



## Episode 14: Impact of InsurTech on the life insurance industry

MAGDA RAMADA: I don't want people to think that InsurTech, and innovation, and transformation are like these massive three years, five years projects. You can actually change a lot in less time than that.

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SPEAKER 1: You're listening to (Re)thinking insurance, a podcast series from Willis Towers Watson where we discuss the issues facing P&C, life, and composite insurers around the globe, as well as exploring the latest tools, techniques, and innovations that will help you to re-think insurance.

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CARRIE KELLEY: Hello, and welcome to (Re)thinking insurance. I'm your host, Carrie Kelley. Today, I'm delighted to be joined by my guest Magda Ramada who is a senior director in our Madrid office in the Willis Towers Watson InsurTech innovation leader for EMEA. Welcome, Magda.

MAGDA RAMADA: Hi, Carrie. How are you doing? Thanks for having me.

CARRIE KELLEY: We're happy to have you. In today's episode, we're going to be discussing InsurTech for life insurance and current industry trends in this space. But first, let's find out a little bit more about our guests. So, Magda, our question to introduce people is to ask about if you Google yourself, what does that search come back with, and what would you really like to see when you Googled yourself?

MAGDA RAMADA: So I've done a couple of these. I'm not going to try to give you a different answer. Usually, I want people not to find anything about me. I'm very private. So I actually google myself very often to make sure nothing is out there for my personal life. But I don't know. I wish one day you Google me and you just find I got the Nobel Prize for-- I don't know-- fighting poverty or something big. I've always dreamed about that.

CARRIE KELLEY: Very ambitious. OK. One day, right? So as I said, we're going to talk about InsurTech, specifically focusing on the life space. So to start us off, what are some of the trends you're seeing in the InsurTech space that you feel life insurers should be aware of?

MAGDA RAMADA: There's multiple trends right now that are relevant for life insurers, and they have been for a couple of years, right? It's just that life insurers took longer to acknowledge them and to use them. Although we have seen investment from the life insurance and health space, and it has always been there. It's not new. It's growing. Last year was a year where we

saw actually a lot of activity, some very big deals.

And essentially, I always separate the trends into like two buckets. The one of the low hanging fruit are the things that are really about increasing efficiency, improving our current business models, doing things better, assessing risk more accurately. And all of those are really about applying advanced analytics and machine learning and automation in the right way on the right places.

Life insurers got later to the party on that one, but actually they are now thinking about using a lot of this to decrease the time to market and to become more efficient. On the other hand, you have things that are really about changing your business model-- the way we look at risk, the way we mitigate risk, the way we understand it. And that's where you get everything around data sources, new data sources, continuous interaction with your customer.

Life insurance has always been characterized by almost no post sale interaction, right? Unless it's about renewals and changing the price of your policy. There's not a lot of interaction, or there hasn't been traditionally a lot of interaction post sale. And that has changed. Life insurers are really trying to have a more fluid relationship because of two reasons.

One-- because it improves the stickiness of the product. They want to become a partner to the customers. It's more customer centric. And on the other hand, because it generates more data. The more touch points you have with the customer, the more data you generate. It becomes more transactional. The more you understand about their needs, about their behavior, about the value they add to your company, about the value you add to them.

So essentially, those are like the two areas where we're seeing most activity. One is really about efficiency and the low hanging fruit of becoming better, cheaper and faster, what we do, and the way we do it. And the second bucket is really about changing part of our business models.

CARRIE KELLEY: Ok. So building on that increased interaction. There have been a number of startups recently focusing on gamification in the life space and behavioral economics. So how are they integrating these practices into life insurance? Can you speak a little bit more to that?

MAGDA RAMADA: I love the topic of behavioral science in the context of life insurance and insurance in general. And I think one of the main struggles we have always had with longevity risk and things related to things that can happen. But actually they will happen because we all will die at some point, right? But it always seems far away. And the discounting of expectations is something people have talked for a while in terms of how people do not see the value of investing in insurance or in something now that they will actually be using in 20 years or 30 years.

And it's interesting because behavioral sciences realize that that's actually not what's driving people to be underinsured in the context of life insurance. And actually what is driving people to be underinsured is that the constant nudges and environmental cues that you get on a day-to-day basis that make other things more urgent and relevant, and that change your preferences. So it's not about you don't thinking that your future lacks relevance. It's just that other things that are immediate and bombarding you on a constant basis seem more important to you. And therefore, behavioral science has been using that to change the relationship and the feeling that you really need life insurance. And that interaction is really interesting. It is about making an invisible product more visible.

I don't know if you know Dan Ariely, but Dan Ariely is the chief behavioral officer of Lemonade or used to be. And he has a lot of videos out there about how you can use behavioral economics and behavioral science in the context of insurance to turn around the way you interact with customers and to just turn vicious cycles into virtuous ones. And one of the things he talks about is really that visibility, the fact that making a payment today means-- for certain families and in the underserved segment, that's actually a fact, right?

If I pay nine euros or 9 dollars a day today, it may mean that there is less food on the table that

night, right? And the food on the table is visible and life insurance isn't. So you make it visible. You transform it into something that you can pass on. You add some ceremonial stuff to it. And I think that's really powerful.

And on the gamification side, it is really about changing those cues around you, and when they are negatively affecting your choices. So we have a tendency, human beings have, to just always go for the option that has less friction. And sometimes that option is really not the best one in the long term. So changing that and making sure that you generate either two options that have the same amount of friction, or that you put friction on the options that will have the worst outcome, just changes people's behaviors.

I really like a startup that used this approach combined with some life coach approach and a very cool game, very visual where you play 10 minutes a day. And they did this with students, and you kill your inner monsters. And the AI that is fueling this game is learning from your messages. It's not really reading your messages but understanding your style and talks to you in the same way you would talk to you.

So you have to go against your own laziness. You have to go against your own fears. And there are all like these monsters in the game, and you play against them. And you do like contracts with yourself and things you want to achieve, like I want to get an A in the next exam. And they did that for students. And they did like a double blind type of study and showed that it actually was very effective at changing people's behavior in a sustainable way.

So I think there's so much we could do. And it's really more about changing people's perception around what's important then fundamentally changing anything about the product. It's more about this whole customer journey around the product, right?

CARRIE KELLEY: That's really interesting. So branching out a little bit, the InsurTech space has continued to lag the P&C counterparts on the life side. What do you think is driving the slower adoption for these new innovations on the life side versus the P&C side?

MAGDA RAMADA: It's a very different type of business. So the P&C side just has the frequency of data, and of claims, and of interaction has always been higher, so the need for data intensive models was always there. And therefore, that has been a catalyst to incorporate new data sources and even more higher performing models into the way you do the underwriting and the way you do the pricing. It has always been a very dynamic market compared to the life insurance one.

Does that mean that life insurance doesn't need that? No. That's not true. Actually, we are doing some advanced analytics on the life insurance side, and you can use machine learning models. And they do perform better than other things. It's just that to me there's always two dimensions. Well, not to me. We have a framework for this. But it's like you have two dimensions that are on product. What is really the sophistication in terms of its digitization, the way it interacts with the customer, the design of that product?

And then there is like the pricing, underwriting, claims, and product design sophistication, the technical one. And that sophistication is given by the market. So depending on the market you're in, you may have a very cool product that doesn't have to have a very technical approach to it because the market is not technical, the price is not technical, there's no competition around the price, it's a very soft market.

And in other cases, you may have a product that actually is not digital at all. It doesn't have-- it's not customer centric. It doesn't have all the great attributes we're seeing in digital products today, but is highly technical because you're in a very hard market with a lot of technicity behind the price. And I think life insurance hasn't seen yet that level of competition. So why do you have very technical pricing and underwriting?

Well, because obviously, you need that to survive. The life insurance business is a business that really needs that. But those models need to be extremely accurate, but they don't need to be dynamic for instance. They don't need to change every month in the context of the market

we are today. So that means that life insurers didn't need to invest a lot into that type of modeling sophistication and dynamic modeling. And therefore, there seems to be less of a need.

Today, we're actually helping clients there. I'm currently working on a project where we're looking at a portfolio of a life insurer and changing all the five products into what can be done better in the context of the current environment for investing and low interest rates in the context of your relationship with your customer in the context of wanting to go digital. And that requires different tools. And some of those tools are in the InsurTech space.

Some of those tools we have around better models, models that allow you to have an underwriting process around two questions instead of a questionnaire of 15 questions and then-- I don't know-- medical checkups and blood drawings. So I think it's changing very quickly. And in the U.S., with what we have seen most of the deals on life and health space, it has been more about navigating a very complicated environment because health insurance in the U.S. is very complicated.

But a lot of the innovation has been around personal lines in the U.S. And that has changed. Now we're seeing more innovation coming from other parts of the world. But in the context of the U.S., personal lines for life and health, well, a lot of that is actually covered under group. The personal line side of that is actually not that large. So I think that's why it took time. It took time to understand how to use what was out there and how to leverage it. And I guess the market didn't need it as much as the P&C market.

CARRIE KELLEY: Build on that, you touched a little bit on this. But how are you seeing traditional insurance companies integrate these new innovations? You talked a little bit about working with your company to help overhaul their underwriting. But throughout this space, do you see companies partnering with say InsurTech startups to find and use these new technologies? Are they building these systems in-house or they're doing combinations of this?

MAGDA RAMADA: There's everything. I mean, there's multiple ways in which incumbents are actually partnering with the ecosystem. Part of my role is really to understand how we partner with the ecosystem. Because we develop solutions for insurers.

And the whole industry is actually transitioning to a world where it's more about microservices and reusable components across different areas of risk or different areas of your value chain or different functions. And therefore, you need a very good, and lean, and transparent partnership ecosystem framework.

And I feel that's where many of the life and health insurers are failing. It's really not about finding the coolest thing to do. If you talk to all of these companies, they don't lack ideas. They have plenty of ideas. But then finding the right partner for each idea, making the right questions, understanding how sustainable it is to partner with that startup or with another startup or with a tech giant, that is also developing some of the solutions or with us who are a provider for technology for most of the market.

So essentially, I think navigating the ecosystem and being able to compare all these microservices or these data sources is where the difficulty is. And not every insurer has a function that is staffed and that has the capability to deal with this because the level of acceleration on options is just incredible. Five years ago-- six years ago when I started in the InsurTech space, I could just read about stuff once a week. And, now, even if-- I don't know-- I block three hours a day to read is not enough. And I don't block them anymore because-- So it's just like-- I think navigating that complexity and acceleration is not easy, and it is a process. So six years ago, everything was fascinating. I would love everything and say, oh, this is amazing, and we could do that AB and C with this. And then you go into-- you start asking the right question. Not everyone's secret sauce is actually a secret sauce. A lot of people are using open source.

And then you become like a-- I don't if cynic is the right word, but it's just like, OK, another guy doing this with that, right? So the life and health insurance space still has to go through that

transition, like with P&C space did, and it takes some time. And then you have the natural inertia in all of this. It's difficult to make some changes. Companies are very emotionally attached to their legacy systems and investments they did that are now obsolete. So all of that is not easy to change.

And in the case of life and health, it's also about your channels. In most countries, the way you sell life insurance is very agent and broker based. So it's not about getting on board with technology and digitization. You have to get your channels on board too. And there is a lot of resistance depending on what those channels are, how they are staffed, how big, how small, the demographics of those channels. So it's a whole thing.

The project we're doing right now started being about changing life insurance products and innovating these five products, and it ended up about being-- we also have to change the investment function. We got our talent and rewards people on board, the people on change management, the people on communication. Because there are so many things you have to change just to bring a life insurer portfolio to the 21st century.

So it's more complex than it seems. It's not just not about investing in a startup and making a cool partnership. You can make the headline. It looks nice. But productizing it, that's the difficult part.

CARRIE KELLEY: All right. If there was one key takeaway you would want people to have from this discussion, what would that be?

MAGDA RAMADA: OK. So if I'm talking to regular people like me, customers of life insurance, I think my key message would be your data has a lot of value. I'd be very wary about what you do with your data, how you own your data. Be liable for your own data, and just don't give it away for free because there's a lot of very cool stuff that people can do with your data and very uncool stuff as well.

And the way people perceive you and your risk is actually linked to your data. I'm a very big advocate of data self sovereignty and people being in charge of their own data. So life insurers, health insurers, and P&C insurers, almost every other corporate out there is leveraging people's data. And I think people need to think about that, about the data they produce and how it's being used and how they want to be in control of that.

If the people that are listening are actually people within life and health insurers and that are taking decisions about innovation, I think my message is really transformation is not as hard as it seems. You can do it in 6 to 8 weeks sprints. You just need the right partner to transform, make sure that you are transforming everything that needs to be transformed in the right moment and iterate around it.

And when you look at a product from the perspective of the customer and not of a policy, and you really look at that customer journey, there's many changes that you can do that are quick wins. So I don't want people to think that InsurTech, and innovation, and transformation are like these massive three years, five years project. You can actually change a lot in less time than that.

And that's what we're trying to do with them, really transform the industry together, and to make sure they understand that there is so many tools out there that could be leveraged overnight. And that's the beauty of it. And I think that's what's great about what happened, that today we really have a tool box that is amazing.

CARRIE KELLEY: All right. Well, Magda thank you for joining us today to talk about InsurTech for life insurance.

MAGDA RAMADA: It has been my pleasure. Thank you for having me.

CARRIE KELLEY: And thank you everyone for listening to (Re)thinking insurance. Have a good day.

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