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## KPMG Perspectives

# The connected ecosystem: A new business model for insurers

**T**HE impacts of new and developing technologies have dominated recent conversations about the future of the insurance industry—and for good reason. Advances in robo advisory, AI, big data, analytics and more are reducing costs, increasing efficiency and improving customer service.

Yet, in addition to the advances driven by insurtech and B2B technology innovations, a deeper transformation is underway. Instead of approaching insurtech from a technology perspective, forward-thinking insurers are embracing disruptive innovation to reimagine the relationship between the insurer and the insured, to create a new insurance business model.

One particularly interesting area where we are seeing this type of transformation is in “connected insurance.” Connected insurance envisions a new role for the insurer as an active supporting participant in the customer’s daily life.

### A new way to connect to customers

TRADITIONALLY, a customer only thinks of insurance in the wake of a purchase or life event, whether that’s buying a home or vehicle, going through a life change, or needing to make a claim. In recent years, insurers have been attempting to make the shift from providing protection from the impacts of unfortunate events, to helping prevent these events from occurring. Connected insurance takes things one step further, creating an active role for the insurer in the customer’s daily life and activities, from creating a meal plan to monitoring a pregnancy.

While, historically, insurers have provided products based on customers’ risk profiles, connected insurance requires the insurer to, instead, think about the customers’ lifestyle. As lifestyle is often dependent on life stage and other demographic factors, insurers pursuing a connected insurance approach must focus on specific customer segments, develop an in-depth understanding of that customer type, and then seek ways to seamlessly integrate into the customer’s lifestyle.

Technology makes lifestyle-integrated interactions possible. The advanced capabilities

and widespread availability of consumer-focused devices, such as smart phones, Internet of Things (IOT) enabled appliances, health monitors and more, are providing unparalleled abilities for individuals to manage their lives online.

At the same time, big data, analytics and other tools employed by insurers can unlock powerful insights from this information that can be used to better understand the customers and provide the appropriate connections within the connected ecosystem. That data can then be used to enhance underwriting decisions and refine pricing for smaller, targeted customer segments, as opposed to one, blended rate for all.

### Creating a connected ecosystem

THERE are three core areas where we are currently seeing the development of connected insurance: health, home and transportation.

In a connected health ecosystem, the insurer works as a full-service customer concierge for medical care. Personal medical monitoring devices and wearables allow customers to track health information, such as weight and BMI, heart rate and pulse, blood sugar, exercise activity and more. With these devices connected through an app, the insurer could transfer data to a medical practitioner for ongoing monitoring. Should concerns arise, the insurer could not only provide support to make medical appointments or expedite treatment but also to arrange transportation, from requesting a taxi to calling an ambulance. Lifestyle supports, such as recommending healthy meal plans, giving tips or reminders, or providing discounted gym memberships can also assist customers to lead healthier lives.

Recently, KPMG professionals worked with an insurer in Singapore and developed a “connected health” diabetes-management program, which allows the insurer to provide affordable health insurance to early stage diabetes patients, who would otherwise not be able to avail themselves of any medical coverage once the diabetes is detected.

Networked IOT devices allow an insurer to provide round-the-clock support in the home, especially for seniors or other at-risk custom-

ers. Yet, in addition to medical monitoring and support, a connected home can also enable insurers to provide home owners and renters with greater comfort and security. Support could range from remote early detection of problems, such as leaks, shorts or floods, to arranging appointments with repair professionals.

When it comes to automobile insurance, a connected car is an area of particular interest. While early telematics were intrusive and had a correspondingly low adoption rate, new apps use the smartphone’s built-in gyroscope to seamlessly provide telematic data. This enables the insurer to easily identify the driver, track behavioral driving patterns and reward drivers for positive driving habits. Insurers can then create recommended ecosystems of service providers or gas stations at which customers can spend their “good driving points” for free products or discounted service.

### Shifting mind-set to create value

WITH the rise of the gig economy and other factors increasingly pushing people from asset ownership toward asset usage, insurers will need to find ways to connect with customers and provide value in all aspects of their lives. Connected insurance uses technology to make the insurer a core partner in the customer’s life, providing not only emergency assistance and preventative help but also ongoing, seamless support. The future of insurance is not about the product or technology.

Instead, the way forward requires a shift in mind-set: making the customer the priority, with the insurer delivering daily value as the center of a wider ecosystem of trusted providers.

*The article “The connected ecosystem: A new business model for insurers” is written by Chia Tek Yew, KPMG in Singapore.*

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