How InsurTech is reshaping Insurance?

April 2017
Agenda

1. PwC InsurTech Survey
2. InsurTech Ecosystem
3. IT Governance and IT Audit
"Three of the biggest drivers of disruption include:

- Customer expectations
- Pace of innovation
- Startups"
What are the opportunities related to the rise of FinTech within the financial services industry?

Source: PwC Global FinTech Survey 2016
DeNovo InsurTech Companies Funding
How do insurers deal with FinTech?

- We do not deal with FinTech: 23%
- We engage in joint partnerships with FinTech companies: 20%
- We buy and sell services to FinTech companies: 16%
- We set up venture funds to fund FinTech companies: 10%
- We rebrand purchased FinTech services (white labeling): 9%
- We establish start-up programmes to incubate FinTech companies: 7%
- We acquire FinTech companies: 4%
- We launch our own FinTech subsidiaries: 4%
- Other: 4%
- Do not know: 4%

Source: 2016 PwC Global FinTech Survey
Industry Trends

1. Self-directed services
2. Usage-based insurance (pay-as-you-go)
3. Remote access and data capture
4. Connected/smart car
5. New models of holistic advice (robo-advice)
6. Granular risk and/or loss quantification
7. Shift from probabilistic to deterministic model
8. Connected health & medical advances
9. Ride-sharing solutions
10. Robotics and automation in core insurance
11. Blockchain
**Usage-based insurance**

Usage-based insurance (UBI) also known as **pay as you drive** (PAYD) and **pay how you drive** (PHYD) and **mile-based auto insurance** is a type of vehicle insurance whereby the costs are dependent upon type of vehicle used, measured against time, distance, behavior and place.

Source: BBC
**Connected/smart car**

- **Customer Segmentation:** Ability to better identify risk and profile of the insured; i.e. young drivers, senior drivers, riskier drivers

- **More accurate calculations** of premiums, pricing and underwriting

- **Risk Mitigation:** Alert drivers to high accident areas or poor road conditions; real-time accident / claim reporting

Source: Techcrunch
Connected health & medical advances

Life & Health insurance companies are using data from wearables to better assess the health of the insured

**Oscar Health**, the health insurance startup, partnered with Misfit wearables to offer members rewards for staying active – up to $240 a year

**John Hancock’s** Vitality program offers savings on premiums and rewards for being active; giving out free Fitbits with purchase of a life insurance policy

Source: ftpartners
AI would be able to read large quantities of medical documents and consider other relevant factors as it calculates the payout amount for each policy claimed.

AI will be 30% more productive and save the company about $1.21 million each year. The 34 staff members will be replaced.

Source: the guardian
**Insurers can automate a wide array of processes across a number of functional areas**

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<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Portfolio Management</td>
<td>Insurance Underwriting</td>
<td>Claim Notification</td>
<td>Re-/Co-Insurance Determination</td>
<td>Customer Management</td>
<td>Legal &amp; Management</td>
</tr>
<tr>
<td>Business Process Adaption / Administration</td>
<td>Administration</td>
<td>Fraud Detection</td>
<td>Re-/Co-Insurance Lifecycle Mgmt.</td>
<td>Litigation</td>
<td>Billing / Dunning</td>
</tr>
<tr>
<td>Product Regulations and compliance</td>
<td>Fund Management</td>
<td>Appraisal</td>
<td>Sourcing &amp; Contracting</td>
<td>Due Date Management</td>
<td></td>
</tr>
<tr>
<td>Product Collateral / Marketing</td>
<td>Loan Management</td>
<td>Claim Recovery</td>
<td>Order Execution</td>
<td>Consolidation &amp; Reporting</td>
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*High Automation Potential*  
*Immediate Automation Opportunity*  
*Reduce costly errors; improve quality*  
*Refocus talent on higher value activities*
InsurTech Ecosystem
Insurance Technology

Source: Venture Scanner
PwC
Don’t Drive Much? You Can Save $500.

Metromile’s pay-per-mile insurance offering saves low-mileage drivers a ton of money.

Or call an agent at 1.888.242.5204
Lemonade – P2P Insurance

Forget Everything You Know About Insurance


CHECK OUR PRICES

Watch the video

How Lemonade Works

Lemonade reverses the traditional insurance model. We treat the premiums you pay as if it’s your money, not ours. With Lemonade, everything becomes simple and transparent. We take a flat fee, pay claims super fast, and give back what’s left to causes you care about.*

A transparent 20% fee to run everything

We pay claims super fast

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

90 Seconds To get insured

3 Minutes To get paid

Instant Everything

Maya, our charming artificial intelligence bot will craft the perfect insurance for you. It couldn’t be easier, or faster.

See the Lemonade App in action
Friendsurance – P2P Insurance

Friendsurance: The P2P Insurance Concept

Learn more
Trov – On-Demand Insurance
Givesurance – Donate insurance premium to charity

Receive More Donations
We help your donors receive up to 5% back from their insurance payments as a donation credit.

GET STARTED NOW
Zenefits created new channels to connect insurers, brokers, employers and employees

All your HR Apps in one place. All working together.

- **Payroll**
  - Fully-integrated payroll automatically updates itself as changes are made.

- **HR Management**
  - Streamline hiring, onboarding, and employee records management

- **Benefits**
  - Manage employee benefits quickly and easily online.

- **Compliance**
  - Handle the complexities of ACA and HR compliance needs with confidence.

- **Time**
  - Expedite time tracking and time off management.

- **Integrations**
  - Add popular 3rd party apps to realize the full value of a connected workplace.
IT Governance and IT Audit
The new trust dynamic: Opportunity + Trust = Growth

By building trust you will be able to maximise your growth potential and manage the risks in the opportunities available in the digital age.

Opportunity

- Social media
- Mobile
- Analytics
- Cloud
- Hyper-connectivity
- Digital identity
- Speed of change
Building digital trust need Trusted Advisor than Assurance

**Confidence in your security**
Confidence that systems are secure to protect customer and other data and that identity/privacy issues have been dealt with.

**Confidence in your data**
Confidence in the integrity of data and the ability to benefit from what it can reveal about a business.

**Confidence in your systems**
Confidence that business systems have the right controls and monitoring to ensure that they do what they are supposed to, whether they are in-house systems or are delivered as cloud based services.

**Confidence to take risks**
Confidence that technology risks are understood and well managed and that digital platforms will be available when required (24/7).

**Confidence in your digital transformation programme**
Confidence to embark on and deliver the next complex digital transformation programme in a way that delivers the expected benefits, on time and to budget.
Profile of Trusted Advisors

Trusted advisors more often possess advanced skills

Foundational skills vs. Advanced skills

- Financial controls
- General IT
- Fraud and ethics
- Compliance and regulatory (including specific regulations)
- Specific IT platform
- IT/cyber security
- Business continuity
- Data analytics
- Data privacy

- Assurance provider
- Trusted advisor
IT Governance & IT Audit

- IT Governance
- IT Audit (Advisor)
  - IT General Controls
  - Application Controls
  - Cyber Security
  - Data Analysis
  - Data Privacy
  - Business Continuity
- Third party Assurance
IT Audit (existing)
IT General Controls Review

• Systems development
• Change management
• Security
• Computer operations

Application Controls Review

• Data Originating / Authorization
• Access Control
• Data Input
• Data Processing
• Data Output
• Interfacing

Data Analytics
• Using tools to extract and analyse data
New Audit in Digital Trust
Building in resilience
Business continuity management, disaster recovery, crisis management

Managing incidents
Incident response review, corporate and regulatory investigations, forensic investigation and readiness crisis response.

Managing exposure
Penetration testing, vulnerability scanning and remediation, continuous and global threat monitoring

Security strategy development, organisational design, management reporting

Creating a sound framework of control
Risks, policy and privacy review, regulatory compliance assessment, data loss prevention, awareness programmes,

Building secure systems and infrastructure
Security architecture, network security, cloud computing security, identity and access management solutions, ERP security
Business systems confidence

Standardisation

Confidence in your systems and processes

Process and control

Quality

Automation

Adherence

Outcomes

GRC technology

Control design

Continuous monitoring and auditing

Controls culture

Documentation

Business systems landscape

Mobile applications

Internet/cloud based applications

Other enterprise business systems

ERP and EPM systems

Integration

Controls maturity
IT risk is an implicit part of the risk landscape.

Risk:
- Strategic: commercial, reputational
- Organisational: operational
- Financial
- Compliance: regulatory

Approach:
- Risk strategy
- Risk assessment
- Design implementation management
- Monitoring
- Assurance
- Outcomes

Lines of defence:
- Response:
  - 1st line: people, process & technology
  - 2nd line: management & oversight
  - 3rd line: internal audit
  - 4th line: external assurance
Vilaiporn Taweelappontong  
Partner  
PwC Consulting (Thailand) Ltd.  
E-mail: Vilaiporn.taweelappontong@th.pwc.com  
Office: 02-34401042

Warangkana Musikhasungka  
Director – Risk Assurance  
PwC ABAS Ltd.  
E-mail: Warangkana.musikhasungka@th.pwc.com  
Office: 02-34401055