

# SCORboard NewsLetter



For  
**Australia &  
New Zealand**

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*Dear friends,*

It is a great pleasure to invite you to read the first edition of our SCORboard Newsletter. On a regular basis, we will highlight relevant and thought-provoking topics for the Australian and New Zealand market.

In 2017, the life insurance industry continues to focus on regulatory change and compliance, and responding to vital concerns about consumer confidence and trust. The Life Insurance Reforms, the FSC's Code of Practice, several ongoing and planned regulatory (APRA and ASIC) and government reviews remain key challenges that have been consuming resources – in some cases away from innovation plans.

This edition covers insights from a recent *ReMark* global consumer study, an update on Insurtech, SCOR's *Velogica* offering with Adviser Connect, and SCOR's B3i blockchain initiative. Any comments and feedback on these articles would be most welcome.

As I take over as CEO in Australia and New Zealand, we have grown our team, our capabilities and competencies, particularly around underwriting, claims and experience analysis. We are absolutely committed to further strengthen our value proposition and to collaborate further with you now and into the future.

As always, we appreciate you choosing SCOR as your reinsurance partner and look forward to working together in 2017 and beyond.

**Dion Russell**  
CEO SCOR Global Life  
Australia and New Zealand

## Inside this issue

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# Debunking the status quo to engage customers

The gap between the insurance industry's intentions and the customer's experience reinforces a lack of customer conviction in the proposition, according to the **ReMark Group** 2016 Global Consumer Study, *You can't always get what you want*. ReMark, owned by SCOR, is a global direct marketing and consultancy company specialising in end-to-end marketing and technology solutions to create maximum value for clients and partners.

To close this gap, ReMark suggests insurers have four avenues to pursue:

- More engaging, emotive messaging
- The effective application of automated underwriting
- Product innovation
- Investment in wellness and wearables

Consumer response demonstrates that current demand creation efforts, such as the relentless emphasis on protection gaps, simply have not resonated.

There is ample opportunity to enhance value perceptions through communication that speaks to the specific situation of a customer – whether it is a question of impressing a sense of urgency upon *Procrastinators*, or enticing *Struggler* segments with flexible, personal propositions, or education on pricing.

If the first avenue's theme highlights the importance of improving conversion, the second considers the critical role of underwriting in purchase completion. Consumer concerns – and confusion – about underwriting compound the all-encompassing issue of trust. There is an urgent need for the seamless integration of customer support and advice into an intuitive and intelligent digital journey.

Disconnects abound. Whether the gap is between expressed customer value perceptions and actual purchasing behaviour or the popularity of the integration of life with health insurance rather than with mortgages and savings, the research indicates that customers can't always get what they want (*if indeed they are even fully aware*).

Clearly, insurers are faced with the reality of working harder to give their customers what they need. This demands deeper insights into the cognitive biases and emotional and social influences shaping customer decisions to ensure insurers can close the gap between customer expectation and experience.

But, in these challenges, lie other opportunities. Customer appetite for health-related innovation is matched by a willingness to share data. Supply side investment will further drive demand, as the success of wellness programmes in developed markets would attest.

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## Data

### Reasons for customers not buying life insurance



Source: ReMark Group 2016 Global Consumer Study, *You can't always get what you want*

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## Debunking the status quo to engage customers

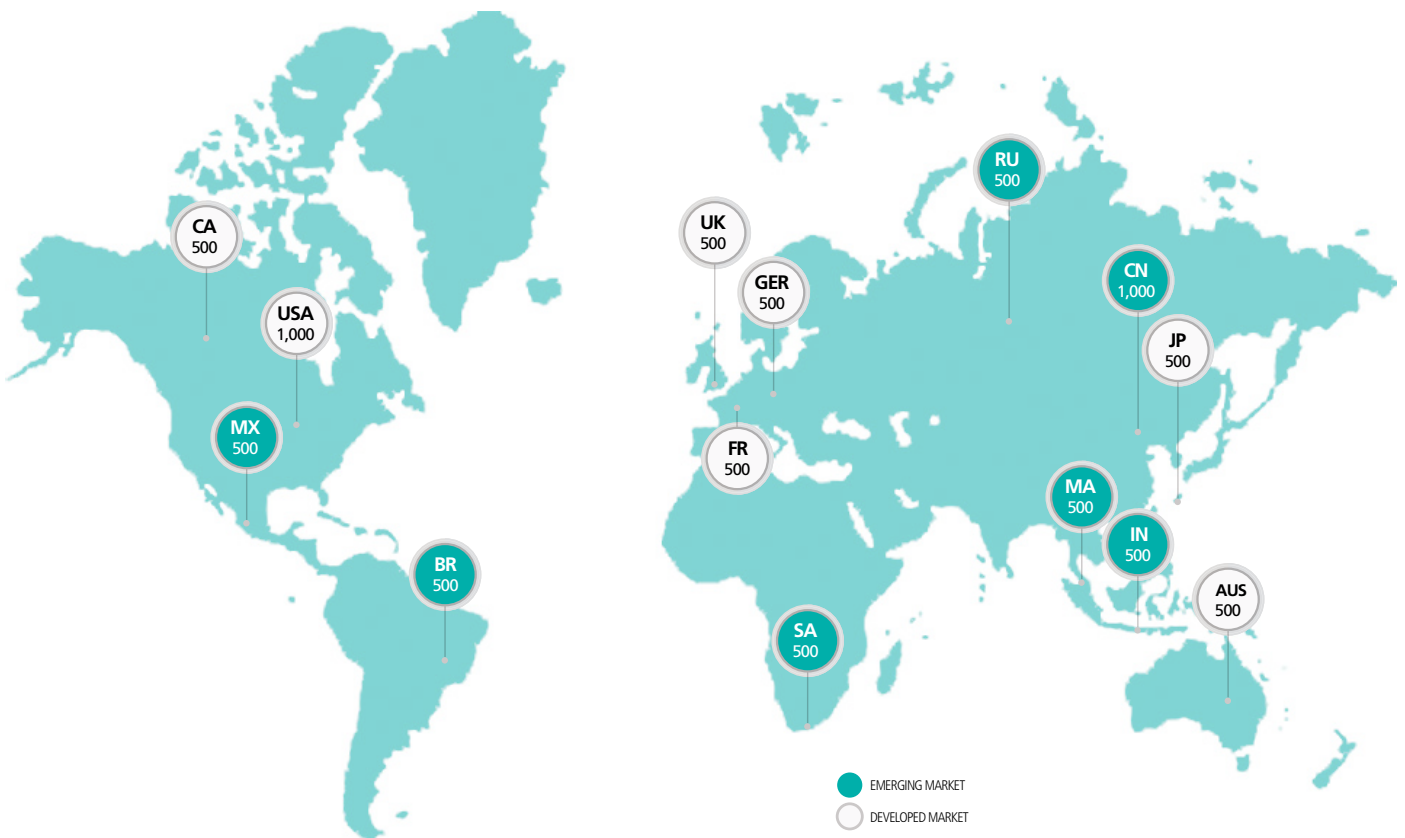
The potential revolution that wellness and wearables could have on the life insurance industry is apparent. Live data has the potential to drive an evolution in underwriting capability, and technology-enabled personalised solutions have obvious implications for customer value perceptions. While there has been a reliance thus far on the 'wealthy well,' greater long-term value lies in engaging the less healthy for sustainable behavioural change.

There is a long way to go to overcome industry challenges; while most customers will probably never want life insurance, insurers need to seek more effective ways to help customers feel the need.

*You can't always get what you want* demonstrates that it's time the industry moved away from continual focus on protection gaps and started addressing the engagement gap. It is through meaningful, more frequent engagement that insurers are most likely to restore customer conviction in the promise to protect.



Access the ReMark 2016 Global Consumer Study [here](#).



The ReMark Global Consumer Study is based on research conducted through online interviews with 8,000 insurance consumers across 14 key life markets in 2016 that account for around 85% of global life insurance risk premiums and approximately 80% of global GDP.



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# The Rise and Rise of Insurtech



**By Richard Millington**  
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**Paolo De Martin**, CEO of SCOR Global Life

**Technology is disrupting and reshaping the life insurance industry globally - distribution, underwriting, products, claims - no part of the value chain is left untouched. Consumers' needs are at the heart of these evolutions, and insurers must adapt to their expectations and re-think the consumer journey. Reinsurers can support insurers in simplifying the pathway to purchase and help them develop innovative, tech-driven propositions.**

## Insurance 'ripe' for disruption

Historically, the insurance industry has lagged banking in terms of technological evolution. This phenomenon has been seen consistently across the globe, and Australia is no exception. As the banking sector matures, investors are increasingly seeking to disrupt other financial services industries and insurance is seen by many as the next great opportunity for investment.

There is compelling evidence to suggest that this disruption is already happening extensively abroad and on a much smaller scale, in Australia.

Take for example the multinational research conducted by U.S. tech market intelligence specialists, CB Insights. At the start of 2015, there were approximately 300 start-ups worldwide engaging in disruptive technology. Now, there are well over 1,000.

Deal activity in the insurtech space hit its highest annual total in 2016, according to CB Insights. In total, deals to insurtech start-ups rose 42% on a year-on-year basis in 2016. Total funding to insurance start-ups in 2016 hit \$1.69 billion (USD), the second consecutive year investment dollars to the space topped \$1 billion (USD).

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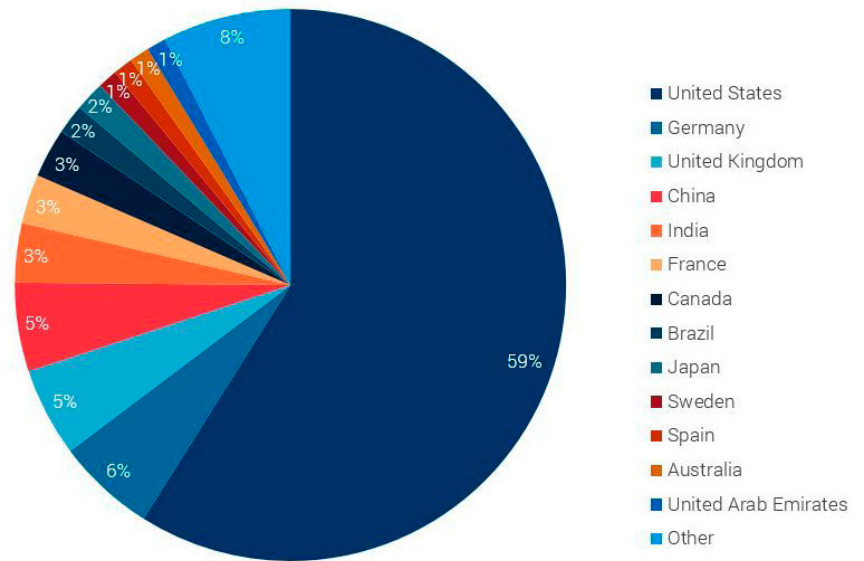
## The Rise and Rise of Insurtech

Figure 1 provides some important geographical insights. In 2016, 59% of insurtech deals went to U.S.-headquartered start-ups, however the remaining 41% of deal activity was dispersed among a set of culturally diverse countries, with no other country comprising more of 6% of deal activity. Importantly, Australia comprised of 1% of deal activity, suggesting that while investment is starting to happen, insurtech in Australia is still in its infancy.

As seen in Figure 2, insurtech developments have already started penetrating the three primary business lines. The property and casualty (P&C) sector has seen the most significant investment to date. This is largely due to the prevalence of telematics/telemetry, with the main applications being connected cars, and health and home monitoring. Life insurance is lagging P&C and Health in every part of the value chain.

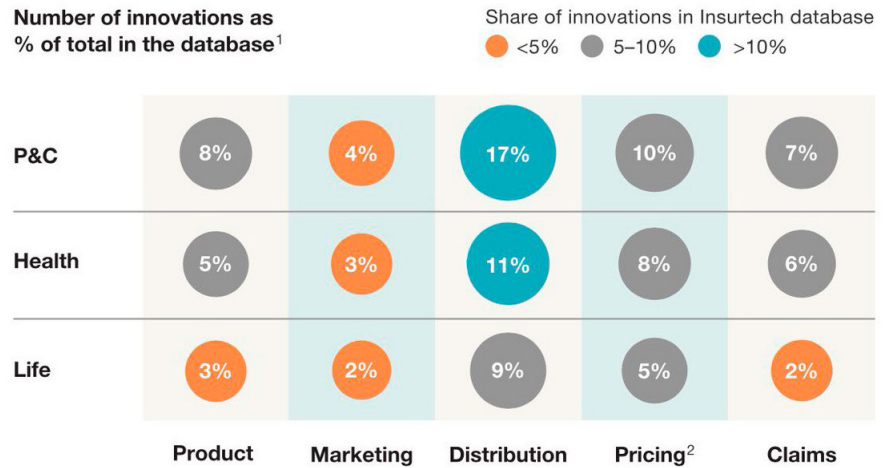
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**Figure 1: Insurance Tech Deals by Geography 2016**



Source: CB Insights, January 2017

**Figure 2: Where Insurtechs Are Focusing**



<sup>1</sup>~500 commercially most well-known cases registered in the database (excluding wealth management related innovations).

<sup>2</sup>Includes underwriting and policy issuance.

Source: McKinsey Panorama Insurtech Database

## The Rise and Rise of Insurtech

### Australia: A land of opportunity and hurdles

Insurtech start-ups, despite being in an early period of existence in Australia, have the potential to generate value across all business functions and may change the nature of how some insurers run their business entirely. The impact of start-ups will vary depending on their respective strategies. While the majority see opportunity in launching product solutions that are likely to disrupt our industry, there are many insurtechs that can offer tangible benefits to our industry through enabling technologies that significantly improve customer experience.

If history is anything to go by, insurers are unlikely to respond consistently to the opportunities presented by the current market evolutions. Insurers who have the ability to move quickly and embrace the emerging technologies will be well placed for future growth. Those who do not are likely to find it increasingly challenging to remain competitive. Suffice to say we are at a very important crossroads; however, there are many competing demands that perhaps make digital innovation a lower priority than it should be.

There are several reasons why the Australian insurance industry has been slower to promote digital innovation compared to similar markets in the U.S. or Europe. A major contributing factor is the at-times onerous legacy operational systems of established insurers, which make it very difficult to collect and analyse significant quantities of structured and unstructured data. Whilst the recent Guidance Note 33, best practice for group insurance data, is likely to go some way toward improving data consistency for life insurers, technology solutions are likely to be the critical link

to create the efficiencies that enables compliance.

A second major challenge for embracing insurtech in Australia is the complex and ever-changing nature of the local regulatory environment. The life insurance industry in Australia has faced considerable scrutiny with reviews being undertaken by ASIC, APRA and the PJC. Understandably this is taking a large majority of leadership time and focus, while in many instances, forcing digital evolution to take a back seat.

It is becoming clear that insurers who dedicate resources toward exploring new innovations and technology partnerships will enjoy a competitive advantage as the market continues to evolve. As a society, we are increasingly becoming an 'always-connected' population, therefore insurers must seriously consider digital investments in order to offer enhanced customer-centric products and services. It is imperative for consumers' needs to be at the centre of any digital evolution.

Ultimately, insurtech will impact the business models of current insurers and prospective entrants to the market. Some may see insurtech as just another buzzword, and consider start-ups to be an unwelcome disruption to the traditional risk-pooling model. However, there are also those who will see it as a great enabler for creating a more seamless and connected experience for customers. Our response to these opportunities will shape our future, and those who respond first will be best placed to capitalise.

## Data

### By the Numbers...

When considering the scale of the overall insurance industry, it is easy to contemplate why so many see our industry as ripe for disruption. At the end of 2015\*, Global insurance premiums in US dollar terms were estimated to be approximately:

(In Trillions of US Premium Dollars)

\$2.5

*Global Life Insurance*

\$1.4

*Global Non-Life*

\$1.2

*Global Accident & Health*

\*Source: Axco Global Statistics



**By Paula Bourke**  
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Velogica

# Technology driving positive health outcomes in claims

SCOR Global Life has formed a partnership with Adviser Connect to provide a best-in-class underwriting and claims solution, **Velogica Asia Pacific**.

Velogica and the SCOR Global Life Australia team can now provide a claims solution to integrate the biopsychosocial model into early claims management triaging, driving positive health outcomes and giving customers access to appropriate support services.

## World-Class Underwriting

Velogica is a global proposition to the local market, combining state-of-the-art software and world-class underwriting that is already highly rated within the industry by customers, underwriters and advisers. At Velogica's core is an automated underwriting solution, offering life insurers a superior new business acquisition capability to meet a range of consumer needs, in one seamless and efficient process.

Quote and apply modules, whether from the Velogica suite or the insurer's own, are integrated using market-leading, flexible and configurable software. The result – a convenient, responsive and intuitive journey.

Velogica enables insurers to service multiple brands, products and channels which enhances flexibility in product positioning. These key capabilities include flexible product design, multiple underwriting completion methods, mobility, multi-branding/white labeling and partnering support.

## Improved Claims Outcomes

Insurance books and therefore the number of claims have grown substantially, particularly within the ongoing management of long-term disability risk, whereas technology implementations have typically focused on the back-end operational management of claims.

Velogica and the **SCOR Global Life Australia** team, can support insurers to lead with a strong values-based culture by using technology integration to help screen for long-term disability risk, giving customers early access to rehabilitation and other support services to improve health outcomes.

In 2011, the Royal Australasian College of Physicians and the Australasian Faculty of Occupational & Environmental Medicine released the *Consensus Statement on the Health Benefits of Work* and over the past few years, the industry has become well-educated on the importance of this statement. We all know that good work is good for people and as an industry, we are striving to truly achieve improved health for consumers. It is important to identify customers who require health support intervention early. This can be achieved by integrating the biopsychosocial model into early claims management triaging.

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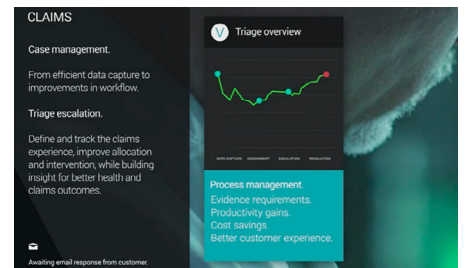
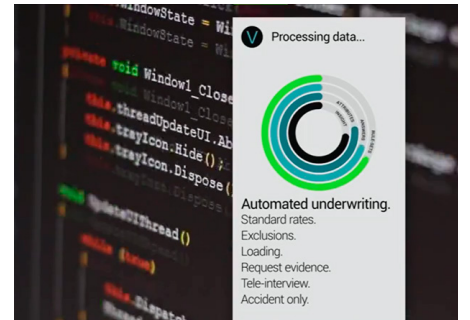
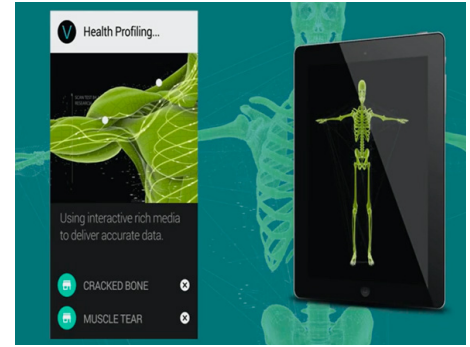
## Technology Driving Positive Health Outcomes in Claims

The biopsychosocial model is a broad view which considers that disability outcomes and durations are impacted by the variable interaction of biological factors (genetic, biochemical, etc.), psychological factors (mood, personality, behaviour, etc.), and social factors (cultural, familial, socioeconomic, medical, etc.). The biopsychosocial model extends on the biomedical model, which only attributes disease to generally biological factors such as viruses, genes, or somatic abnormalities.

To identify biopsychosocial factors, Velogica reuses the underwriting rules on the front end to create claim rule sets with reflexive questioning capability to better screen for claims with high disability duration risk.

In summary, SCOR Global Life and Adviser Connect, in partnership with Velogica Asia Pacific, have assembled a team of more than 60 client and technical experts with platform knowledge, software expertise and underwriting and claims skills to work with clients to produce solutions that meet their specific requirements.

We truly believe our new partnership will assist insurers in the collective goal to provide customers access to appropriate support services. This is the first step to improving both the customers physical and mental health and well-being, leading to overall positive health outcomes.



**Paolo De Martin, CEO of SCOR Global Life**

**The combination of SCOR Global Life's risk and underwriting expertise and of the leading-edge Adviser Connect technology represents a unique opportunity that will add significant value for our Asian clients.**



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# B3i initiative looking towards the future of our industry



Denis Kessler, SCOR Chairman & Chief Executive Officer

**SCOR's role as a global Tier 1 reinsurer is to experiment and test cutting-edge technology like Blockchain. The success of the Proof of Concept conducted by SCOR on Blockchain, along with the work of the B3i members on this technology, will help to accelerate the digitalisation of the insurance and reinsurance sectors, to the benefit of the whole industry.**

A growing number of experts are touting blockchain technology as an emerging major disruptor in the financial services sector with the vast potential to overhaul existing business models including infrastructure, the approach to settlements and customer interactions.<sup>1</sup>

As a result of imminent changes, SCOR recently began testing blockchain technology and launched a technical accounting Proof of Concept (PoC) to assess the feasibility of using this leading-

edge platform and to also enhance the **Ruschlikon** initiative (see sidebar). Blockchain is essentially a secured distributed database, or ledger, shared by all parties to an exchange.

To date, SCOR is very pleased with the results of these tests. They have demonstrated that blockchain technology is agile and quick to implement; it simplifies and accelerates interaction with real-time status simultaneously shared by the business partners involved; and the technology has the potential to efficiently reduce costs.

To further explore the potential use of distributed ledger technology for the insurance industry, SCOR has also joined the **Blockchain Insurance Industry Initiative B3i**. Since its launch in October 2016, the initiative has gained broad attention across the industry and beyond, while achieving a truly global scope with additional members joining from Asia, Europe and the Americas.

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To learn more about SCOR's Blockchain test, please [view our video](#).

## B3i Initiative Looking Towards the Future

The current 15 members of B3i are SCOR, Achmea, Aegon, Ageas, Allianz, Generali, Hannover Re, Liberty Mutual, Munich Re, RGA, Sompo Japan Nipponkoa Insurance, Swiss Re, Tokio Marine Holdings, XL Catlin and Zurich Insurance Group.

In a collaborative effort, members of the B3i initiative will explore the ability of distributed ledger technologies to increase efficiencies in the exchange of data between reinsurance and insurance companies. In order to realise the proof-of-concept stage, the participating members will implement a pilot project aimed at transacting reinsurance contracts with each other.

In summary, if blockchain technology proves to be a viable tool, it could transform the insurance industry through a shared, transparent record of contract-related information. Streamlining communication and transactions would subsequently improve industry processes and provide better insurance services to customers. The Blockchain Insurance Industry Initiative B3i intends to share initial results in June 2017.

## Vision

### Investing in Tomorrow

Ruschlikon's primary purpose is to optimise administrative costs and enhance client services. Ruschlikon, a global community of insurers, brokers and reinsurers, aims to further automate back office processes by implementing the ACORD standard messages for technical accounts, claims and financial accounts, along with the Ruschlikon Best Practice Processes. The Ruschlikon initiative brings together more than 50 companies. Its Steering Group is composed of SCOR, AIG, Aon Benfield, Guy Carpenter, Lloyd's, Munich Re, Swiss Re, Willis Towers Watson, and XL Catlin.

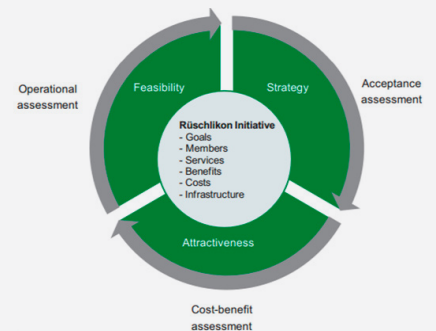


Chart source: *Market survey on the potential and market acceptance of an electronic platform to facilitate (re)insurance administration*, University of St. Gallen, Institute of Insurance Economics, pg. 7.

We are dedicated to providing you with best-in-class solutions and service today and in the future. Please reach out to your regular SCOR contact and any one of us on the Australia and New Zealand leadership team any time we can be of assistance.

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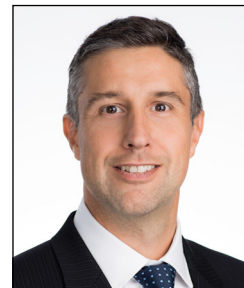
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We value your feedback and sincerely appreciate your continued business.

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