Strategy for success
Insurance in a disrupted world

Mohit Mehrotra, Strategy Consulting Leader, Deloitte Southeast Asia
Agenda

• Monitor Deloitte: About Us
• Confronting a disruptive future
• Early signs of response
• Taking the next steps
Introducing Monitor Deloitte

Monitor Deloitte combines the strengths of both practices including thought leadership, talent, resources, and global reach; allowing the firm to provide clients with unique insights, leading edge ideas and methods, actionable analysis and recommendations, and extensive hands-on implementation experience – all firmly grounded in deep industry knowledge and focused on business impact.

<table>
<thead>
<tr>
<th>Strategy Thought Leadership</th>
<th>Deep Industry Expertise</th>
<th>Global Capabilities</th>
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<tr>
<td>• World-class thought leadership</td>
<td>• Consumer Business</td>
<td>• Over 1,500 consultants globally</td>
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<td>• Action-oriented</td>
<td>• Financial Services</td>
<td>• Global deployment of resources</td>
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<td>• Customised solutions</td>
<td>• Manufacturing</td>
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<tr>
<td>• Solid analytical capabilities</td>
<td>• Travel, Hospitality and Gaming</td>
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<td>• Leading-edge methodologies</td>
<td>• Media and Entertainment</td>
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<tr>
<td>• Global experience</td>
<td>• Technology, Media &amp; Telecommunications</td>
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<td></td>
<td>• Public Sector &amp; Economic Development</td>
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Doblin

The innovation unit of Monitor Deloitte

Doblin’s sophisticated design thinking methods and Monitor Deloitte’s cutting-edge approaches to change management and strategic implementation extends our ability to help clients move more seamlessly through an integrated innovation process

• Established group in Monitor Deloitte with more than 70 professionals globally operating in close collaboration with the rest of the firm

• Our primary mission is to help clients identify and exploit new sources of profitable growth through Innovation

• We have a wide range of specialist skill sets, including strategists, designers, ethnographers, business concept illustrators and technology experts
  
  – We maintain external networks of experts and partnerships to augment our work

• Doblin continues to push the boundaries of Innovation through active thought leadership from widely recognised experts, such as Larry Keeley (Ten Types, Convergences) and Francis Béland (Open Innovation)
The Ten Types of Innovation

Our unique innovation philosophy looks beyond product performance and thinks about multiple points of innovation planning and development across the entire organisation.
The Ten Types of Innovation

The Ten Types of Innovation—exploded and explored. There are numerous potential topics of innovation in each of the 10 types.

<table>
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<tr>
<th>Profit Model</th>
<th>Network</th>
<th>Structure</th>
<th>Process</th>
<th>Product Performance</th>
<th>Product System</th>
<th>Service</th>
<th>Channel</th>
<th>Brand</th>
<th>Customer Engagement</th>
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Confronting a disruptive future
Disruption permeates through all industries
Five ways new entrants are disrupting incumbents

1. New entrant displaces leading incumbent
   - **Examples**: Amazon within the publishing industry

2. Fragmented players collectively displace leading incumbent
   - **Examples**: Uber, GrabCar etc. within the transport industry

3. New entrant expands market; Incumbent maintains original market, which is a small part of the overall market
   - **Examples**: Google within the advertising industry

4. New approach shrinks the market for an entire product category, creating a new market
   - **Examples**: Newzulu within the printed news industry

5. Fragmented incumbents consolidate into a few concentrated players and others are marginalised
   - **Examples**: Telkom Indonesia and Telstra joint venture within the TMT industry
Insurance notably poised for disruption
Sector ripe for disruption due to top-line and bottom-line incentives

Disruptive Trends

<table>
<thead>
<tr>
<th>Limited consumer transparency</th>
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<tbody>
<tr>
<td>Low customer satisfaction (Net Promoter Score)</td>
</tr>
<tr>
<td>Traditional sales and outreach channels utilised</td>
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<tr>
<td>IoT enabled Telematics</td>
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<tr>
<td>Social Media</td>
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<tr>
<td>Increase in available sales and outreach channels</td>
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<td>Proliferation of new risks (e.g. cyber risk)</td>
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<td>New premium pricing methodologies</td>
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<td>Big Data in client profiling</td>
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<td>Risk mitigation through active monitoring</td>
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Impetus for Disruption

| Large uninsured and sceptical consumer base |
| Greater market opportunities |
| Potential for efficiency gains |

Outcome

Rising global investments in Insurance (Fin)Tech

Emergence of Insurance (Fin)Tech Unicorns

Source: Newspaper Clippings; CB Insights
## Forms of disruption differs across sectors/sub-sectors

A non-exhaustive list of disruptive models within three insurance sub-sectors:

<table>
<thead>
<tr>
<th>Disruptive models</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>A On Demand Models</td>
<td>Insurance on demand</td>
</tr>
<tr>
<td>B Value comparison Models</td>
<td>Insurance comparison and education</td>
</tr>
<tr>
<td>C Peer-to-Peer Models</td>
<td>Crowd-sourced insurance</td>
</tr>
<tr>
<td>D Telematics-Based Models</td>
<td>Behaviour-based insurance</td>
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<tr>
<td>E Pay-per-Mile Models</td>
<td>Pay-per-mile insurance</td>
</tr>
<tr>
<td>F Self-driving Car Models</td>
<td>Auto insurance on demand</td>
</tr>
<tr>
<td>G Telematics-Based Models</td>
<td>Online renters insurance platform</td>
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<tr>
<td>H Catastrophe Insurance Models</td>
<td>Optimises mortgages and home insurance policies</td>
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<tr>
<td>I Big Data enabled Models</td>
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Early signs of response
Three alternative responses have emerged
The choice of response can be broadly categorised as **Business Model**, **Platform Development** and **Customer Experience**.
Three alternative responses have emerged (cont’d)
We have studied 3 distinct strategic responses to digital transformation among insurers

<table>
<thead>
<tr>
<th>Response</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>1. The BUSINESS MODEL Response</strong></td>
<td>CEO takes lead, forms venture arm. Venture arm invests / develops. New tech is acquired / funded. Focus on new business models. Distinction between core and new services.</td>
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<tr>
<td><strong>2. The PLATFORM DEVELOPMENT Response</strong></td>
<td>CIO / CMO takes leadership. New products / services are developed. New tech is procured / developed. Focus on critical platforms. Core offerings are digitised.</td>
</tr>
<tr>
<td><strong>3. The CUSTOMER EXPERIENCE Response</strong></td>
<td><em>All of Management</em> takes leadership. Collective digital future is envisioned. Transformation themes developed. Focus on innovation at all levels. Insurer operates with digital mindset.</td>
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Parallel play
One example is development of a collaboration oriented play by incumbents in various industries

Establishing new fronts to drive innovative insurance product development and distribution

ZhongAn Insurance
An internet-based insurance company formed through a joint venture between Ping An, Tencent and Alibaba.

• China’s first online insurance company borne out of collaboration between insurance incumbents and digital leaders
• Taps into core expertise of collaboration partners, while posing minimal risk to their main operations
• Adopts Big data and advanced analytics in premium pricing and risk management
• Efficiency gains through reduced operating and distribution costs due to lack of physical presence.

Key Statistics:

- US$10Bn Valuation
- 630 Mn Policies underwritten in 1st year
- 150 Mn Consumers in 1st year

Source: Newspaper Clippings, ZhongAn Insurance
**InsurTech incubators and accelerators**

Incumbents taking leading role in shaping insurance innovation through incubators and collaboration

**Supporting growth of innovation within insurance while discovering new collaboration opportunities with leading digital players**

**AVIVA**

*Launch of Digital Garage in Singapore to test and collaborate on innovative insurance solutions*

- **Collaboration** with Singapore FinTech, with partners, and with research bodies.
- Established a similar **Digital Garage in London**
- **Share expertise and insights into digital insurance** gained in the UK

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<tr>
<th>Key Statistics:</th>
<th>200</th>
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<tr>
<td>Technology specialists supporting Aviva Digital Garage</td>
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**MetLife**

*Launch of LumenLab, Innovation Centre for Life Insurance Industry in Singapore*

- Established to **develop disruptive new business models** in the areas of wellness, wealth, and retirement
- Houses a **working space and business incubator** staffed with dedicated innovation experts

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<th>Key Statistics:</th>
<th>7,800</th>
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<tr>
<td>Square feet facility owned by LumenLab for working space and business incubator</td>
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</table>

Source: Newspaper Clippings, ZhongAn Insurance
Digital insurance challengers
Disruptive models being played by challengers

Challengers leveraging digital platforms and channels to disrupt incumbents

Oscar
A digital healthcare insurance company that is valued at close to US$3Bn
• Adopts digital platforms (online portal) as its main consumer communication and sales channel
• Enables simplified and convenient access in signing up for health insurance online (within 5 minutes)

Key Statistics:
- US$3Bn Oscar’s valuation
- 70% Members using Oscar’s portal as first step for medical help

Insurify
A virtual car insurance search provider with USD$2 million raised in the latest seed funding round
• Leveraging on predictive modelling and advanced analytics
• Virtual insurance agent, EVIA, which provides quick and convenient insurance services to disrupt insurance agent saturated industry

- 82 Insurify’s carrier partners

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Source: Newspaper Clippings, Oscar, Insurify
Three potential digital transformation journeys

Adopting a digital transformation depends on the innovation choices insurers aims to embark on

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Taking the next steps
Nine patterns of disruption
Harnessing each of the nine patterns for incumbents involves a detailed understanding of how these patterns of disruption deliver value to incumbents and their markets.

These patterns can act as a lens through which incumbents can analyse their businesses... And provide frameworks to aid incumbents in harnessing the potential brought about by disruptions.

1. Expand marketplace reach
2. Unlock adjacent assets
3. Turn products into platforms
4. Connect peers
5. Distribute product development
6. Unbundle products and services
7. Shorten the value chain
8. Align price with use
9. Converge products
The winning response is a sustainable response
Sustained move to a digital future requires a shift in mindset at the top

- Brutally Honest
- Vulnerable
- Open to criticism

- Generous
- Problem-solving
- Open to ideas

- Connected
- Patient
- Open to difference

- Flexible
- Curious
- Open to change

- Authentic
- Engaging
- Open to disclose

- Experimenting
- Smart risk
- Open to failure

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## Immersion programme for insurance game plan

### Key objectives

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<th>A</th>
<th>Meet the future of insurance</th>
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<td></td>
<td>B</td>
<td>Distil noise from signals</td>
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<td></td>
<td>C</td>
<td>Develop digital mindset</td>
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<td></td>
<td>D</td>
<td>Articulate digital game-plan</td>
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<td>E</td>
<td>Activate the ecosystem</td>
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#### A: Meet the future of insurance
- **The DISRUPTORS** (startups, VCs)
- **The CHALLENGERS** (large tech conglomerates)
- **The INCUMBENTS** (transforming traditional insurances)

#### B: Distil noise from signals
- **Understand The DIGITAL SCHEMA** (customer experience, simplicity, speed)
- **DEEP INSIGHT** (differences between success and failure)
- **DEVELOPED and EMERGING** (US trends v Asian trends)

#### C: Develop digital mindset
- **AGILE, FAIL-FAST** (fail fast and learn, rapid prototyping, game changing, micro-risk)
- **TRANSPARENT, PUPOSEFUL** (honesty, openness, debate, dissent, open conflict, engaging, driven by higher purpose)
- **INCLUSIVE** (different perspectives, looking out, multiple points of view, patience)

#### D: Articulate digital game-plan
- **SENSE OF PURPOSE** (collective sense of shared purpose, urgency, belief)
- **INFORMED CHOICES** (where to play, traps to avoid, how to win)
- **ROADMAP** (sequence of actions, experiments to begin, investments to make)

#### E: Activate the ecosystem
- **INDIVIDUALS WITH EXPERTISE** (tech experts, connectors, VCs)
- **SAME-SIDE PARTNERS** (financial players, Fintech, insurance)
- **CROSS-SIDE PARTNERS** (e-commerce, consumer cos, telcos, B2B providers)
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Mohit, Executive Director, is the Global leader of the Wealth Management Group, and leads our strategy consulting practice in Southeast Asia. He has been working with Deloitte Consulting for almost 10 years. He has worked in North America, Western Europe and various parts of Asia including, where he delivered advisory services to various financial institutions. Mohit has managed regional engagements to address strategy, value proposition development, segmentation, distribution and profitability related issues. He has written numerous articles in publications such as Asia Insurance Review, Business Times, GT News, Asian Banking & Finance.
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