Innovations in Reinsurance

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RDG Presentation
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Innovations in Reinsurance

Agenda

1/ Coverage of the Presentation – scope and purpose?
2/ Why Innovation is key & what kind of culture drives it?
3/ Technology as the “catalyst” and engine of innovation/change
4/ Swiss Re “innovative” product/solution examples
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What this Presentation is Not about ->
1/ Does not give all the answers to what Innovation is all about
2/ Not about Blockchain, Wearables, Cyber, Self-drive cars, Drones, and new digital apps
3/ Does not distinguish between reinsurance and insurance (also not about RI structures)
4/ What all reinsurers are doing, it does focus more on Swiss Re examples
5/ Not specific to ANZ market

What this Presentation is about ->
1/ Provides a view into the culture and importance of Innovation in our industry
2/ Talks about one of the key drivers of innovation in (re)insurance -> Technology
3/ Presents several specific Swiss Re “innovative” products/solutions
4/ Presents ideas and products/solutions from a global marketplace
5/ Hopefully leaves all of you with “fresh thoughts” around innovation in our industry
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Body Sensors & Wearables
Tiny, wearable, sensors collect data without inferring with our daily lives in order to make better, more informed quantifiable decisions.

Smart Toilets: Doctors in Your Bathroom

Toto’s new Intelligence Toilet II monitors weight, blood sugar levels, and other vital signs, transferring data to your computer for analysis via WiFi.
‘Digital Darwinism’ – The consequence of not adapting business models

Share price (local currency)
Most Innovative Companies report published by BCG since 2005

- For the 10th year, BCG published a list of the 50 Most Innovative Companies
- Findings represent the responses of more than 1,500 senior executives across various roles / functions, regions, and industries
- The Most Innovative Companies reports are the most widely read reports of consultancies
- Survey addresses most innovative companies as well as respondents' company's innovation practices
The World's most Innovative Companies 2015

1. Apple
2. Google
3. Tesla
4. Microsoft
5. Samsung
6. Toyota
7. BMW
8. Gilead
9. Amazon.com
10. Daimler
11. Bayer
12. Tencent
13. IBM
14. SoftBank
15. Fast Retailing
16. Yahoo!
17. Biogen
18. The Walt Disney Company
19. Marriott
20. Johnson & Johnson
21. Netflix
22. redefining standards
23. HP
24. Amgen
25. Allianz
26. Tata Motors
27. GE
28. Facebook
29. BASF
30. Siemens
31. Cisco
32. Dow
33. Renault
34. Fidelity
35. Volkswagen
36. Visa
37. DuPont
38. Hitachi
39. Roche
40. 3M
41. NEC
42. Medtronic
43. JPMorgan Chase & Co.
44. Pfizer
45. Huawei
46. Nike
47. BT
48. Mastercard
49. Salesforce
50. Lenovo

Innovation Remains at the Top of Most Companies’ Agendas

Where does innovation/product development rank among your company's top strategic priorities?

Four main differentiators between leading innovators and the rest

**Speed of adoption**

Which of the following areas of innovation/R&D/product development will have the most impact on your industry over the next three to five years?

Change in % respondents citing significant impact, 2014–2015

- Speed of adopting new tech: 22%
- Big-data analytics: 9%
- Technology platforms: 8%
- Operations process: 5%

**Lean Methodologies**

- Defined product specifications
- Modularized product lines
- Parallel development with stringent funnel
- Intelligent launch plan
- Short cycles and iterations
- Standardized processes
- Strong project manager
- Meaningful KPIs
- Systematic cross-functional integration
- Accepts failure
- Global knowledge management system
- Designs quickly modeled and tested

**Strong role of central teams**

**Leveraging most impactful levers**

Which of the following best describes your company’s innovation/product development organizational structure?

- More customer driven
- More BU driven

Improve skeleton

- Improve nervous system
  - Value proposition
  - Processes
  - Leadership and behavior
  - Enablement and tools

Dr. Uafi right work

Dr. Like right work
### Cultural conditions must be modified to support innovation agenda

<table>
<thead>
<tr>
<th>Innovation conditions</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time to think</td>
<td>Time outside day-to-day activities to think of new ideas</td>
</tr>
<tr>
<td>Freedom to experiment</td>
<td>Freedom to think, as well as walking-around space in which those activities are expected, even protected</td>
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<tr>
<td>Balance of creativity &amp; functional expertise</td>
<td>Ability to possess or obtain a great deal of knowledge about an issue, problem, or inquiry and develop creative solutions</td>
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<td>Collaborative teaming</td>
<td>Engagement with cross-functional, cross-geographic teams to increase exposure to ideas, experiences beyond innovation team</td>
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<tr>
<td>Link to language</td>
<td>Common language agreed upon to describe desired culture and key activities – used across functions and geographies</td>
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<tr>
<td>Aligned incentives</td>
<td>Incentives to encourage idea generation</td>
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</table>
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Technology has three major implications for the insurance industry

**Technological advancements**
(e.g. internet of things, blockchain)

**Implications for the industry**
1. Change in risk pools
   (e.g. new risks)
2. Transformation of value chain
   (e.g. automation)
3. Disruption of industry structure
   (e.g. changing roles, new ecosystems)

**Catalysts / Inhibitors**
(e.g. technological diffusion, regulation, consumer, competitors)
Technology is transforming the industry

**Impact of technological advancements**

- More natural interaction between humans and machines
- Exponential increase of data on people and things
- Ability to recognize patterns in data
- Common and secure use of distributed data

**Digital engagement of consumers**

**Improved risk measurement & modeling**

**Faster and more insightful processing**

**Automated, trusted transactions**
Current prediction show, that by 2019, approx. 213m wearables will be shipped (up from 88m)
Technology investments to date

Remaining on the cusp of business innovation

Distribution channel for micro insurance
• Combines mobile technology with insurance, reaches out to affinity groups in African markets

Monitor wearables
• As well as offering medical-grade devices, Biovotion is building a platform to analyse data, which could help with automated underwriting

Individual data aggregation
• Provides individuals with one platform for their social media data, to be expanded to cover health and financial data
• Individuals can then choose what to share for personalised benefits and services

Online health platform
• A variety of customer engagement mechanisms are combined in a single platform

App based telematics solution
• Provide a customised, app based telematics solution to primary insurers

1 100% acquisition, not part of "tech fund"
Potential new entrants or attackers

**Search engines**
- Google
- Facebook
- Yahoo

**Social media**
- Amazon
- Whatsapp
- Facebook

**Telecommunication/Internet**
- Telekom
- Vodafone

**Retailers**
- Tesco
- Carrefour
- Walmart

**Online shops**
- Amazon
- Ebay

**Payment providers**
- American Express
- TransferWise
- PayPal

**Technology and Electronics**
- Samsung
- Microsoft
- IBM

**Data and Research**
- Apple (via HealthKit and ResearchKit)
- Samsung (via SAMI)
The size of today’s risk pools will change

Greater systemic risk increases need for reinsurance
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In partnership with a strategic client, Swiss Re developed a product providing swift payouts to small and medium-sized enterprises (SMEs). A parametric trigger determines the amount of payout to the policyholders. No proof of loss is necessary. The simplicity of the cover makes insurance more accessible to firms who are exposed to earthquake risk.
In case of an earthquake, banks may face problems from mortgage defaults if homeowners are not insured and thus no longer able to re-pay their loan. Insuring against earthquake risk can help banks to protect their balance sheets – and deliver financial wellbeing to their customers.
AE Conclusions

• 1/ Culture is key to innovation and innovation is key to success – let’s all play our parts

• 2/ Technology is the biggest “catalyst for innovation” – let’s embrace it further and “make it part of us”

• 3/ The (re)insurance landscape will drastically change over the next 10 years – let’s drive these changes instead of being changed......

• 4/ (Re)insurance markets should work close together in driving change – still too much silo mentalities in our industry

• 5/ Swiss Re is ready to drive “innovation changes” and wants to be more active in ANZ with you as key partners
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