

A New Kind of Industry: Insurance in the Digital Age

Duxes spoke to Andrew Dart, Insurance Industry Strategist at CSC, a global leader in next-generation IT services and solutions, about the monumental changes that are taking place in information and communications technology and what implications these developments have for the insurance industry.

IT today gives us the power to collect and analyze an amount of data that would be unfathomable just a few years ago. One might assume that when communicating with such a large number of customers through digital mediums that it is impossible to establish personal and individual connections with consumers. However, over the course of the interview, Dart explained how modern technology actually enables insurers to communicate with their customers on a much more intimate and profound level than ever before.

In times gone by, the relationship between insurers and their customers were usually very impersonal: “It was very low touch”, said Dart, “just buying and claiming were the two major transactions and insurance companies typically didn’t talk to their customers at all in between. We’re now entering the digital era and customers have mobile devices, you can have two-way communications in real time and you’ve seen the rise of what I call ‘data driven products’; UBI and wearables”. He went on to describe this two-way communication as an evolutionary step in insurance: “we can use that connectedness... you can actually start to manage the risk rather than buy and claim”. That is to say that, with modern technology, insurers can establish a much more active relationship and offer guidance to customers and help them manage and even reduce risks.

If we take health insurance as an example, insurance companies can provide or subsidize devices that give customers health-related advice as they’re going through their life that will help them take care of themselves and potentially avoid the need to make a claim on their health insurance. Dart gave an example of a colleague who has a ‘smartwatch’ wearable device which informs him of nearby jogging routes, where the gyms are in the local area and estimates of how long it would take him to walk between his regular destinations.

In his article [‘The case for Connected Wearables in Insurance’](#), Dart examines the use of wearable devices in corporate wellbeing programs with some insurers now offering discounted corporate health insurance in return for program participation and the fitness data they collect. In this article, Dart went on to identify low opt-in rates as a common problem facing such wellbeing programs. Citing [Patrick Hitchen’s article](#), he claims that “programs remains miniscule with opt-in rates in some cases of just 5% for those eligible to join”. He goes on to describe one program that included a “wager” whereby the customer agrees to meet and maintain reasonable fitness targets over the course of the year to avoid the cost of the health screening being deducted from their salary. This [penalty system was found to be 3 times more effective in motivating](#) healthy behavior than conventional wellbeing programs.

However, many are concerned that the wave of new wearable devices could overwhelm the traditional regulatory bodies for medical devices. Indeed, on February 9th, the US Food & Drug Administration released [guidance documents](#) related to the kinds of medical apps that it will regulate. In these documents, the agency explained that "the rapid pace of innovation in mobile apps, and the potential benefits and risks to public health" warranted the new guidance. Many are concerned that substandard wearable devices could result in misdiagnoses. This issue and many others will be explored in depth at Duxes’ [Asia Smart Wearable Device Summit & Expo 2015](#) which is being held at the Crowne Plaza in Beijing on June 25-26, 2015. The summit will include presentations from government

officials and industry associations from the region's tech industries and will be an invaluable opportunity to learn more about the Asia-Pacific wearable device market which is set to become the second largest in the world.

Dart went on to illuminate the numerous opportunities there are for insurance companies who learn to "become a master of the data". Insurance enterprises that are savvy enough will be able to offer insurance to prospective customers that have been hitherto ignored. There are now automotive insurance companies that specifically target young drivers who have historically struggled to secure affordable insurance. Using telematics that monitor driving habits, these companies are giving young drivers the opportunity to prove that they are responsible and worthy of insurance. Andrew made the benefits of this considerate and personalized approach clear: "they (young drivers) could end up being customers for life". Not only this but by using modern technology in this way to engage with customers on a deeper level we can win their loyalty and they may even function as a brand ambassador, promoting their insurance company within their own social network. When we consider the nature of social media, the radius of such promotion is virtually limitless.

Dart also spoke about how he is investigating the possibility of using technology to engage potential customers before they even buy insurance. He recalled the example of MetroMile, a Washington State based car insurer who realized that there are many people who are cutting down on the distances they drive because they concerned about the environment. Under conventional insurance, they would have to pay the same premium as someone who drives all the time. MetroMile offer potential customers a 'Metronome' device which allows them to record the distances they drive and the efficiency of their vehicles. Once these individuals have a clear idea of how far they drive, MetroMile offers them usage based insurance that is cheaper than conventional car insurance. "This was the first time I heard the term 'platform of engagement'" said Dart, "that has become a common term... that company (MetroMile) brought into a frame of mind to be able to capture customers before they were customers which I found to be very interesting". Indeed, in this case we can see how insurance products like this can function as an expression of self for customers: "I'll be switching to Metromile, though. I live in San Francisco and love having my car for adventures or epic journeys outside the city" [writes](#) Josh Constine, "But in town, I often skateboard or take Ubers and Lyfts. I'm paying way too much for insurance while my car sits in the garage, subsidizing some stranger who drives non-stop. But no more". Modern IT increasingly allows us to understand our customers' beliefs and lifestyles. By creating products that appeal to these traits, insurers can become a part of their social environ, thereby securing their loyalty.

Modern information technology is creating a wealth of opportunities that all insurers should embrace. As an industry, we can now align our interests with our customers and work together and play an active part in improving the quality of life for the people we insure, while at the same time running ever increasingly profitable and efficient companies. This will be a central topic at [Duxes' 7th China International Insurance Summit 2015](#) which will be held on May 27-29, 2015 at the Crowne Plaza in Beijing. Duxes' *Insurance Series* has been running since 2009 and its summits have enjoyed the support of Asia's insurance regulators, industry associations and leading insurers.