

A SHOWCASE OF THE RAPID DEVELOPMENT OF ONLINE INSURANCE IN CHINA

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AGENDA

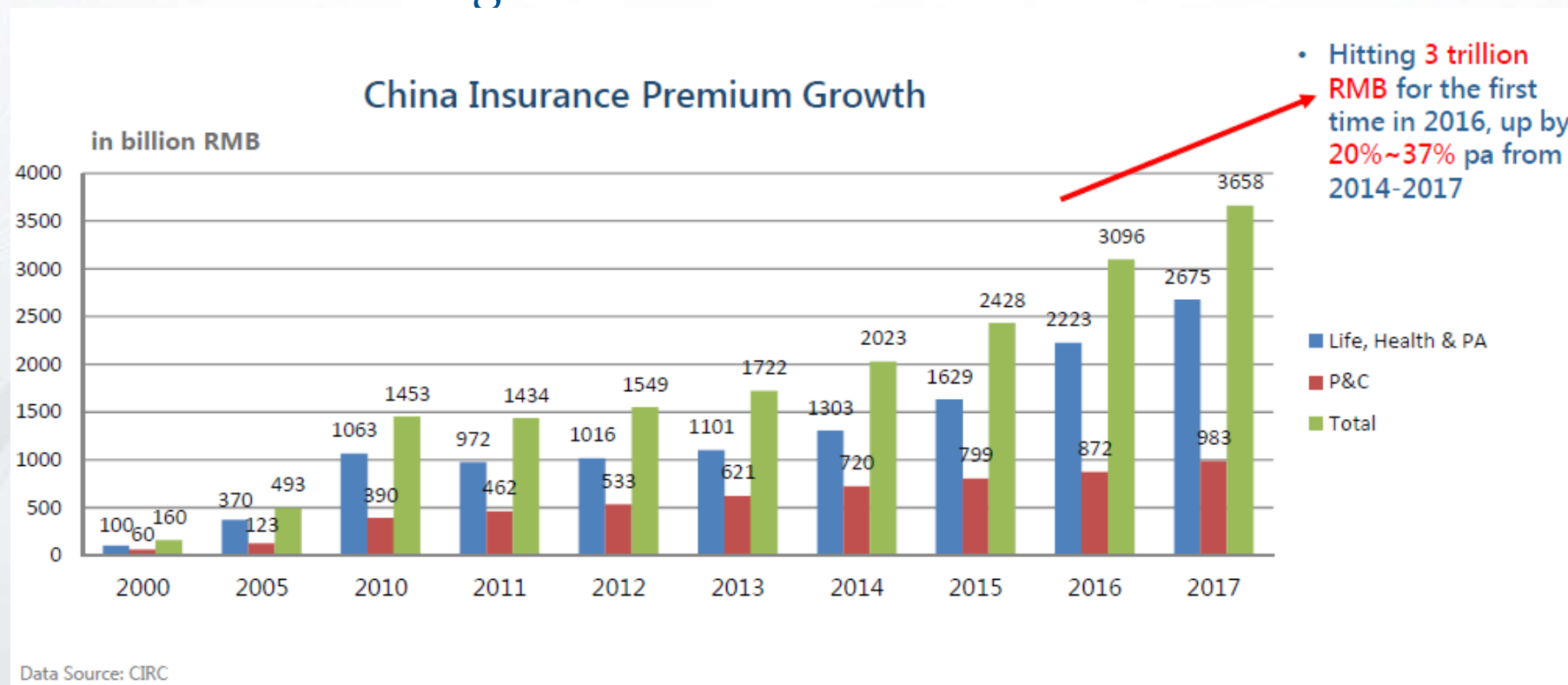
- ▶ Overview of the on-line insurance market in China
- ▶ Some case examples
- ▶ A teaser on the BIG things to come
- ▶ Conclusion



**INTEGRATION
&
COLLABORATION**

CHINA INSURANCE MARKET NOW 3RD LARGEST IN THE WORLD

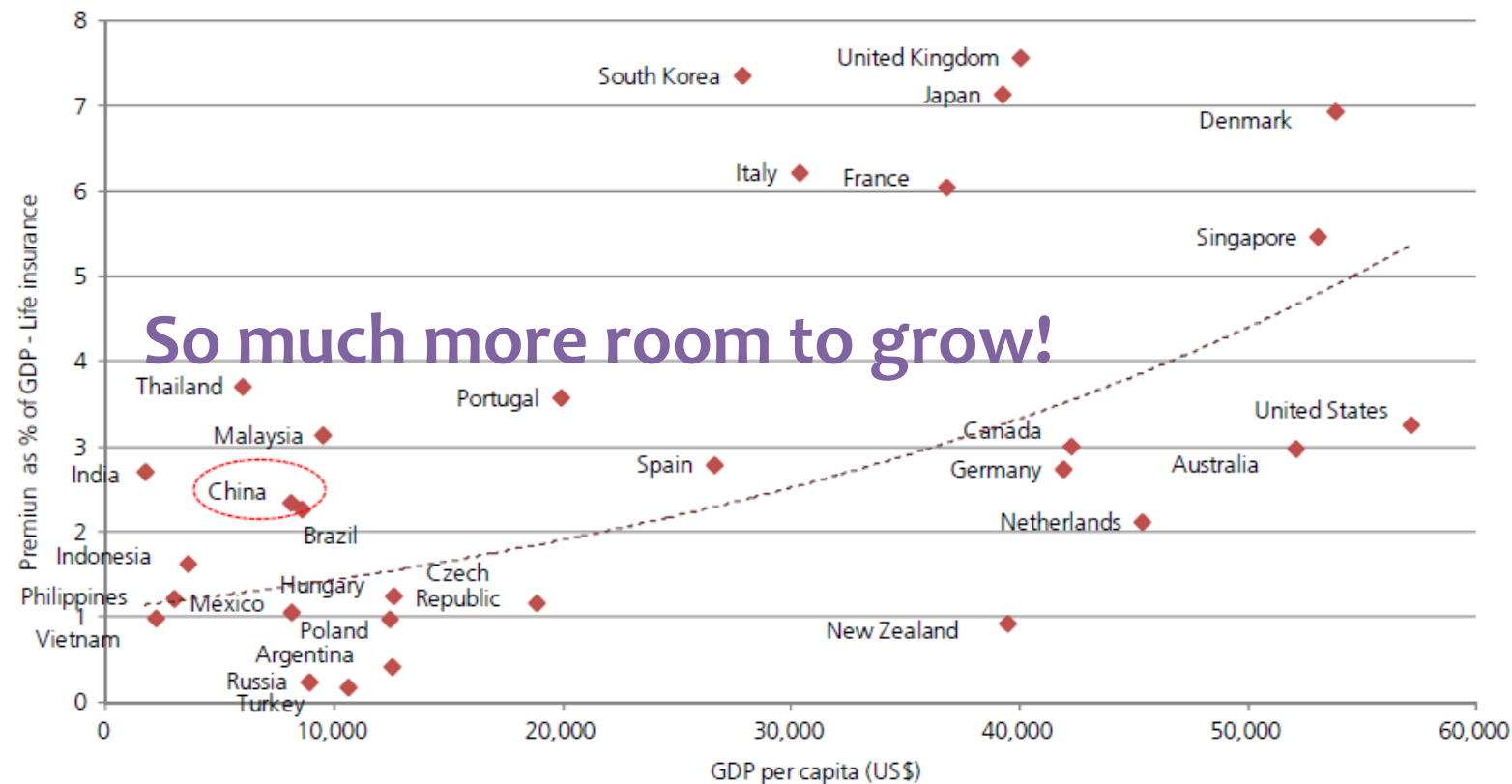
Well placed to become largest in a decade!



CHINA INSURANCE MARKET NOW 3RD LARGEST IN THE WORLD

- Relatively supportive regulatory environment
- Massively underserved middle class
- Rising awareness of the need for protection and savings

Figure 1: Life insurance penetration rate by major markets

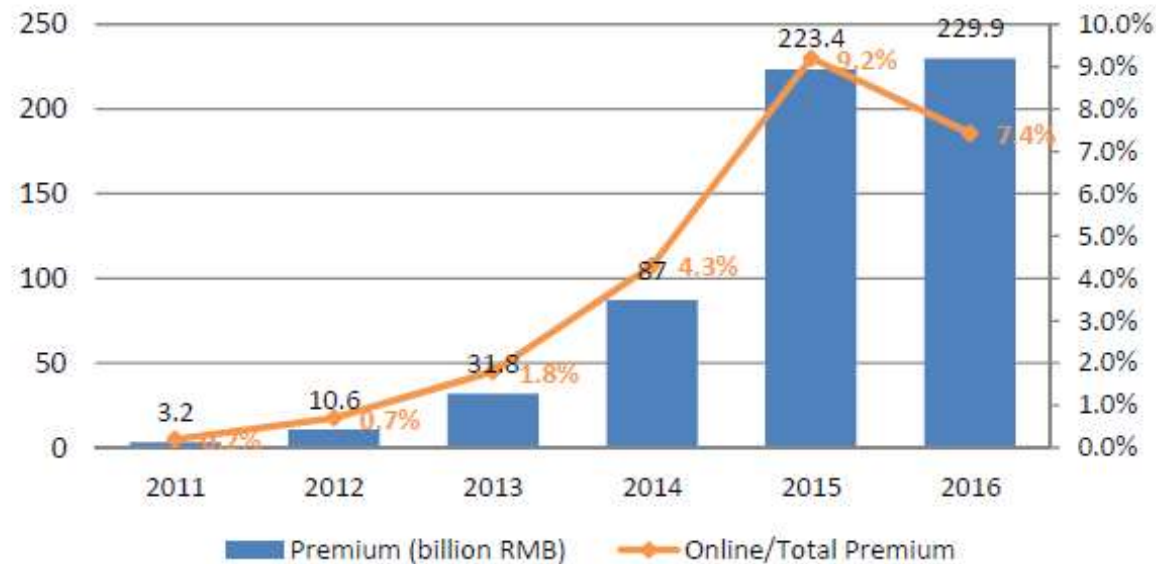


Source: Swiss Re, DBS Vickers

PREVALENCE OF ON-LINE INSURANCE IN CHINA

The Internet is transforming the way in which insurance is sold

Online Premium Income and Penetration



Data Source: Insurance Association of China

- Premium volume expanded by **71 times** during 2012~2016;
- Online insurance **penetration rate increased from 0.2% to 7.4%**;

2016

117 insurance companies operating online insurance business
76% of the total number of insurance companies in China

PREVALENCE OF ON-LINE INSURANCE IN CHINA



Rapid growth in Mobile internet users

As of June 2017, Mobile internet users reached 724 million with a penetration rate of 96.3%.

Popularity of mobile /electronic payments

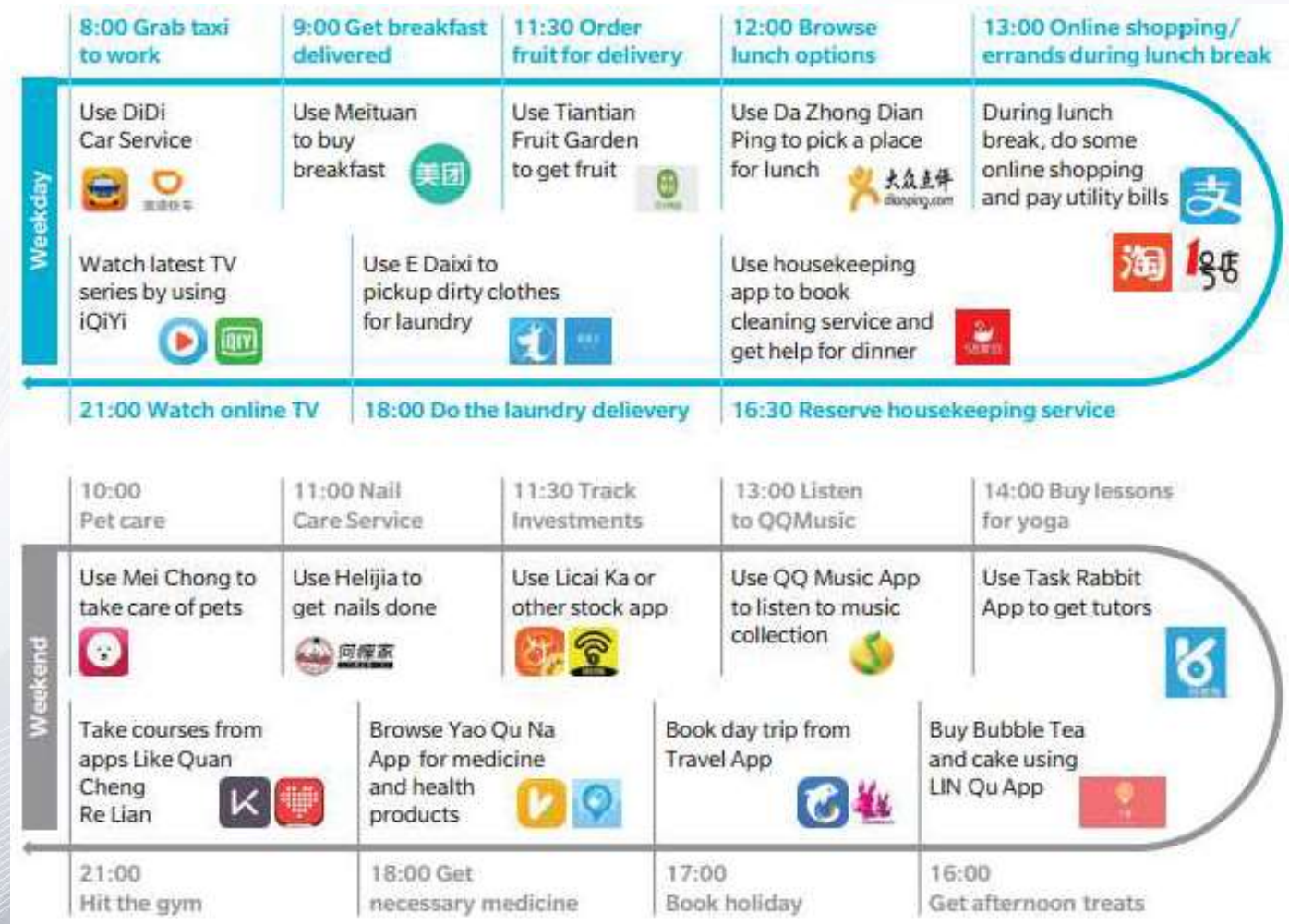
As of June 2017 users of online e-payment reached 511 million (penetration rate -68%). Among them, the mobile phone payment users reached 502 million (penetration rate of 69.4%)



PREVALENCE OF ON-LINE INSURANCE IN CHINA



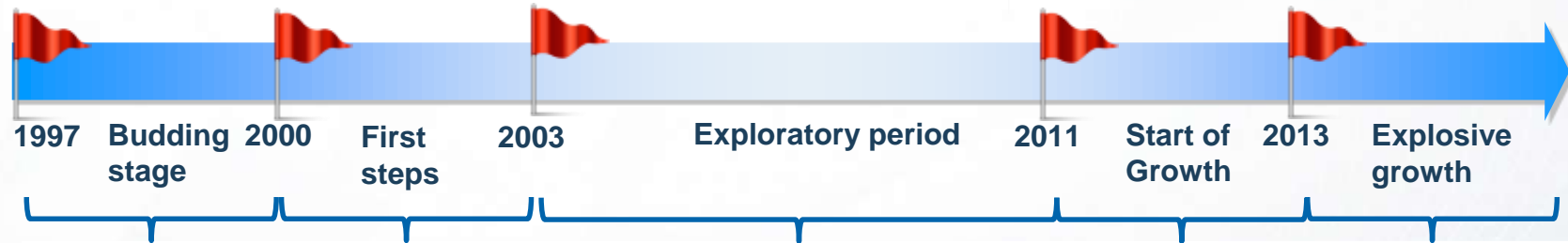
Rise of E-commerce spurred growth in on-line insurance



Source: Oliver Wyman analysis



HISTORICAL DEVELOPMENT OF ON-LINE INSURANCE IN CHINA



The Start	Proliferation of Insurance company websites	First attempts to sell insurance online & proliferation of third party insurance websites	Expansion in reaching out	The next level
In 1997, China's first insurance website-The Chinese Insurance Information Network was built and in	In 2000, many insurers began to build company websites offering information on their products etc	In 2013, CPIC became first insurer to offer short term PA products on sale in their website. During this period, all kinds of internet insurance platforms e.g. Sunflower (aggregators, advice etc) proliferated due to abundance of investors	<ul style="list-style-type: none"> ▪ “Double 11” records Guohua life hit RMB 100 million prem in 3 days) ▪Insurance now widely available on marketplace apps eg. Taobao ▪ZhongAn set up in September 2013 	<ul style="list-style-type: none"> ▪Non traditional players enter the insurance market ▪Reach out using communication apps like Wechat



CURRENT STATUS - ON-LINE INSURANCE MARKET IN CHINA

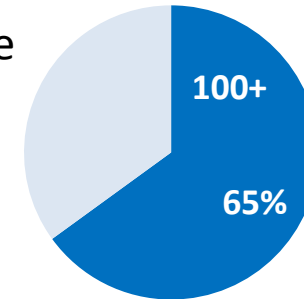


High growth but still minor share



In the first half of 2016, accumulated premium income of 143.11 billion yuan, an increase of 75%, but only 5.2% of total industry premium

From 2011 to 2015, number of insurers with online insurance channel is over 100 representing 65% of the industry



Life & Health premiums makes up 80% of total online insurance premiums written

Huge proportion of life premiums comes from investment products (97%) but protection products on the rise



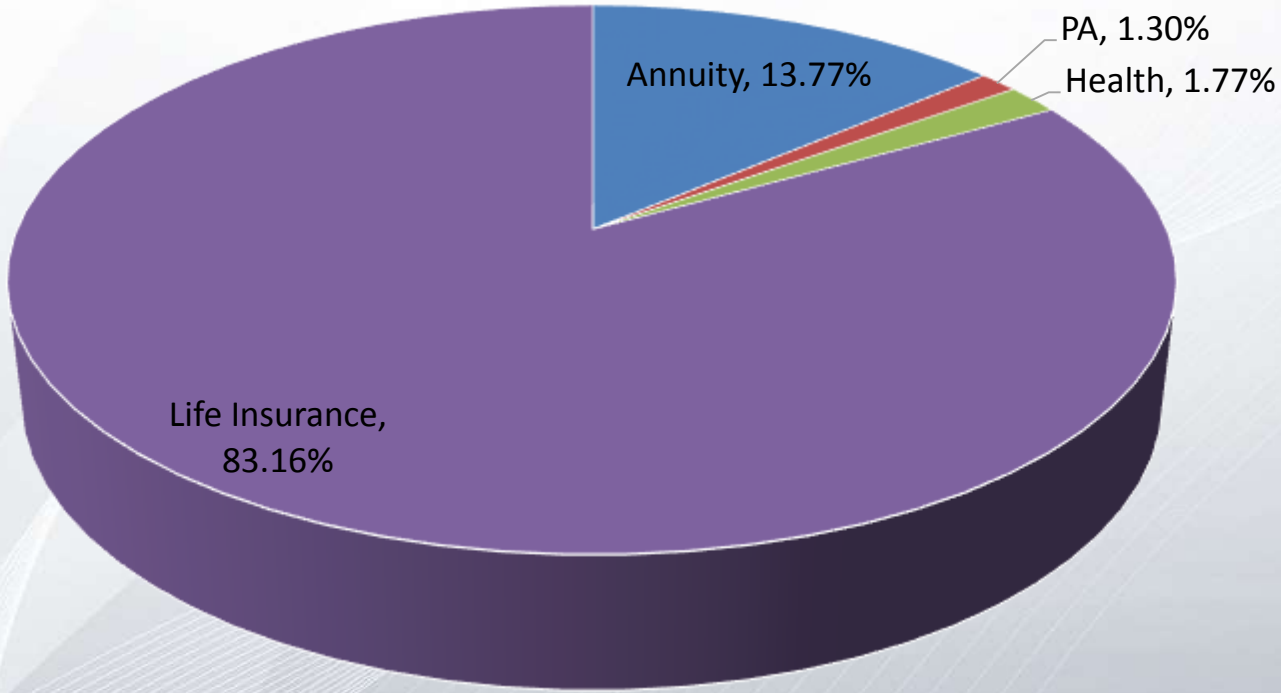
Change in online life & health insurance offerings over time

Complex protection products
Investment products
Short term PA

RECENT STATUS OF THE ONLINE LIFE & HEALTH INSURANCE MARKET



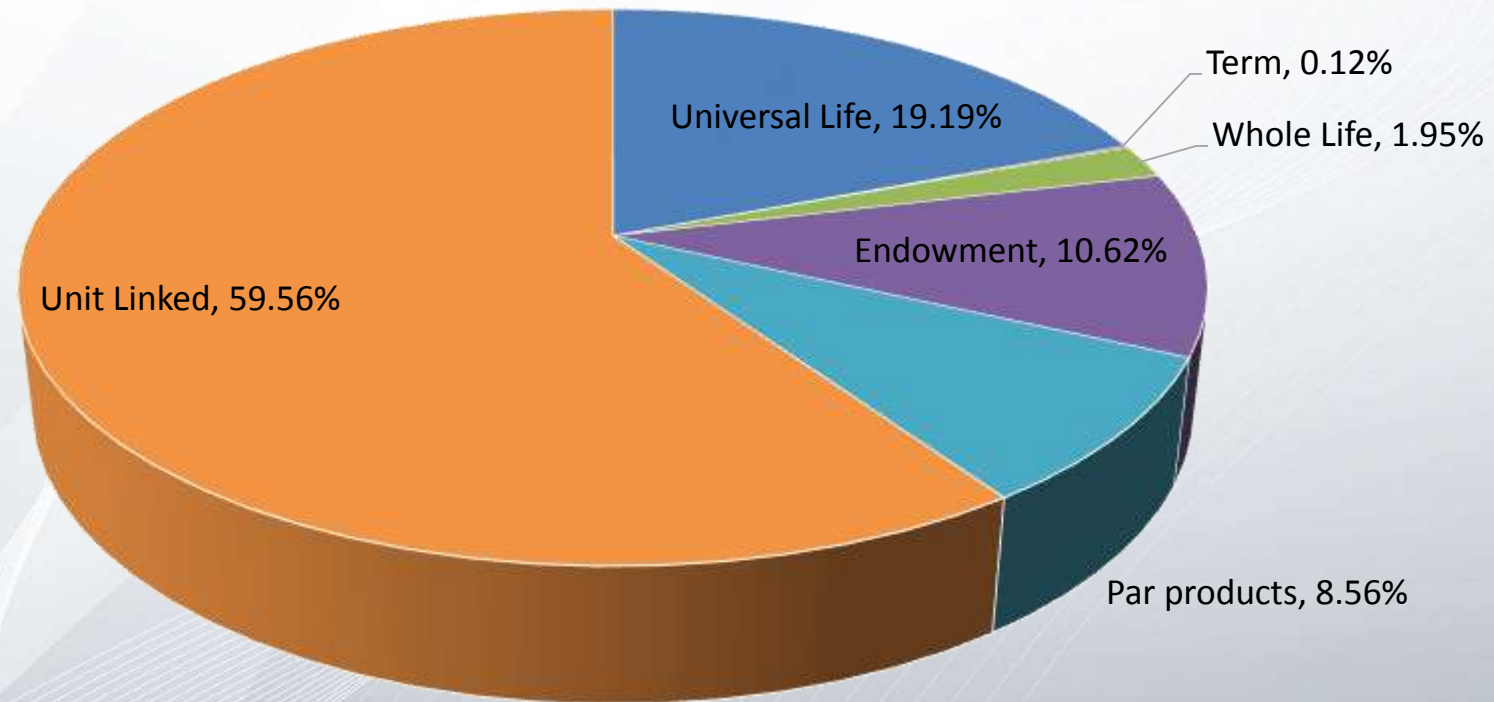
2016 premium breakdown by major product categories



RECENT STATUS OF THE ONLINE LIFE & HEALTH INSURANCE MARKET



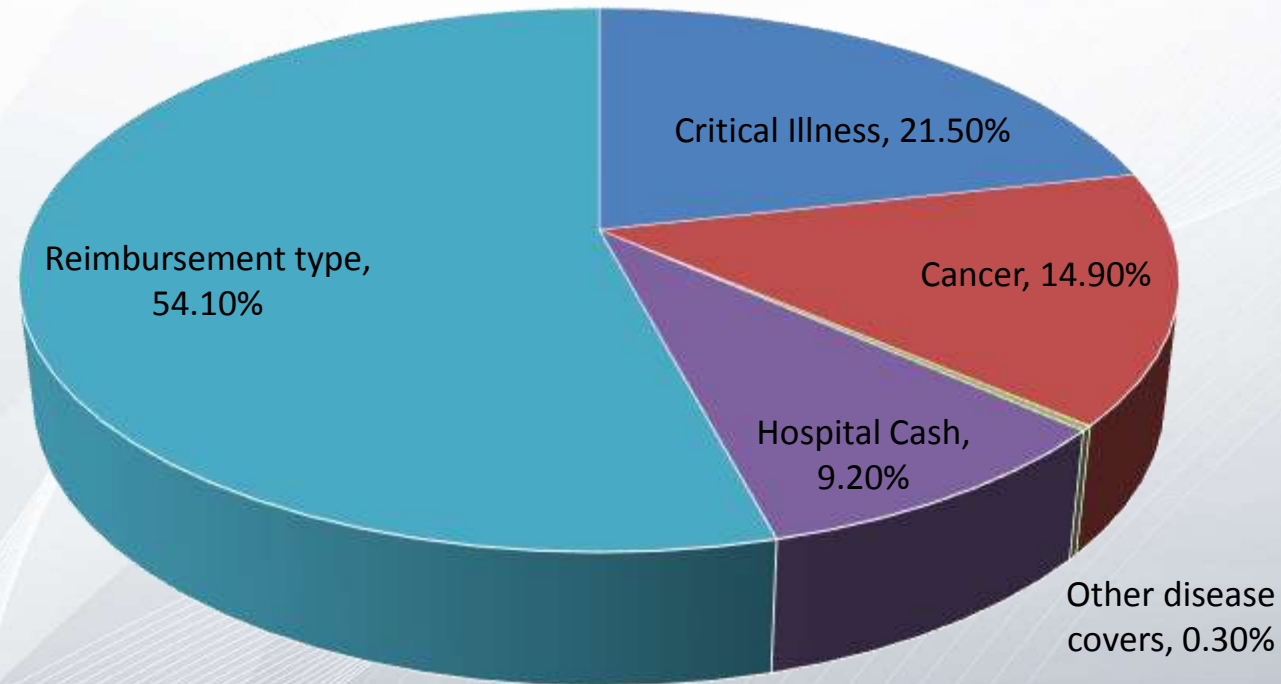
2016 premium breakdown by major Life product categories



RECENT STATUS OF THE ONLINE LIFE & HEALTH INSURANCE MARKET



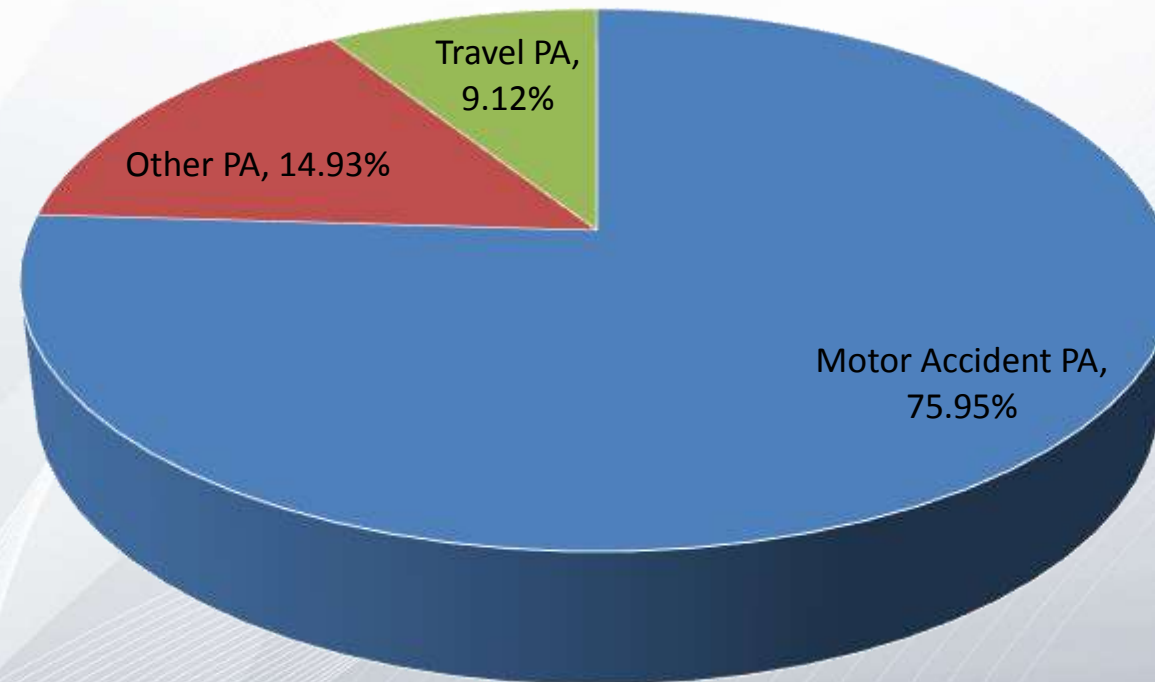
2016 premium breakdown by major Health product categories



RECENT STATUS OF THE ONLINE LIFE & HEALTH INSURANCE MARKET



2016 premium breakdown by major PA product categories



RECENT STATUS OF THE ONLINE LIFE & HEALTH INSURANCE MARKET



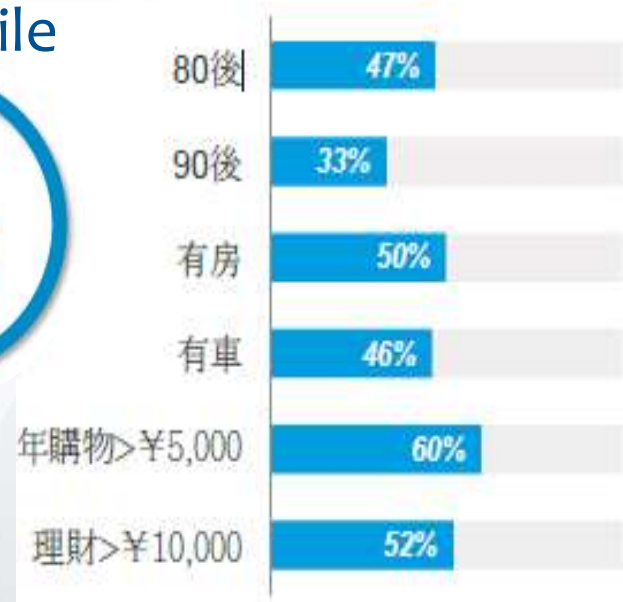
2016 customer breakdown



RECENT STATUS OF THE ONLINE LIFE & HEALTH INSURANCE MARKET

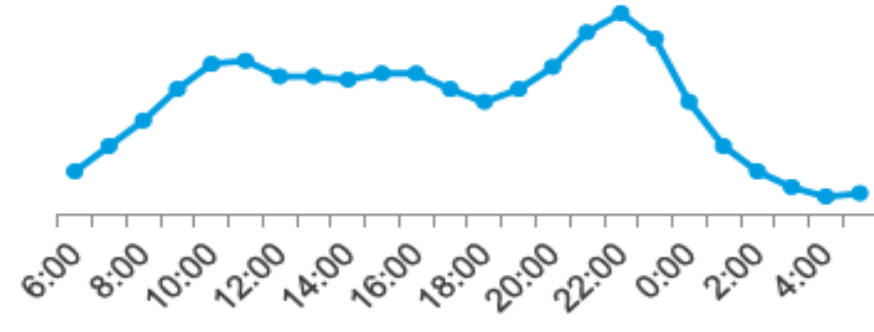


2016 customer profile



*最為活躍的30%互聯網保民進行的畫像分析

2016互聯網保險消費行為分析 (螞蟻金服保險和CBNData)



投保健康險的用戶很矛盾，
一邊熬夜一邊為健康投保



*保民成為父母後，對保險的偏好明顯的提升，其中健康險提升2.4倍



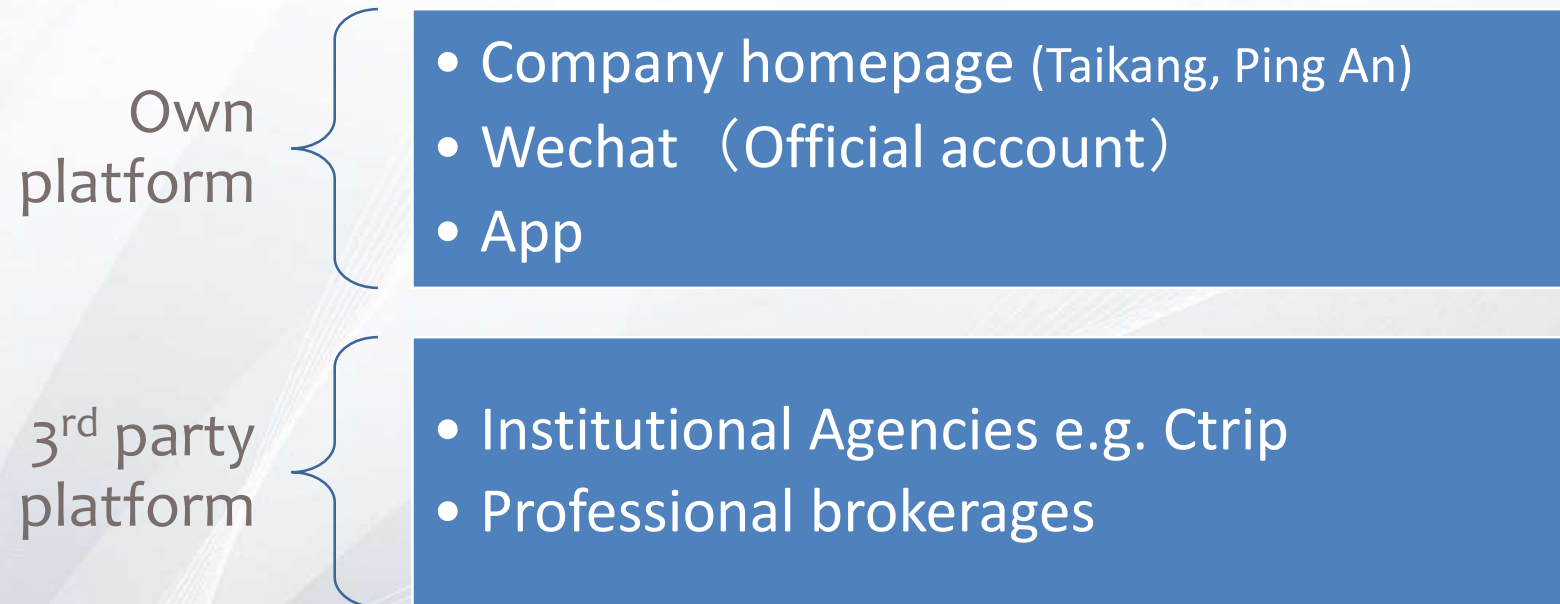
RECENT STATUS OF THE ONLINE LIFE & HEALTH INSURANCE MARKET



2016 Top 10 insurers with on-line presence

	Company	Premium (Billion CNY)
1	Hongkang Life	39.9
2	Sunlife Everbright	31.3
3	ICBC AXA	24.4
4	CCB Life	20.9
5	Guohua Life	19.9
6	Bohai Life	11.9
7	Tian An Life	7.4
8	Agricultural Bank of China Life	4.4
9	Ping An Life	3.7
10	New China Life	2.6

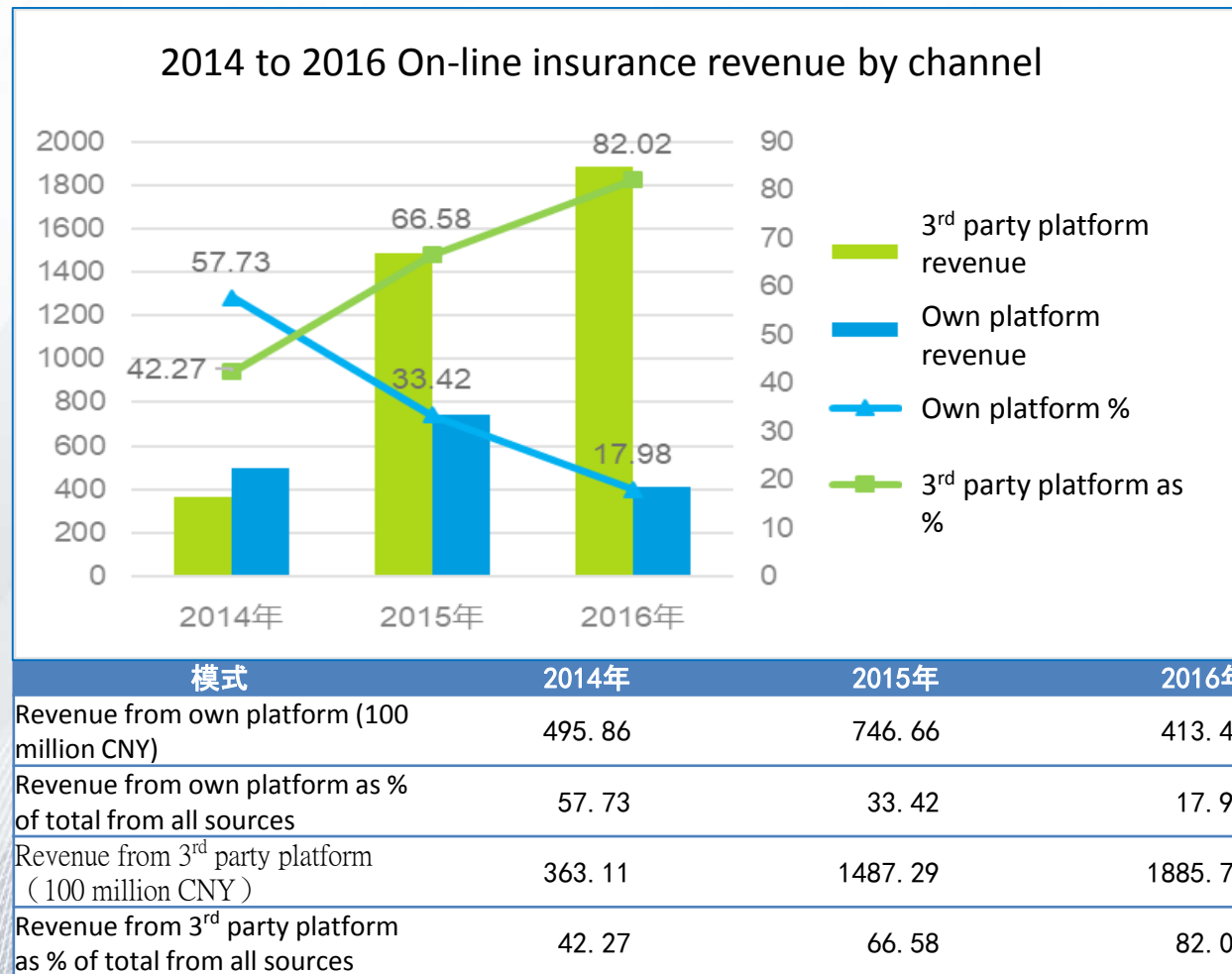
OPERATING MODELS - ONLINE INSURANCE IN CHINA



OPERATING MODELS - ONLINE INSURANCE IN CHINA



Sales through 3rd party channels on the rise



VARIOUS 3RD PARTY PLATFORM MODELS



	代表平臺
Direct to consumers	Taobao、Tencent (xyz.cn 新一站), 小雨傘, 向日葵 . . .
Targeting corporates	保險極客, 靠譜保, 豆包網, 保准牛 . . .
Institutional Agencies	攜程 Ctrip、Qunar Banks, Airlines, Travel Agencies, Hotels, etc

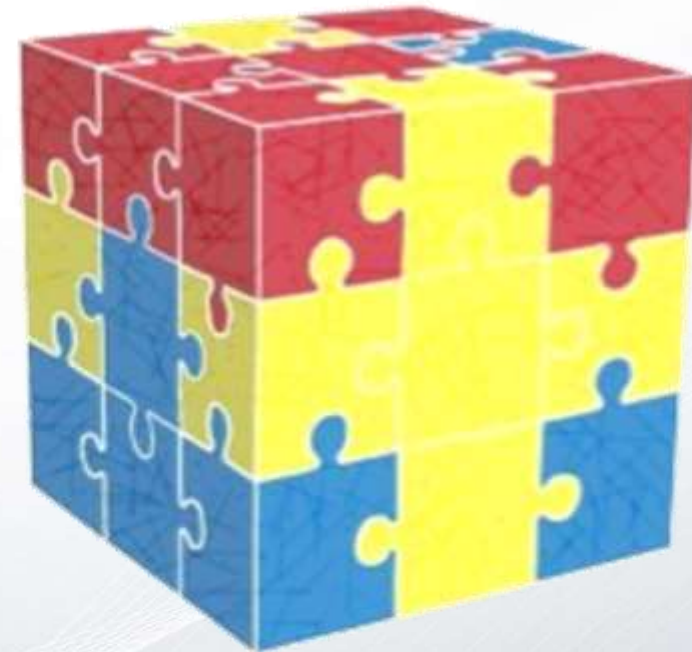
3RD PARTY SERVICE PLATFORMS

Do not directly distribute but support the channels

	Functions	Examples
Support for Insurers	Provides information, technical and logistics support for building on-line insurance platform	和金線上, 數集金融, 靈犀金融。。
Tools for agencies	Provide tools and other service support to expand business reach	保險師, 最惠保, 超級圓桌, 快保, 網金微商。。
Value added services	Online health management services	Wedoctor 微醫, 醫通線上, 春雨醫生, 好大夫線上。。
Developing an on-line insurance environment for cross-selling	Help to create cross-selling opportunities for insurance products	悟空保, 海綿保, 保盒。。

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**INTEGRATION
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COLLABORATION**

CASE EXAMPLE 1

Hong Kang Life



- ▶ Founded in 2012, the company chose to pursue an on-line insurance platform as its core strategy.
- ▶ It aims to be remain lean but nimble avoiding the high costs of other insurance
- ▶ Seemed to have achieved just that. In 2016 achieved a premium size of nearly 30 billion yuan (around USD 4.5 billion), ranked amongst top 20 of the life insurance industry.
- ▶ In its full operating year it achieved profitability and has been continuously profitable for three consecutive years.



CASE EXAMPLE 1

Hong Kang Life



百元保费 百万保障：让保险回归保障本质

- 首家足额重疾，客户平均保额32.5万，为业内平均保额三倍

- 多倍保、贝健康、健康一生A\B\C

- 首家足额定寿，客户平均保额50万，为业内平均保额五倍

- 大白定寿 弘利相传

- e生尊享中高端医疗
- 360短期意外



简单造就非凡

Clear Product strategy

A clear strategy to separate Investments and protection in product design

On protection, strong focus on developing products that are low cost so as to reach out to the masses but gives significant protection and at the same time is transparent (easy to understand). Covers full spectrum of product range from medical to Critical Illness. Reputedly first company to launch a reimbursement CI products which was a top seller for over 2 years

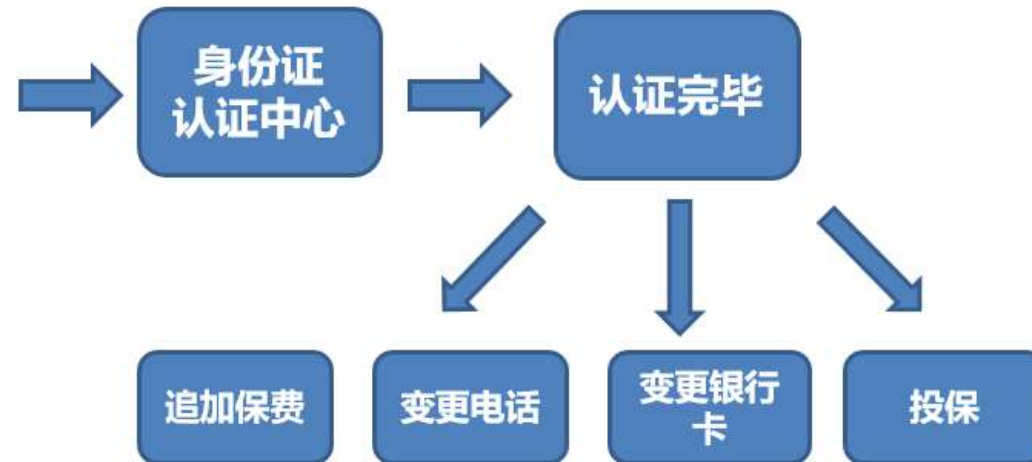
On the investment products front, design products that give stable growth to customers. Reportedly 80% of customers return to buy more.



CASE EXAMPLE 1

Hong Kang Life

Keen adopter of new technology. 1st in market to leverage on facial recognition technology



人脸识别改变了什么？

开启用智能方式“证明你是你”

CASE EXAMPLE 1

Hong Kang Life

Keen adopter of new technology e.g. OCR technology alongside facial recognition



OCR (光学字符识别) 识别技术开发

支持身份证头像提取, 可快速完成对身份证图像的识别, 达到人证合一

将识别后所获取的图片及文字信息, 精确传送到指定业务系统进行保存与处理

CASE EXAMPLE 1

Hong Kang Life

Keen adopter of new technology e.g. use of Multi-media to engage customers and also widespread use of bots



多媒体客服



真人客服视频通话，通过视频传输系统，在线验证客户本人及身份证信息，随时随地办理业务。

投保 → 核保 → 保全 → 理赔

智能机器人客服



人机对话，高效便捷

业务问题专业回答——可识别关键词
普通聊天陪你解闷——进行基本对话
自主学习不断成长——智能学习系统
全时在线终年无歇——7*24小时守候

CASE EXAMPLE 1

Hong Kong Life

Keen adopter of technology - expert underwriting system



方便
200项常见疾病和
体检异常
兼顾体验与风控
甲状腺结节、乙肝
大三阳等适用



高效
41%有主动告知
23%有自助除外
11%有自助加费



结论
告知率高
非标体线上投保的需求强烈
大大提升弘康核保效率



CASE EXAMPLE 1

Hong Kang Life

Fully online platform from distribution to servicing supported by extensive use of AI in the background

打造一个全流程、全线上的服务平台



CASE EXAMPLE 1

Hong Kang Life

不见面 只刷脸 立案赔

投保5分钟 免见面

全产品线消费型保障，简单低价，自主消费。

核保0分钟 白名单

业内首创白名单核保，将大保额保障互联网购买变为现实。

保全5分钟 只刷脸

通过“人脸识别”进行保全，再也不用跑柜面。

理赔10分钟 立案赔

10万以下重疾，立案即赔。



高效、便捷的弘康服务覆盖全国

累计服务客户300万

CASE EXAMPLE 2

ZhongAn



ZhongAn Interna

01 Introduction of ZhongAn Insurance (06060.hk)



China's First licensed online insurance company



Largest online-only insurer in China
432 mm policyholders and insured¹

8 bn policies

5 major ecosystems
307 ecosystem partners²

Engineers & technicians accounting for 54.3% of our employees³
technical investment during last three years is 2.8%, 6.3%, 8.7%

A P&C insurer (first online P&C insurer) launched in 2013
Widespread use of AI/Big data and innovative products



CASE EXAMPLE 2

ZhongAn

Early beginnings – relying on working with its tech giant owners selling very low costs products (around US\$ 1 premium per unit)

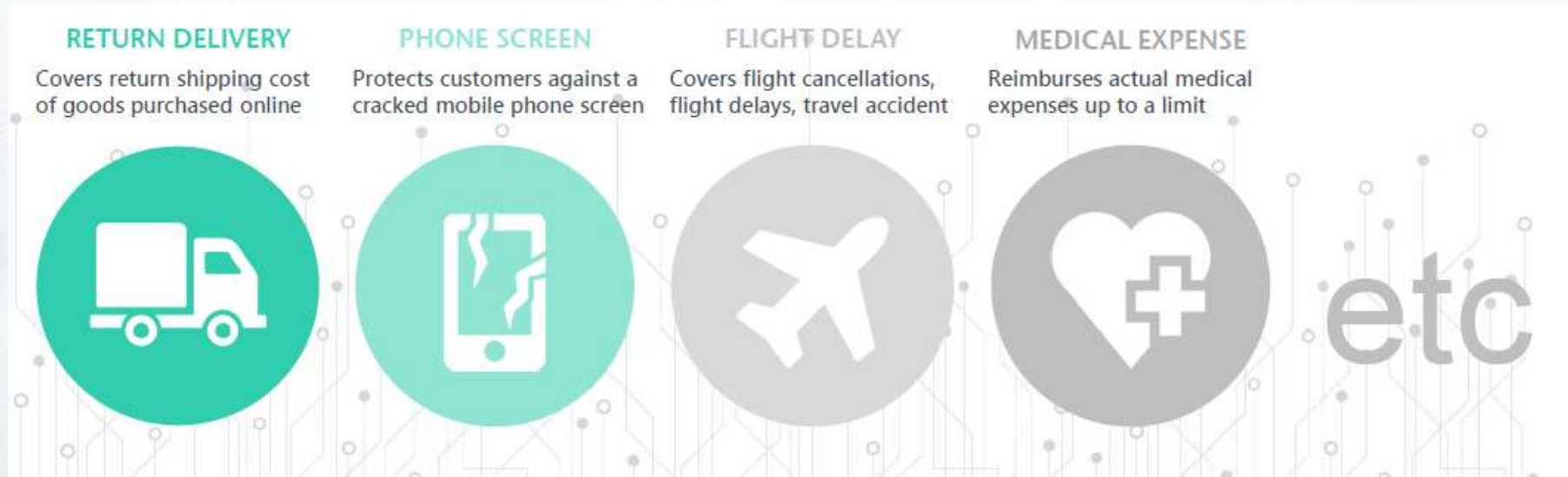


CASE EXAMPLE 2

ZhongAn



Move to bigger ticket items



CASE EXAMPLE 2

ZhongAn



Move to bigger ticket items – 1st to introduce Mid-end medical products

		Middle-end Medical Products	Low-end Medical Product
Benefit covered	Inpatient	Inpatient (w/ or w/o outpatient before & after inpatient)	Inpatient (usually w/ outpatient before & after inpatient)
	Outpatient	Special Outpatient* and Outpatient Surgery	Outpatient and Emergency Treatment (in group policy only)
Hospital covered		General departments of public hospitals in mainland China rating above the secondary level by NHFPC**	Public hospitals in mainland China rating above the secondary level by NHFPC
Including drugs out of the scope of Social Security Medical Directory		Yes	No
Annual covered amount		CNY 1 to 3 million, double for cancer treatment	CNY 10 to 100 k for inpatient, CNY 3 to 20 k for outpatient
Annual deductible		CNY 10,000 (there shall be no deductible once the insured is diagnosed with cancer)	CNY 0 - CNY 1,000
Representative premium for male aged 35		CNY 337 (USD 50 per annum)	CNY 295***

*The Special Outpatient includes: 1) outpatient kidney dialysis, 2) anti-rejection therapy after transplantation, and 3) chemotherapy, radiotherapy, immunotherapy, endocrine therapy and targeted therapy for cancer.

**National Health and Family Planning Commission of the People's Republic of China

***Only inpatient cover of CNY 20k.



CASE EXAMPLE 2

ZhongAn



- ▶ The “Million “dollar” medical cover was a top seller
 - 100 million CNY new business in 4 months distributed just via own homepage and wechat
 - An upgrade version of the product in 2017 saw 60,000 new policies in just 8 days

- ▶ Such products now copied and launched by many insurers. Product now touted as the “National Health Insurance”

- ▶ ZhongAn is clear on its strategy
 - Target and reach out to large customer bases
 - Comprehensive protection for customer
 - But easy to understand products
 - Acceptable prices
 - Distributed via a seamless and convenient channel

CASE EXAMPLE 2

ZhongAn



02 5 Major Ecosystems



Our products extend beyond traditional insurance to address consumer needs



CASE EXAMPLE 3

PingAn

- ▶ 1 of the global systemically important insurer
- ▶ Second largest insurance group in China
- ▶ Founded in 1988 in Shenzhen
- ▶ 1.4 million agents



CASE EXAMPLE 3

PingAn

- ▶ A successful example of managing channel conflict
 - Agents refer customers to use the PingAn apps to buy insurance
- ▶ Active supporter of using online methods to increase customer touchpoints for e.g. the successful PingAn Good doctor app. In fact, Online is an integral part of company strategy

- “PingAn Good Doctor” APP
 - Online health service platform that provides family doctor, consultation, quick registration to hospital and other health services;
 - Policyholders can upload their medical documents and lodge a claim;
 - Track the gym/exercise activities of policyholders with rewards of increasing sum assured;
 - Until end of 2016, the number of subscribers has reached 90 million.



CASE EXAMPLE 4

Independent Third party platform*

The platform started in 2016 is one of the first to be licensed in china. Currently it is the largest third party insurance broker platform and provides all services from sales, financial advice, premium payment, policy admin and claims submission. Basically All-in-1 platform



*Usually set up by brokers or insurtech companies that aims to connect insurers, agents and customers through a digital platform

CASE EXAMPLE 4

Independent Third party platform

- ▶ Move beyond just price and product comparisons
- ▶ Able to issue policy on the platform
- ▶ Supports channel development – help individual agents through leads generated and also help with sales tools
- ▶ Help non traditional insurance channel e.g. e-commerce or travel agencies to develop another revenue generation model through distributing insurance
- ▶ Performs functions which in the past was done directly by insurers e.g. claims submission



CASE EXAMPLE 4

Independent Third party platform

- ▶ Mix and match products to tailor made to client's needs
- ▶ Has an in-house team of actuaries supporting the business
- ▶ Platform already working with more than 60+ insurers including giants like China Life, Ping An etc. Wide-ranging products from simple travel insurance to complex long term insurance products. Customer base in excess of 5 million and number of policies issued already exceed 100 million.



CASE EXAMPLE 5

WeChat



Wechat users exceed 900 million

50% users is on Wechat for at least 90 minutes a day

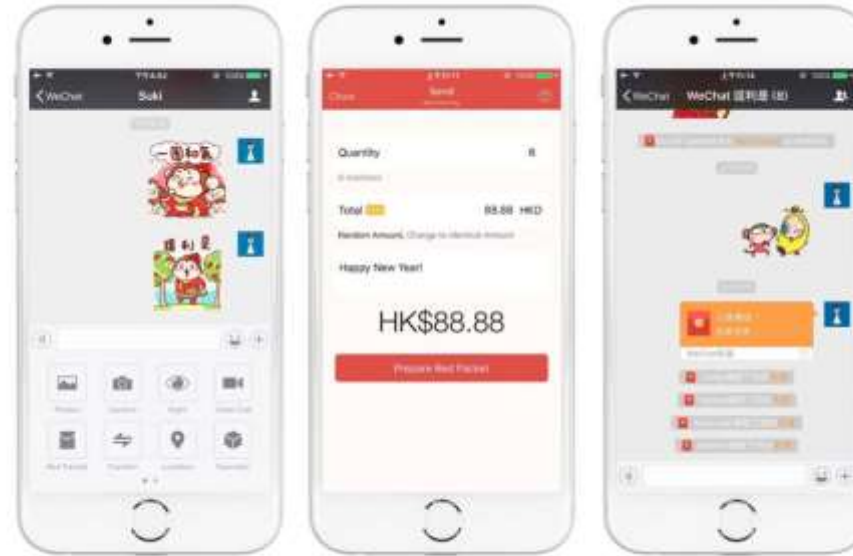
Payment via wechat pay exceeds 600 million users

Excellent means to reach out to customers

- By word of mouth/recommendations
- Reward through referrals
- Very suitable for simple products

CASE EXAMPLE 5

WeChat



- ✓ WeChat's piggy bank - A form of savings for children making use of the popular Wechat red packets feature
- ✓ Parents or friends could send e-red packets during special occasions for the child
- ✓ A record is kept of each deposit for account maintenance
- ✓ Excellent means to cross-sell insurance products e.g. education plans or children CI

CASE EXAMPLE 6

WeSure

- ▶ In November 2017, Tencent launched its internet insurance broker platform “WeSure”
- ▶ Goal is not to have the most products on the platform, but to pick a few key products focusing on the same features that made ZhongAn successful



CASE EXAMPLE 6

WeSure

▶ Hannover Re is one of the earliest supporter of the platform and developed together a Parents pocket money product making full use of WeChat functionality



- In China, many children leave behind their parents to work in cities but continue to make regular money transfers to their parents
- Parents pocket money aims to allow the parents to continue to receive moneys from their children even in the unfortunate circumstances that a misfortune happened on the child
- Essentially a last survivor joint annuity
- Problem with annuity product is tracking survivorship and WeChat functionality is perfect for this

A TEASER OF THE BIG THINGS TO COME

FT Collections **China's global ambitions**



The Big Read **Artificial intelligence** [+ Add to myFT](#)

China and US compete to dominate big data

CASE EXAMPLE A

Self driving PA

Background

Self driving PA has been very successful due in part to the high coverage and very low cost. It pays the face amount for accidents from normal causes but for traffic accidents, it pays 10 to 20 times the face amount. A premium of around CNY 1000 would a cover of around CNY 1 million.

As one could expect, it was highly anti-selective

- High claims
- Accident involving just one vehicle
- Multiple policies across insurers
- Early claims

Lax underwriting
(No financial underwriting)

High moral risk (specifically targeted
at traffic accidents)

Anti-selection most significant in less
developed provinces

CASE EXAMPLE A

Self driving PA

Traditional ways to reduce anti-selection ?



Product adjustments – reduce multiple payment factor or introduce waiting period

Strengthen financial and medical underwriting

Set different max. SA depending on origin of

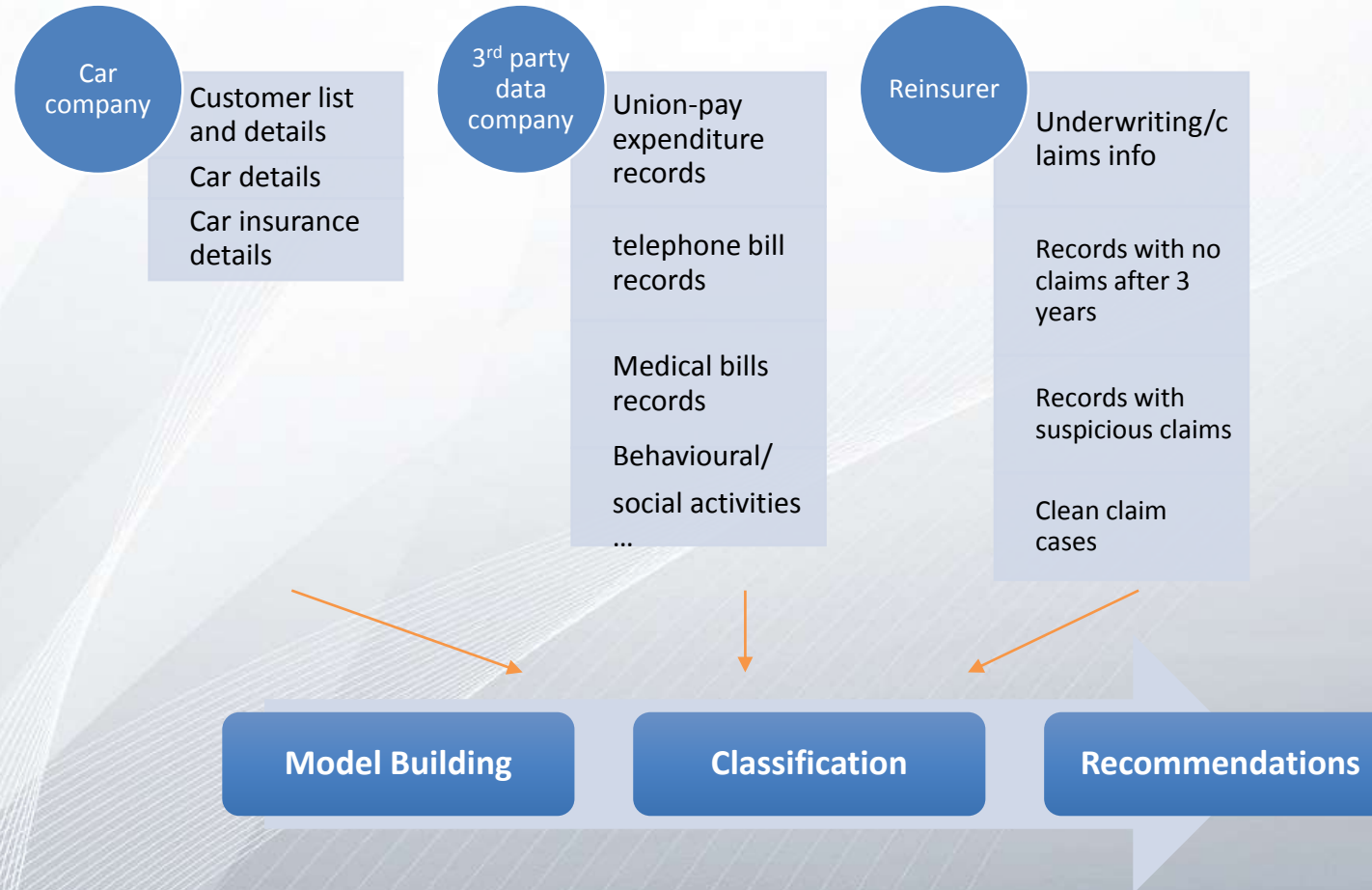
Reject cases exceeding a max. limit

CASE EXAMPLE A

Self driving PA



Reducing Anti-selection in Big Data Era ?



CASE EXAMPLE A

Self driving PA



Wife kills herself and children in China after husband fakes death

Straits Times 16th October 2018

Ms Dai also said she and her husband had been happily married and that she missed him. She said she was committing suicide and taking the children with her so that the family could be together.

The 34-year-old man, surnamed He, from Loudi's Xinhua county, disappeared on Sept 7 while driving a borrowed car. Police found the vehicle in the Zijiang River on Sept 19, but could not find He's body.

He, the husband, went to a local police station the next day after learning of the deaths.

Police said last Friday night that He owed more than 100,000 yuan (S\$19,900) to an online lender. He had taken out a one million yuan personal accident insurance policy, naming his wife as the beneficiary.

CASE EXAMPLE B - ONGOING

Critical Illness

Reinsurer

Customers
with No Claims
to-date



Customers
who have
claimed

Encryption



3rd party data company

Data matching
From thousands of data points
to selecting just 10 factors
which matters



CASE EXAMPLE B - ONGOING

Critical Illness



CASE EXAMPLE B - ONGOING

Critical Illness

Payment in Cancer Centres : Very high co-relation

Income+Assets	Low	Medium	High
	↕	↕	↕
Incidence	Medium	High	Low

Period Active	Night time	Morning
Incidence	Low	High

Distance between home and work location longer, lower incidence

Place of Origin/Current Address :
incidence in order of severity (most to least)

Same province different city > Different province > Same city



CASE EXAMPLE B - ONGOING

Critical Illness



Next Steps

- ▶ Current study focused only on those who already had CI. Results not meaningful but more for model building exercise
- ▶ On-going longitudinal study will produce useful information but will take time – tracking insureds from underwriting to claims.
- ▶ A pre-lude to dynamic pricing, personalised underwriting, personalised medical examination limits and personalised offers

AGENDA

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CONCLUSION

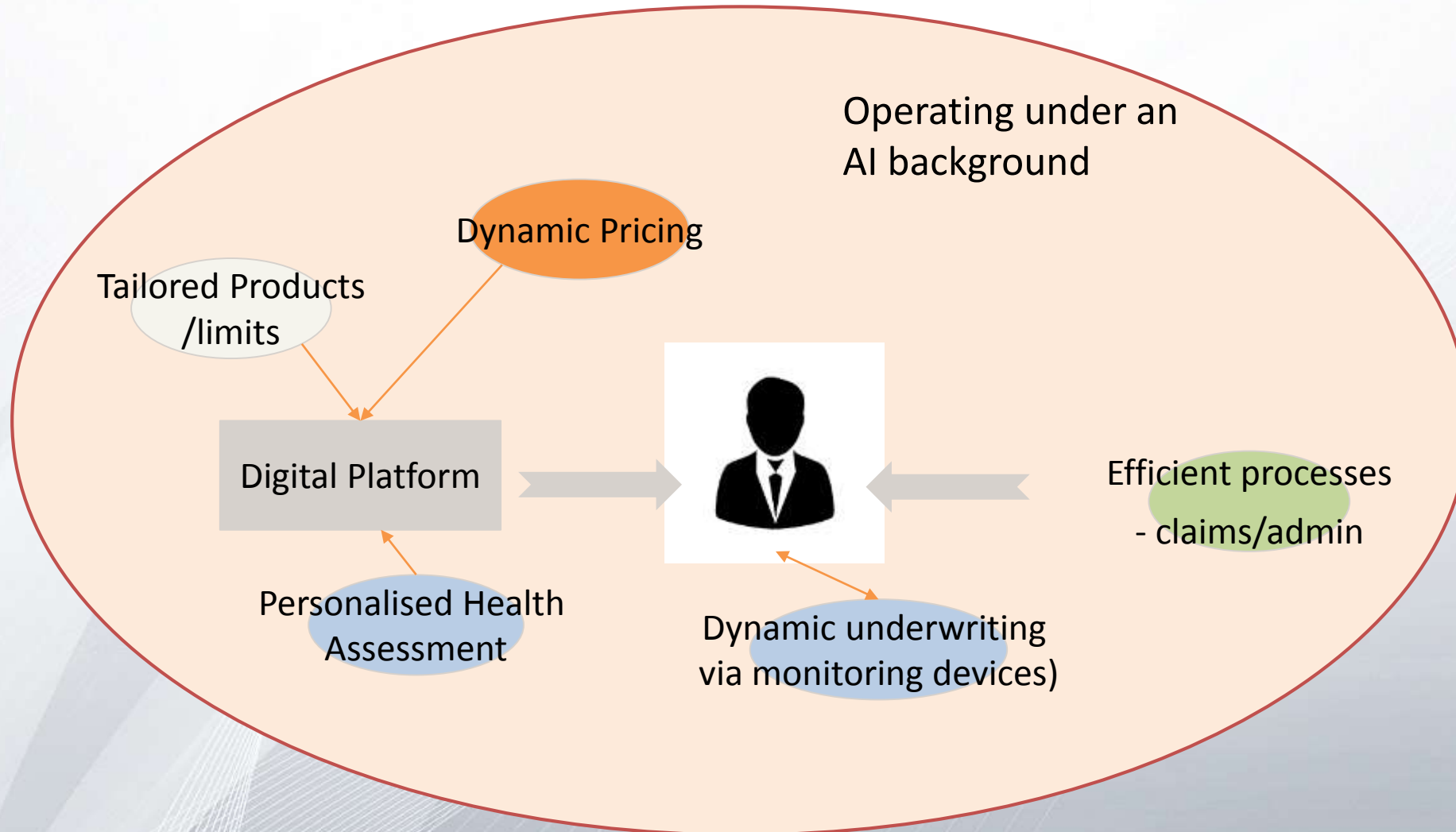


- ▶ More interests from insurtech operations into the field of Insurance
 - Mega tech players will continue to challenge the traditional norms

- ▶ More On-line offerings
 - Brokers
 - Health management
 - Mutual Aid/P2P
 - ...

- ▶ AI/machine learning will be the norm

CONCLUSION



THANK YOU.

“I believe it's not the technology that changes the world. It's the dreams behind the technology that change the world.”

