (1.8%)

What Dan Ariely thinks of insurance (as we know it)



"If you try to create a system to bring out the worst in people, you'd end up with one that looks a lot like the current insurance industry."

Lemonade

The World's First P2P
Insurance Company

Instant everything. Killer prices. Big heart.

Disruptive game changers (1): Peer-to-Peer insurance

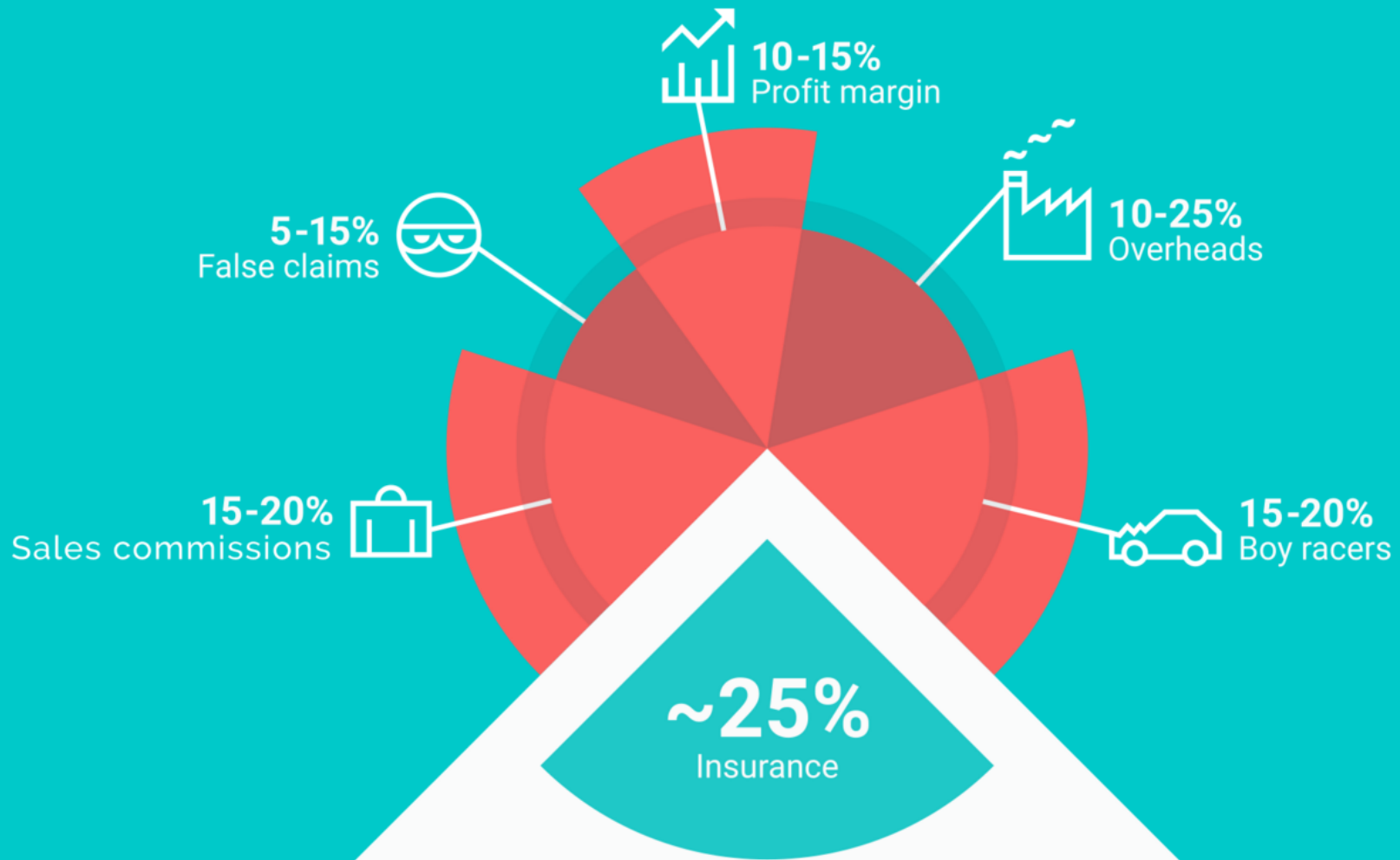
■ What is it?

- Organized solidarity among people who share
 - Trust
 - Insurable interests
- Supported by technology
- Based on various different models
- Akin to Takaful
- An idea whose time has come?
 - Friendsurance (Germany) first known example in the West (2010)
 - Today a dozen different ventures

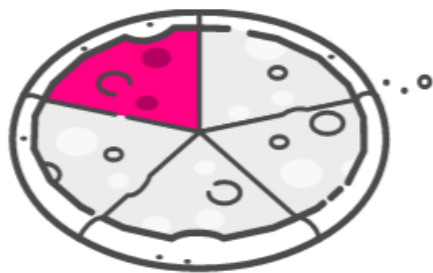


■ A case of reverse innovation?

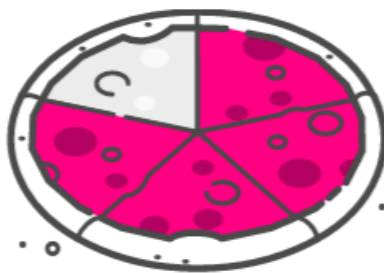
You're currently paying for:



Source: <http://inspool.com/boyracers/>



A transparent 20%
fee to run everything



We pay claims
super fast



If there's money leftover,
we give it back to causes

Source: <https://lemonade.com/>

teambrella COMMUNITY BLOG FAQ Peter Baker ▾

testnet Clever Earl - Chrysler PT Cruiser 2005 ▾ Coverage: 100% ▾ Balance: 350 mBTC ~ \$181

TEAM

- Me
- Teammates
- Claims
- Rules
- Messages

All Claims \ Claim 1 (Paul Taylor - 29 May 2016)

Voting: Reimbursement

Voting ends in 6 days 13 hours

80%

Voted on Your Behalf: ☒ John Smith

Your Current Vote: 80% \$800 ⓘ

Team's Current Decision: 81.9% \$819 ⓘ

☒ All Votes

Payments are processed in BTC. The amount to be paid is fixed upon closing of voting.

Source: <https://teambrella.com/blog>

CUSTOMER POWER - COMPARE US WITH OTHERS

| TONGJUBAO | OTHERS |
|---|------------------|
| If my community does not cover the risk the way I need it, I can start discussing it on the Community forums and ask for a vote to change the way it protects us. | I can do nothing |
| If I feel a new type of risk is not covered, I can raise the subject in the forum and propose the creation of a new Community to protect this risk. | I can do nothing |
| If I think demands are rejected that should have been accepted, I can ask for a majority vote to change the rule that result in this category of demands being rejected. | I can do nothing |
| If my opinion is not shared by the majority of community members, but a significant minority agree with me (several hundreds or more), I can form an independent community with TongJuBao's support to cover our group needs and beliefs. | I can do nothing |

Source: <http://tongjubao.com/en/customer-empowerment>

Disruptive game changers (1): P2P (continued)

■ Can it balance the numbers?

- Risk pooling requires the large numbers - trust only works in small numbers

■ Conventional insurance “brings out the worst in people”

- “insurers do everything to deny claims”
- “clients do everything to (fraudulently) maximize their payouts”
- Alignment of interest even possible?

■ Social media has changed the concept of community

- Technology made our networks wider and more diversified (geographically and socioeconomically)
- Technology is reducing our acceptance of the conventional way of getting insurance (fill forms, mail, and wait)

■ The disruptive promise

- Bring back trust, alignment of interest, empowerment, and good old solidarity
- Reduce cost



Disruptive game changers (2): blockchain

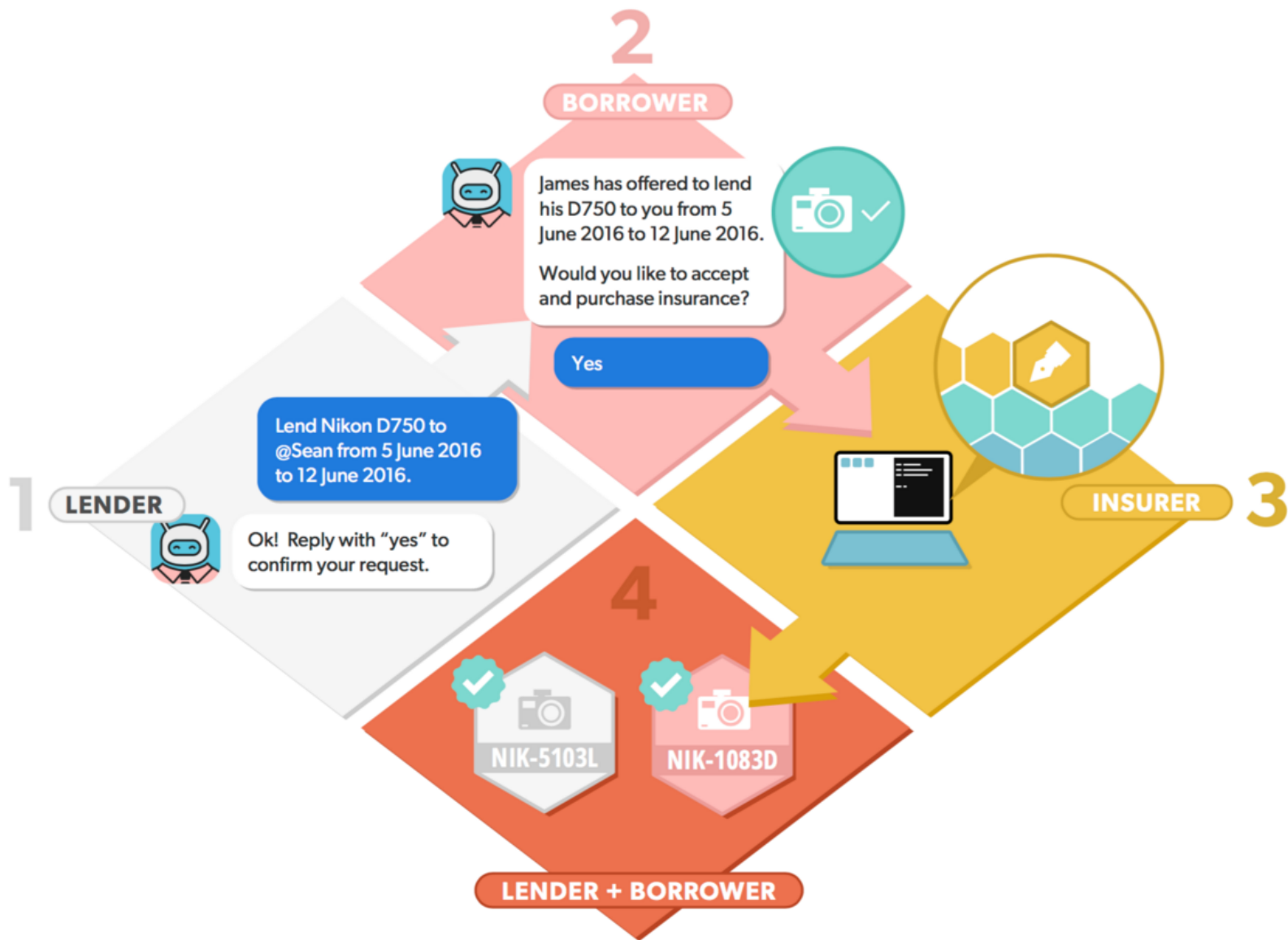
■ What is it not?

- Blockchain ≠ Bitcoin
- Instead, blockchain technology provides a decentralized ledger of transactions involving digital assets that is transparent and protected
- Blockchain = internet of assets and transactions
- Blockchain eliminates the need for a middleman (e.g. bank, *insurer*)
- The digital assets can be Bitcoins but also property titles, insurance policies, entitlements to health services or car repairs
- Blockchain can make payments conditional to use
- Insurance policies can be transformed into “smart contracts”



■ Smart Contracts

- Contracts that can execute themselves without human intervention
 - Example: flight cancelled ➡ payment of corresponding insurance
 - Example: death certificate uploaded ➡ life insurance payment
 - Example: weather index triggered ➡ index insurance payment



Source: <http://blog.stratumn.com/unveiling-the-lenderbot/>

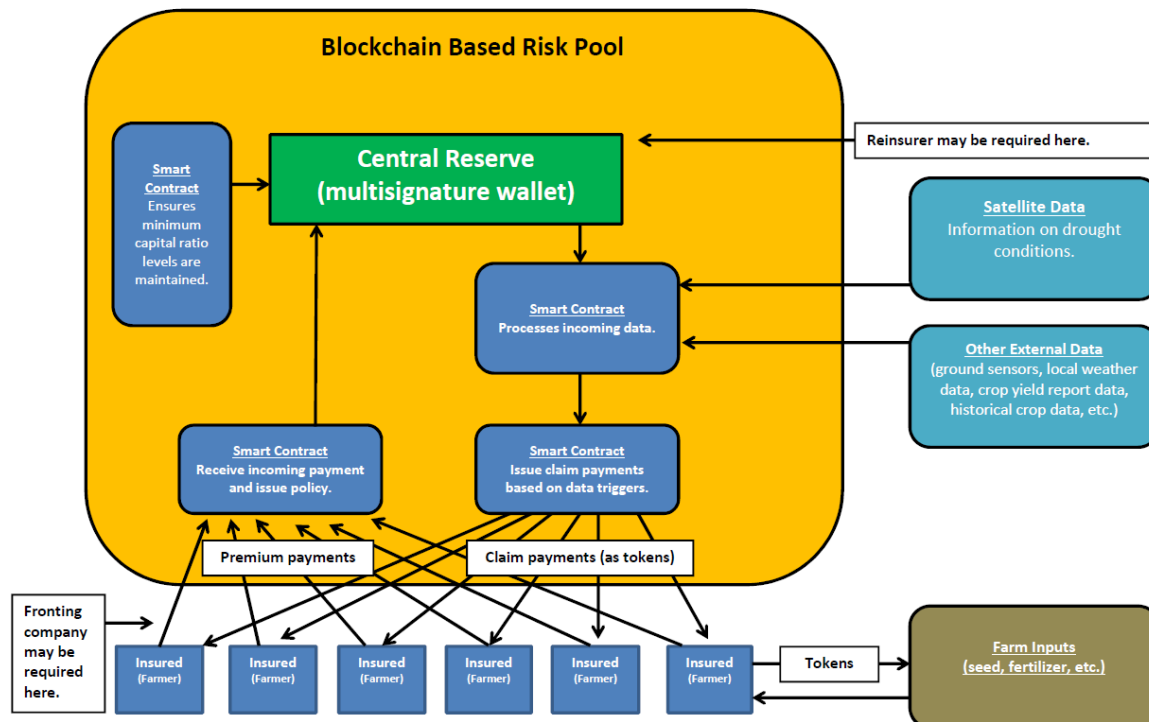
Disruptive game changers (2): blockchain (continued)

■ The nerdy version of P2P?

- Blockchain aims to create communities of unlimited size where transactions are trusted even if members don't know (or trust) each other

■ The disruptive promise

- Replace trust as we know it
- Disintermediate
- Reduce cost



Disruptive game changers (3): insurance on demand

■ What is it?

- Insure what you want when you want ...
- ... conveniently and at reasonable cost

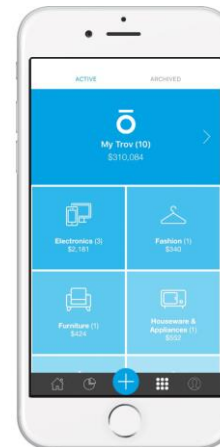
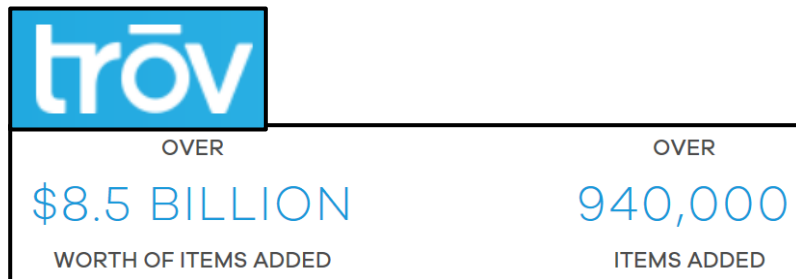
■ Reflects growth of “sharing economy”

- AirB&B, Vrumi
- Lending / borrowing tools, bikes,



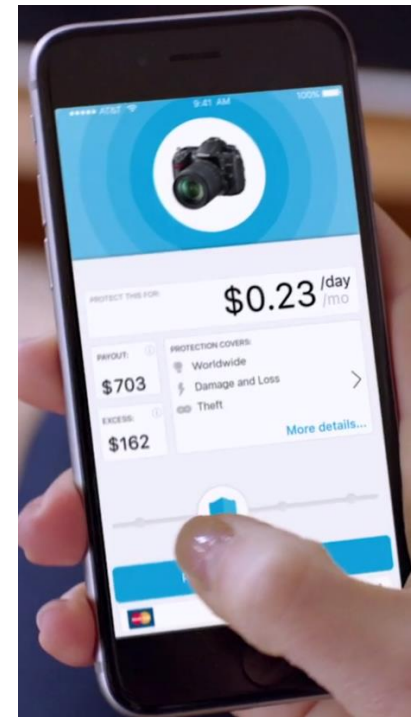
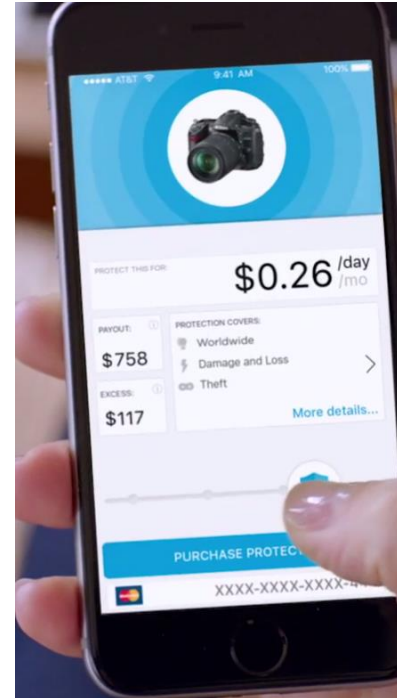
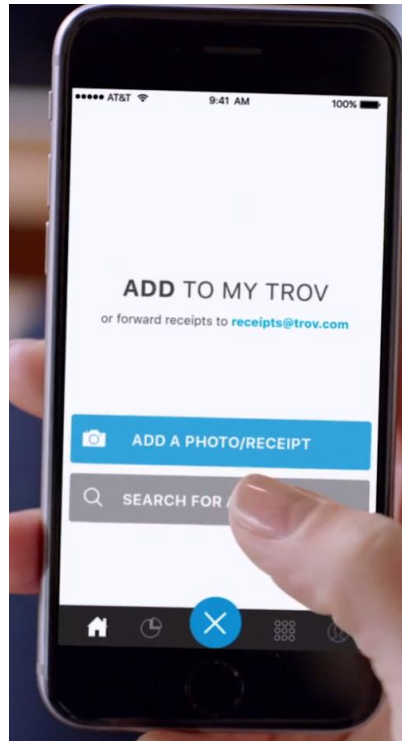
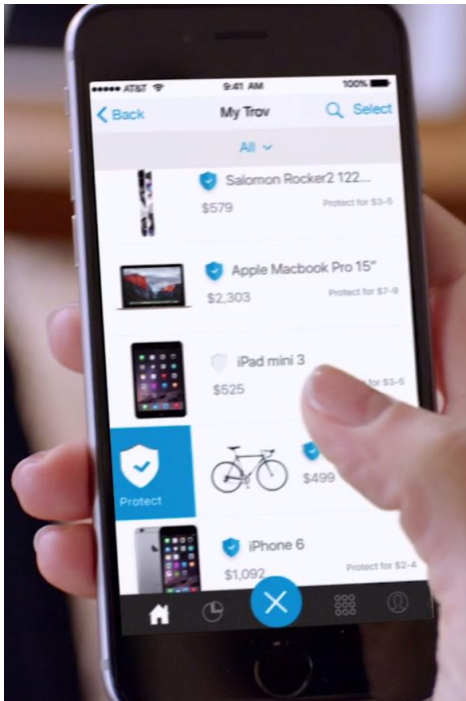
■ But also other trends

- Infrequent use (e.g. of cars)
- Telematics
- **Omnipresence of smartphones with cameras and geolocation**



Cover





Source: <https://www.trov.com/>

Disruptive game changers (3): IoD (continued)

■ “Sachet-principle” applied to insurance

- Not just in respect of lump sum premium payment
- Also in respect of decisionmaking effort
- Make high-volume-low-margin business model (example: pre-paid airline) work for insurance

■ Not altogether new to insurance

- Best example: travel accident insurance



■ Long known in “classic” Microinsurance

- SafariBima of Kenya Orient (2008)
- Dengue Fever insurance of ACA Indonesia (2010)
- Seed replanting guarantee insurance ACRE Kenya (2014)



■ The disruptive promise

- Make insurance part of everyday life by reducing hassle and cost, and being client-centric



Disruptive game changers (4): concierge distribution

■ What is it?

- Price comparison 2.0
- (Plus: analyzing your insurance needs (“insurance robo-advisor”))
- (Plus: centralized convenient management of all your insurance, including premium payment)
- (Plus: claims handling support)

BrightPolicy

CLARK

policybazaar
Compare. Buy. Save.

■ What drives it?

- Omnipresence of smartphones
- Clients’ desire to be in control
- Clients’ desire for more (cost)efficient insurance advice and management
- Clients’ increasing expectation of immediate transactions (via apps)

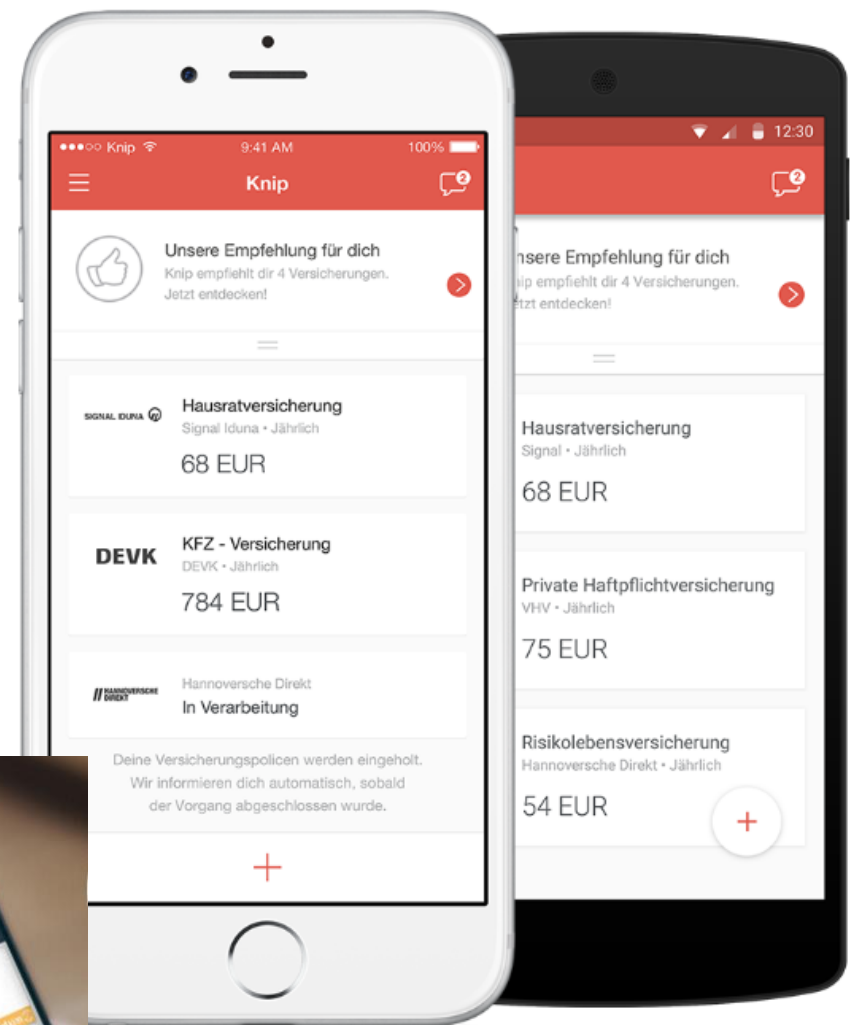
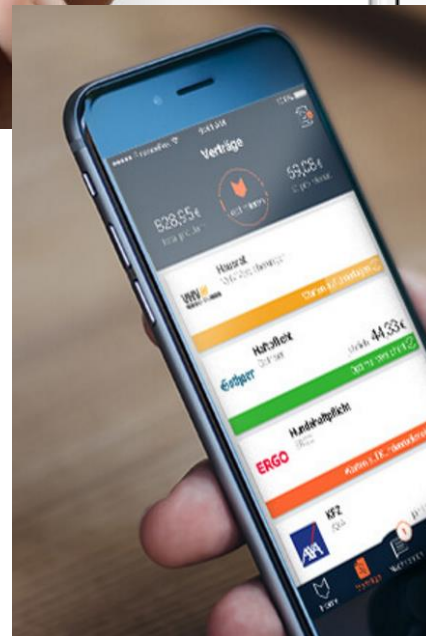
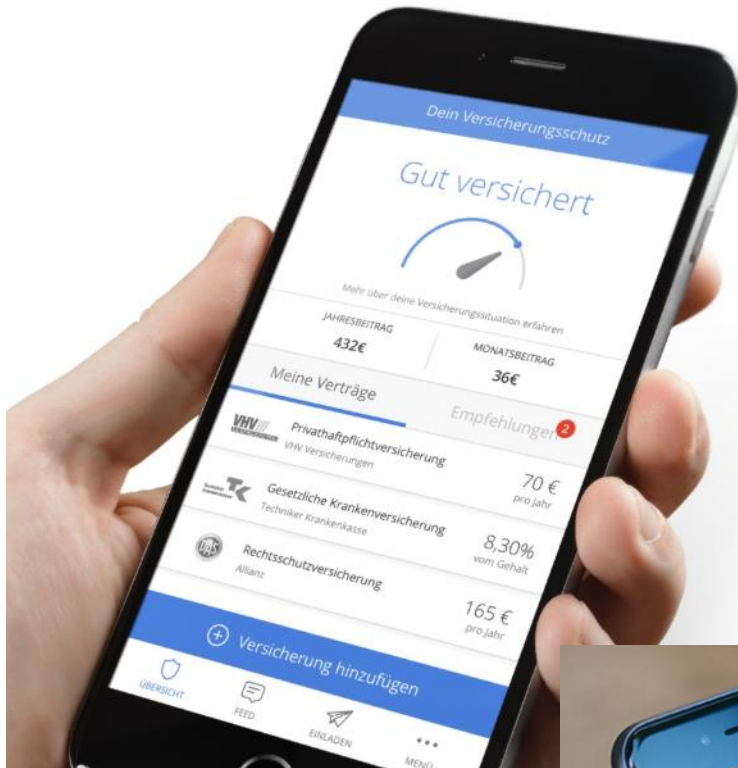
GetSafe

■ The disruptive promise

- Intensify competition through comparability
- Make insuring easy – and cheaper
- Clients meet insurers at eye level, leading to gradual reduction of distrust

Knip

FinanceFox



Sources:

<https://www.financefox.de/>

<https://www.knip.de/>

<https://www.clark.de/de>

Disruptive game changers (5): radical digitization and AI

■ What is it?

Shift Technology

- Avoid anything physical – especially paper – to be quick and cost efficient
- Automate processes
- Make intelligent use of whatever digital data you can get
- Have interfaces to accommodate a wide variety of (distribution) partners

■ Analytics and artificial intelligence / machine learning

- Replace traditional marketing
- Replace traditional underwriting
- Price more accurately
- Replace traditional claims assessment

TYCHE

Ladder

{CARPE DATA

CAPE
ANALYTICS



PLEX.AI
Insurance. Re-Engineered

众安保险

FABRIC
Simple affordable life insurance






WORLD BANK GROUP

Enter a few basics to see your quote in seconds.

I am a  FEMALE  MALE born on mm-dd-yyyy.

I'm _____ feet _____ inches tall and weigh _____ pounds.

I am a  NON-SMOKER  SMOKER 

My zipcode is 94025. My overall health is     

SEE QUOTE 

Fight fraud with AI

65,043,972

INSURANCE CLAIMS ANALYZED TO DATE

Disruptive game changers (5): digitization and AI (cont'd)

■ The disruptive promise

- Reduce distribution and administration cost dramatically
- Reduce time to market for new products dramatically
- Reduce service turnaround time dramatically
- Mine client data for risk profiles and preferences
- Harness new distribution channels



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| 所有保险分类 | 首页 | 特色 | 旅行 | 意外 | 健康 | 团体 | 投资 | 保险服务 | 公开信息披露 |
|--|----|----|----|----|----|----|----|------|--------|
| 特色保险 车险 无忧Pay 无人机 | | | | | | | | | |
| 旅行保险 东南亚旅游 境内游 驴友 | | | | | | | | | |
| 意外保险 航空 交通工具 公共场所 | | | | | | | | | |
| 健康保险 个人住院医疗险 成人 儿童 女性 好孕保 | | | | | | | | | |
| 团体保险 团体健康险计划 员保 | | | | | | | | | |

**保险**

保霸车险-众安平安联合车险
给好用户更好的福利
享受平安车险理赔服务
海量权益 送你所需



个人法律费用补偿保险
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不再说理无门 索赔无道
一人承保 全家保障

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Why people have no insurance - how InsureTech can help

■ Limited purchasing power and irregular incomes

- Radical digitization reduces cost
- Peer to peer insurance promises to reduce cost
- Blockchain based smart contracts reduce cost
- Insurance on demand makes premium payment easier
- “Concierge” intermediation reduces cost through more transparent competition
- AI and Big Data analytics reduce the cost of fraud

■ (Poor) people don’t trust insurance

- Peer to peer elements aim to bring trust back into insurance
- Blockchain aims to replace conventional trust with universal auditability
- Insurance on demand makes it easier to try insurance
- “concierge” intermediation centered on clients’ needs and interests
- Radical digitization, AI will increase tangibility through quick turnaround times

■ (Poor) people don’t understand insurance

- Insurance on demand makes it easier to try insurance
- Smartphone based distribution (“concierge” intermediation) and interaction (chatbots) lower the cost of communicating with clients
- Peer to peer elements help understand formal insurance in the terms of informal solidarity schemes

Why people have no insurance - how InsureTech can help

■ No products suitable to the underserved

- Peer to peer can reveal product needs
- Machine learning / AI on big data detects the insurable interests
- Machine learning / AI on big data allows to generate the calculatory bases for product design and pricing in the absence of traditional statistics
- Radical digitization supports the necessary re-engineering of processes
- IoD and Concierge Distribution enhance consumer experience of products

■ No business model to sustainably serve low income people

- Insurance on demand teaches insurers high-volume-low-margin model
- Radical digitization makes issuing of even tiny policies profitable
- “Digitally born insurers” invent business models based on customer-centricity
- Internet and smartphone use blurs socioeconomic status

■ No suitable distribution model

- Concierge Distribution helps to reach new markets
- Cloud based radical digitization allows to harness a variety of new distributors
- Peer to peer bets on word of mouth in social media communities
- Radical de-paperization overcomes geographic exclusions