



Let's Solve

POV

How IoT can enable life insurers to achieve more than just attractive customer experience

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Contents

Introduction	03
IoT in the life insurance value chain	04
IoT-driven reward programs	05
Well-being based customer connect	05
Continuous underwriting	06
Lifestyle based products	07
Preventive claims management	08
Workforce wellness	09
Things to consider	09
Concluding thoughts	11

Changing customer preferences has been one of the major challenges, and a key driver for innovation in the life insurance industry in the recent years. The new-age customer today, expects more than just protection from the life insurers. Tailored and lifestyle-based products, multiple interaction touchpoints with a strong digital presence and value-added services are no longer a differentiator for the insurers but have become a necessity for sustainable growth.

Life insurers across the globe are leveraging data and emerging digital technologies to create attractive customer experience and personalized services, with an aim to not only retain the existing customers, but also create new revenue streams by tapping into new customer segments.

Increasing popularity of wearable IoT devices such as fitness bands and activity monitors has drawn attention of several life insurers. These devices allow its users to measure personal fitness, manage busy schedules and can be used for incorporating a healthy lifestyle. Data from such wearable devices when combined with advanced analytics allows insurers to make faster and more informed decisions.

According to the Insurance Nexus global trend map, more than 50% of insurers worldwide already have an IoT strategy in place and the global insurance IoT adoption is expected to be more than 70% in next couple of years.

IoT in the life insurance value chain

Data has always been a basis of decision making in the life insurance industry and in this context, it is customer data obtained from the IoT devices along the customer's journey, that will allow insurers to derive value.

The medium for data collection, however, doesn't have to be limited to smartphones or wrist-borne devices. The advances in technology has broadened the IoT spectrum beyond fitness trackers to clothing, jewellery and several other common things in our day-to-day lives. For example, The PoloTech Shirt from Ralph Lauren is designed to measure heart rate, breathing, and calories burned as you work out. Another example is the Oura Ring – a wedding ring-sized ring that tracks your activity, body temperature, heart rate and sleep patterns and provides a readiness score that can be accessed through a mobile app.

Customer interaction is the key. While new business and claims usually mark the start and end of a customer journey, policy servicing is the longest phase with the highest number of customer touchpoints. Higher the number of customer touchpoints, larger will be the data generated that would in turn provide better customer insights. Better the insights, higher will be the accuracy of the decisions. This makes it a potential application area for IoT.

Insights obtained during customer interactions can further help to enhance the experience of the entire customer journey.

The exhibit below shows how, data collected from the customer interactions can be leveraged across the policy lifecycle to enhance the customer experience, brand value and profitability.



IoT-driven reward programs

Discounts and incentives have always been an integral part of the insurer strategy for customer retention and loyalty. IoT can enable insurers to further enhance their existing reward programs. Customer's health and activity data collected through an IoT device can be used to build a reward-based model to incentivize the customers. This is one of the most adopted IoT use case by life insurers across the world where, the customers are rewarded for achieving health and well-being goals.

Vitality is one such rewards program that has been adopted in almost 22 markets worldwide. The participants are offered Apple watches at a discounted price, using which they earn vitality points for achieving personalized goals – fitness, driving or financial. The earned points can then be spent on a range of rewards like shopping, movies, gym memberships, etc. across the partner network.

Some of the insurers are even offering discounts on the life insurance premiums based on the goals achieved.

Well-being based customer connect

The collected data can be analysed regularly to identify abrupt negative spikes in the activity. In such a scenario, a notification can be sent to the customer check the wellbeing and identify need of any assistance. Such frequent and relevant interactions with the customers earlier in their lifecycle will help improve the customer engagement and

enhance the overall customer experience. According to a joint survey by Scor and Coverager, almost 69% of individuals prefer to engage with an app that promotes activity and education on general health.

An engaged customer is also less likely to drop out, which means lower lapse rates.

One of the leading life insurers in South Africa, through a similar implementation of rewards program saw a 67% reduction in its lapse rates.

Promoting a healthy lifestyle will also allow the insurers to be perceived as a wellness partner rather than only life insurance

providers. This will help in enhancing their brand image. The Coverager survey also supports this view, stating that, about 51% individuals view their life insurance companies as partners for improving their health.

Continuous underwriting

The current life underwriting, although effective, is constrained to only a single moment in time –the initial sale. The only data available at that point is the past mortality, morbidity and behavioural data on the customer. It does not consider customer's lifestyle changes during the policy lifecycle. IoT can enable insurers to use the health and lifestyle data to complement risk assessment and actuarial analysis. According to Scor, number of steps, per day has a strong mortality predictive power and is a stronger indicator than traditional underwriting factors. This will not only help insurers to enhance the risk assessment, but also help them in designing dynamic

premiums based on the real-time data.

Efforts are already being invested in this direction. A Massachusetts-based, mutual life insurer is looking to pioneer the analytics of health data from wearable devices to predict long term mortality risk – whether someone will die in next 20 years or 30 years, or more and offer discounts on premiums to those with healthy habits.

In Japan, some of the life insurers are moving towards a 'pay as you live' premium schedule with dynamic pricing. Forbes estimates that, IoT can help insurers lower premium by as much as 25%.

Lifestyle-based products

Research has found that more than 40% of the surveyed individuals in the UK and more than 70% individuals in the US are comfortable sharing their activity data with their insurers to complement their insurance policies. Insurers can create newer revenue streams by using this data to design tailored, lifestyle-based products to suit needs of specific customer segments.

In fact, the industry is already responding to this trend positively. One of the largest North American life insurers has announced that it will stop underwriting traditional life insurance, and instead sell only interactive policies that track fitness and health data through wearable devices and smartphones.

Another Netherlands-based insure-tech uses advanced AI technologies and real-time data gathered from smartphone sensors and IoT devices to provide personalized insurance products through their app.

In the speciality benefits line of business, one of the fastest growing dental services providers in the US is using IoT technology to offer dental insurance. The customers receive a 'smart' toothbrush that tracks how well they take care of their teeth. The insurer then provides them personalized insurance plans based on this teeth-brushing data. In doing so, the firm claims they can offer rates up to 25% cheaper than competitors.

Preventive claims management

A healthier customer segment will reduce the probability of future claims, which means better profitability. This is also supported by the results achieved by the insurers mentioned earlier. While the South African life insurer was able to improve longevity of its policyholders by 20%, the US life insurer found that the policyholders following its rewards program lived about 13 to 21 years longer than those who did not. It also saw a 68% reduction in its life insurance claims.

A long-term trend analysis of customer data can help in identifying patterns of a sedentary lifestyle or deterioration in health, which may increase the probability of future claims. In such cases, health recommendations can be made to the customers for taking necessary steps to improve their health. Furthermore, the data can be also used to detect possible anti-selection and fraud.

A regular health and fitness coaching can also help policyholders recovering from a temporary disability to get back to work faster thus, saving insurers some of the premium amount that otherwise would be waived off.

One of the leading business insurance providers in the UK has partnered with an employee rehabilitation and well-being service provider to launch a remote physiotherapy service for its customers which uses an app to treat and monitor the customers 'on the go'. Not only does this improve the overall experience of the customers, but also allows the insurer to drive down the cost of treatment without compromising on the quality of service, reduce recovery time and to get employees back to work sooner.

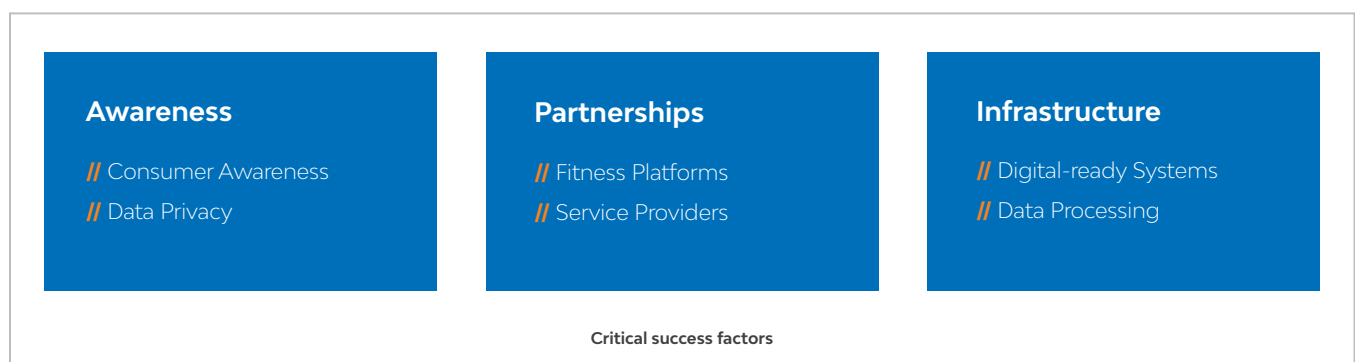
Workforce wellness

The IoT-driven fitness programs need not be limited to external customers only. They can very well be extended to complement the existing benefit programs for the internal workforce. This will help in improving the overall employee engagement. Also, an active and healthy workforce is also expected to be more focused and productive.

According to a discussion paper published in the British Actuarial Journal, a three year study of employees of one of the largest US health insurers, indicated that those who participated in the rewards based wearable insurance scheme and remained engaged throughout the three years have, on average, an 18% increase in healthcare savings and a 44% reduction in sickness absence compared to those who did not engage in the program.

Things to consider

The statistics and data shows the potential that IoT carries for the life insurance industry.



However, few key pointers that insurers must consider.

The wearables market is increasing. However, consistent usage of the devices could still be an issue. Inconsistent usage would eventually impact the accuracy of insights derived from the collected data. Research has also found that a considerable group of individuals still prefer taking out an insurance policy, based on traditional processes. Insurers will, therefore, have to educate their customers about the importance and the health, as well as monetary benefits of enrolling into an IoT-based program.

Data privacy is another key challenge. Insurers will not only have to address privacy concerns of the customers, but also will have to adhere to the regulatory guidelines such as the GDPR regulation in the EU. The Insurance Regulatory and Development Authority in India has also published specific guidelines for wellness services to ensure transparency and data protection.

Insurers will also have to form partnerships with fitness platforms like Fitbit and other service providers to track the activity and incentivize the customers. Strategic partnerships with health data aggregator firms will help insurers to streamline, interpret and synthesise data from wearables to generate more actionable insights.

Finally, the infrastructure. Lack of digital ready application landscape may pose a considerable challenge. Insurers will need to invest in the right infrastructure set up required to support collection and processing of data streams.

In summary, customer awareness, strategic partnerships and a robust infrastructure form the basis and are critical for the success of an IoT strategy.

Once the foundation is ready, a simple Gather – Analyze – Act approach can help to kick start the implementation journey – one use case at a time and scale up iteratively

from a proof of concept to implementations across the value chain. That is, for each identified use case or an area of application – gather the data through the IOT devices, analyze the data to identify patterns and take necessary actions based on the inference. The learnings and insights form one use case can then be used to improve identification and implementation of further use cases.

Concluding thoughts

Adoption of IoT in life insurance is still in its initial stages as compared to its other insurance counterparts. It has its share of pros and cons and having discussed both, we believe that the opportunities that it has to offer, outweigh the challenges.

As the insurers around the world explore the use cases around IoT, they will realize that, a better customer engagement is just the tip of the iceberg. IoT can enable them to achieve beyond an attractive customer experience. A reduced customer churn, better risk assessments, lower claims, and

newer revenue streams will not only contribute to profitability, but also give insurers a much-needed edge in an increasingly competitive market.

With a strong digital foundation, key partnerships and a right implementation approach, life insurers will be able to harness the true value of IoT. Moreover, the recent wave of digital transformation and an increased awareness about importance of a healthy lifestyle triggered by the on-going pandemic will surely help the cause by providing a push in the right direction.

About the Author



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Abhay has been an integral part of LTI's Life and Annuities Consulting practice for over eight years. He holds a strong expertise in business analysis and the life and annuities domain. He has worked on several projects, PAS transformation programs, digital initiatives and consulting assignments for some of the leading insurers in different geographies. He is also a gold medallist from the Symbiosis International University.

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