

A MONEY AND INFORMATION BUSINESS INSURANCE E-BUSINESS DEVELOPMENT AND TREND IN CHINA

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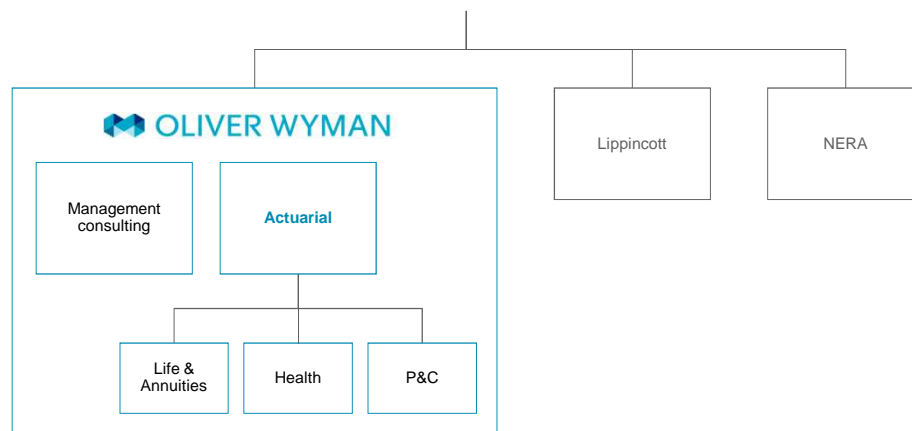
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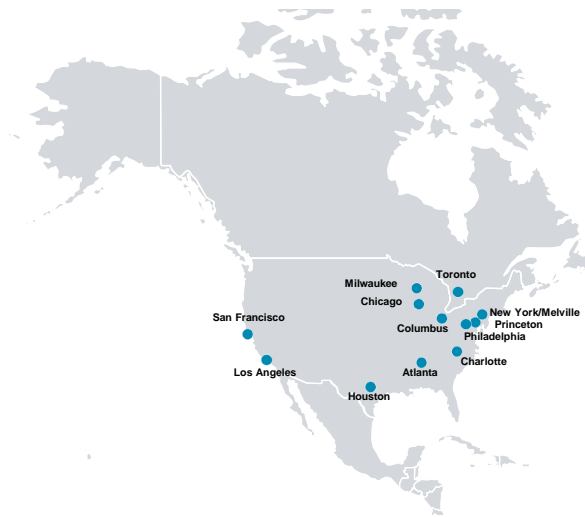
1. Introduction to Oliver Wyman Actuarial Consulting (OWAC)
2. Insurance and e-commerce in China
3. Insurance e-business 1.0: the current state
4. Insurance e-business 2.0: the future state

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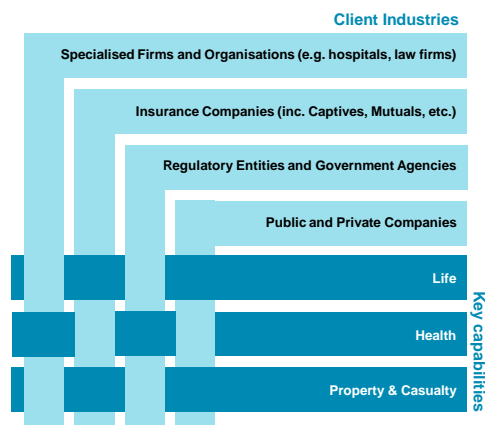
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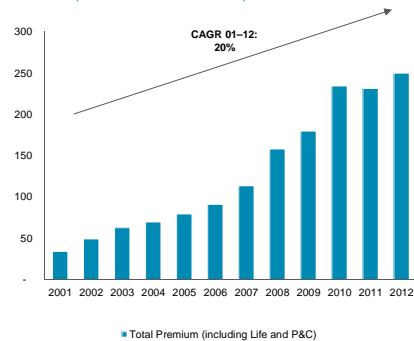
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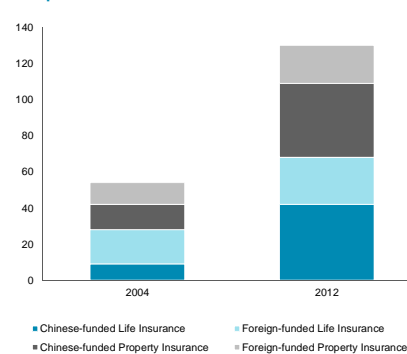
Section 2 | Insurance and e-commerce in China

Total insurance premium income in China has grown on average by 20% per year over the last decade

Total premium income in China's insurance market
US\$ BN (\$6.20 CNY = US \$1.00)



Number of life insurance and property insurance companies in China



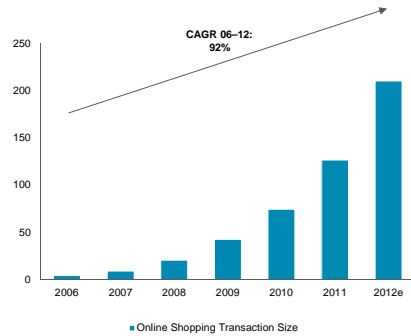
Source: China Insurance Regulatory Commission, Oliver Wyman analysis

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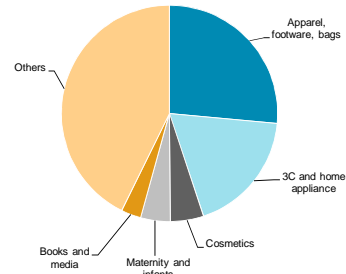
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The growth in China's insurance market has been remarkable, but the growth in online shopping¹ is more extraordinary

Transaction size of China online shopping market
US\$ BN (\$6.20 CNY = US \$1.00)



Online shopping transaction by category in 2012



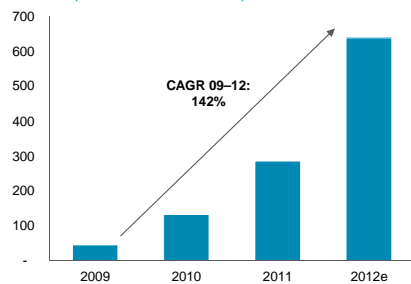
Source: IResearch, Morgan Stanley Research, Oliver Wyman, the Economist magazine
1. Online shopping is defined as the process that commodities or services are transacted from the merchant/seller to individual users (consumers) via the internet.

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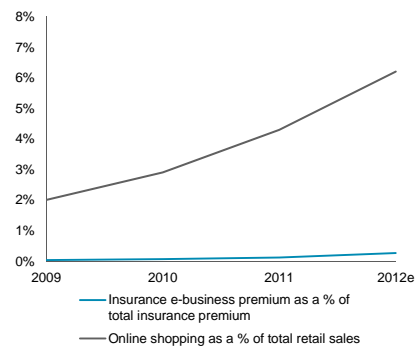
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Insurance e-business: when insurance meets e-commerce
Key characteristics of China's insurance e-business market: high growth, low penetration

Total premium income in the insurance e-business market
US\$ MM (\$6.20 CNY = US \$1.00)



Penetration comparison
Online shopping vs. insurance e-business



The insurance e-business market size is currently small but its future potential is enormous

Source: IResearch, Oliver Wyman analysis

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Key drivers for future growth and development in insurance e-business Demographic, market and technology

1

Online population¹

China has the world's largest online population (564 million as of December 2012), with 130 million residential broadband accounts. Over 40% of the online population are between age 30 and 59, which are the primary target population for insurance products

2

Consumer behavior and preference

Online shopping is changing consumer behavior and preference. People favor online shopping for its affordability, efficiency and enhanced user experience.

3

Market landscape

Insurance companies' traditional business model is under strategic threat. The current industry's sales approach and products are inadequate for the main customer segments of tomorrow.

4

Mobility

Customers are increasingly using mobile devices to consume contents. Smartphones and tablets have fundamentally changed how consumers interact with each other and with the commercial world.

5

Communication technology/media

The development of communication technologies will improve how insurance companies interact with consumers which would enhance consumers' online experience and make them feel more comfortable to shop online

Demographic change

Market change

Technology change

1. Source: CNNIC

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Section 3 | Insurance e-business 1.0 The current state

Insurance e-business 1.0: the current state

Key Characteristics: sell “offline” products online

Typical characteristics of insurance e-business products

Characteristics	Products
Products people already know they need	Such as travel, accident and medical insurance
Products with easily understood benefits	Such as term insurance but it also depends on how the insurer introduces the product to the customers
Products with minimum underwriting	Such as travel insurance and investment type insurance products with low death benefits
When time is an important factor for the product, and online channel can provide the advantage	Such as travel insurance
Products that are claimed to be specifically designed for the online channel	Such as car insurance

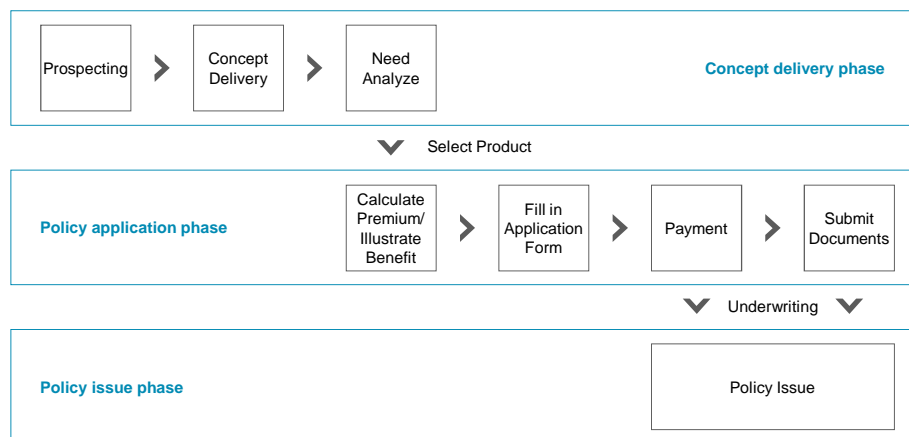
Insurance e-business has evolved from being purely an information and communication medium to being an important distribution channel

Source: Oliver Wyman Celent, Oliver Wyman analysis

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Focusing on improving the user experience of the sales process is one of the most important factors of a successful insurance e-business platform



“The user experience has to go through the whole end-to-end system”

Source: Oliver Wyman Celent

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Advantages and strategies of the insurance e-business in concept delivery phase

Facts/Issue	Advantage for insurance e-business sales	Strategy
Life insurance is an intangible product	<ul style="list-style-type: none"> Customers do not need to see it or touch it 	<ul style="list-style-type: none"> Visualize insurance benefits via multimedia
Life insurance sales is highly relationship based	<ul style="list-style-type: none"> Online sales is a company activity; thus the company can gain consumers' trust No pressure to make a decision 	<ul style="list-style-type: none"> Use marketing methods to generate traffic, and use social media websites to generate and accumulate relationship Use campaigns to push people to make a decision
Life insurance is not easy to understand	<ul style="list-style-type: none"> Website can provide accurate and sufficient information with figures and tables and multimedia content By using video, insurer can organize the content well and lead clients to go through every aspect of the product 	<ul style="list-style-type: none"> Use of multimedia to introduce the product Instead of using insurance terms, use simple and easy to understand words when introducing a product Use various help methods such as free call-in, email, FAQ

Compared to other distribution channels such as agents, bancassurance, and brokers, the online channel is the one that insurers have the most control over in regard to the product introduction

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Example

Flexible benefits: packaged benefit and DIY benefit choice

The screenshot shows the PBOC website's 'Travel Insurance' section. The page is titled 'Travel Insurance' and features a large image of a family. Below the image, there are several product listings for different types of travelers. Each listing includes a brief description, a list of covered areas, and a price. The products are categorized into 'Domestic traveler driving a car', 'Domestic business traveler', 'Overseas business traveler', 'Domestic personal traveler', and 'Overseas personal traveler'. The page also includes a search bar and a navigation menu.

Product Name	Covered Areas	Price
Domestic traveler driving a car	Domestic travel, driving a car, etc.	1000
Domestic business traveler	Domestic travel, business, etc.	1000
Overseas business traveler	Overseas travel, business, etc.	1000
Domestic personal traveler	Domestic travel, personal, etc.	1000
Overseas personal traveler	Overseas travel, personal, etc.	1000

想買好電腦，最好先睇吓以下嘅建議喇：

低價高質方案
網上直銷 ¥4999.55

網上直銷方案
網上直銷 ¥7128.28

自由組合方案
¥由你決定

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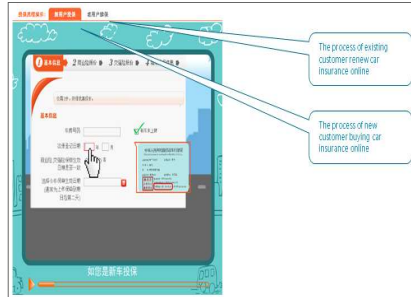
電腦組合名稱	配置詳情	價錢 (元)
入門級方案	Intel i3 3210 雙核 4G 1T 500W 電源 24吋 LED 顯示器	1987.00
家庭娛樂方案	Intel i3 3210 雙核 4G 1T 500W 電源 24吋 LED 顯示器	1249.25
企業商務方案	Intel i3 3210 雙核 4G 1T 500W 電源 24吋 LED 顯示器	1271.50
商務進取方案	Intel i3 3210 雙核 4G 1T 500W 電源 24吋 LED 顯示器	849.79
商務進取方案	Intel i3 3210 雙核 4G 1T 500W 電源 24吋 LED 顯示器	1011.50
商務進取方案	Intel i3 3210 雙核 4G 1T 500W 電源 24吋 LED 顯示器	916.00

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User experience best practice: process Provide sufficient information to reduce fears

Provide demo of purchase process



Source: Oliver Wyman Celent; pingan.com; www.bajajallianz.com

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Provide product comparison

Want More?

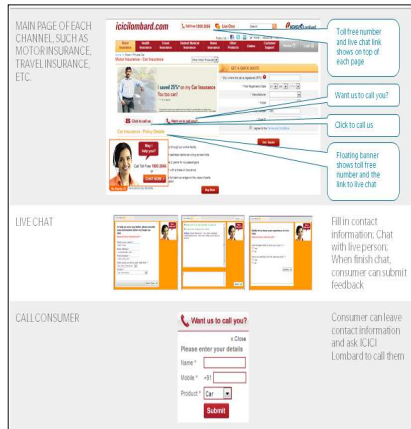
Three different plans to choose from:

Features	Best Value (?)	Standard (?)	Flexible (?)
Premium cost	Low	Regular	Enhanced
Coverage	Low	Regular	Enhanced
Own damage premium (?)	Low	Regular	Enhanced
Basic third party liability (?)	✓	✓	✓
PA-Cover for Owner/Driver (?)	✓	✓	✓
Coverage for electrical accessories	Optional	Optional	Optional
Coverage for non-electrical accessories	Optional	Optional	Optional
PA-Cover for co-passenger (?)	Optional	Optional	Optional
CNG Kit coverage	Optional	Optional	Optional
Driver cover	Optional	Optional	Optional
NCB Discount	Optional	Optional	Optional
Voluntary deductible – save premium	Optional	✗	Optional
Depreciation shield	✗	✗	✓
Engine Protector	✗	✗	✓
24/7 Roadside assistance	✓	✓	✓

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User experience best practice: communication Convenience, integration

Provide various contact methods and integrate with call center



Source: Oliver Wyman Celent; www.icicilombard.com; www.bajajallianz.com

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Provide customers feedback



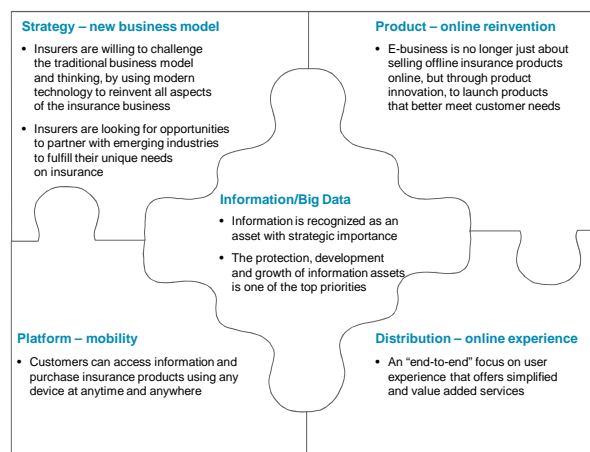
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Section 4 | Insurance e-business 2.0

The future state

Insurance e-business 2.0: The future state

Key Characteristics: Information-driven financial services

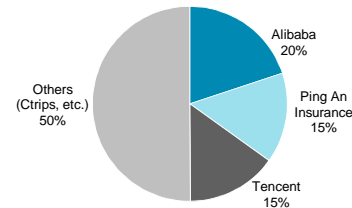


Information-driven companies use data to generate unique insights that improve their core business beyond their conventional competitors

New business model

Ping An insurance is partnering with Alibaba and Tencent to set up Zhong An Online Property Insurance Co., which is expected to be China's first property insurance company selling all products and handling claims online

Shareholding structure registered capital RMB 1 BN



Comments

- Zhong An Online positions as a service site, by not only selling existing insurance products online, but through product innovation, to provide integrated solutions to resolve and manage the various risks of the internet economy
- Sales and claims are entirely through the internet, will not set up any branches
- Product development will avoid traditional auto insurance business but instead specializing in liability insurance and guarantee insurance

Online reinvention

Online networks allow the efficient re-launch of traditional insurance business models on the internet – micro-mutuals

Business strategy

"Friendsurance takes a completely new approach towards insurance: for the first time, we have implemented the concept of an online peer-to-peer insurance, which combines social networks with well established insurance companies.

- Friends provide mutual coverage for household, personal-liability and legal-expenses insurance
- A traditional insurance company acts as a "reinsurer" to cover tail events, the costs of smaller claims, which would normally be paid by a policyholder as part of a "deductible" amount, are shared within a small circle of friends
- Part of their premiums are set aside to settle these small claims. If something is left over at the end of the year, each friend gets back his share

Comments

- Why it works
 - Better risk selection: policyholders use private information to decide whom to connect with, shutting out bad risk profiles
 - Reduced process costs: small claims can be handled without using the insurance company, using the network's payback
 - Reduced cost of sales: offers incentives for viral growth, reducing the customer acquisition costs and thus the cost of sales

Mobility

In conjunction with the telecom company Docomo, Japanese insurer has introduced “one time” insurance in Japan

Business strategy

Advancing the role of the mobile phone



Comments

- Tokio Marine and Nichido, through its partnership with NTT Docomo, Japan's largest mobile carrier, sells sport and travel insurance
- Coverage tend to be for short periods like one day, and usually around a few hundred yen in price
- Docomo handles sales and premium payments, Tokio Marine and Nichido will be responsible for underwriting policies and dealing with claims procedures
- Premium is included in the subscriber's phone bill

Big data

Big data application such as telematics allows insurers to leverage the “information balance sheet” to price products based on an ever-increasing number of variables to find and attract profitable risks

Big data and the information balance sheet

Dimension	Definition
Volume	• The amount of information gathered is often in terabytes, sometimes in petabytes
Velocity	• The speed at which data is collected, analyzed, and presented to users
Variety	• Data can take many forms and be gathered from many devices and from internal and external systems and sources



Information balance sheet is conceptually straightforward

- 1 What is the firm's information position relative to competitors and clients?
- 2 How is that information position likely to change given shifts at the firm, competitors and clients?
- 3 If that information position changes, what level of earnings or value could be available or at risk?

Case study

IA optimizes telematics to reduce risks for young drivers

- Industrial Alliance auto and home insurance used the concept of telematics to target the younger and less experienced drivers in the 16–24 year old segment
- A telematics device is installed in a policyholder's vehicle and a usage-based insurance platform is designed to manage the collection, aggregation and analysis of very large quantities of real-time data such as
 - Distance traveled
 - Actual speed vs. speed limit
 - Sudden acceleration and hard braking

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