

# REVOLUTIONISING INSURANCE WITH DATA INNOVATION

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*Examining the future of underwriting in the life and health insurance industry*

No industries, economic sectors or markets have been left untouched by the implacable transformation driven by digitisation, technology and innovation. Financial services are at the forefront of this disruption and transformation, as seen in the explosion of startups and unicorns in the digital financial technology space.

Insurance, arguably the last bastion of finance has not escaped this wave of change, with the rise of insurance technology (insurtech) across the globe. The insurance industry has long been dominated by traditional business models, structures, and processes. The industry has been reluctant to change without regulation.

A perfect example of this is underwriting within life and health insurance to price applicants, which has presented barriers to change. This process is well-known for its lengthy questionnaires, potential medical exam requirements and slow approvals for applicants. If simplified is deployed, this can lead to additionally loaded products. There are new innovative ways that have been launched to help streamline these processes without major additional risk or cost using alternative data sources, to assist the underwriting process.

Underwriting, the process insurers use to determine a fair price for the coverage of the risk is done by medical underwriting in the life and health insurance industry. An applicant's health or life insurance coverage will be evaluated through an examination of their medical history, a fundamental aspect of the process. The pricing of any subsequent coverage granted is quantified by analysing the risk factors of the applicant's responses to a series of questions supplemented by their medical history and a lifestyle questionnaire. Self-declaration integrity also plays a big part in the process.

The process of medical underwriting to price individual policies broadly still follows traditional methodologies deployed and adopted by life and health insurance, and reinsurance firms around the world.

Methods deployed can be online or paper-based and can be time-consuming for both policy applicants as well as the insurance and reinsurance companies. Data collection in this manner can differ from country to country. For many insurers and reinsurers, it is time-consuming and a challenge to maintain applicants records and track changes to circumstances. This process can be costly, laborious and daunting to applicants and create an unfavourable buyer's journey.

A result of these relative inefficiencies is variable conversion rates. In the UK, 90 per cent of the UK Life business is written by the intermediated market, by telephone or face to face. Details are keyed in an electronic application by an advisor. In Asia, the process is similar

but usually more face to face by an agent. Conversion here is higher compared to self-service applications directly made online where numbers are high, but conversion is low. Higher dropout rates can be a result of providing hard evidence of medical exams, frustration of the lengthy process and, in many cases, dropouts can simply be influenced by changing consumer habits, where consumers are used to faster, straight through processing and more choices based on price when purchasing goods and services of all types.

## DATA-DRIVEN APPROACH

Alternative data is an innovative way to help insurers and reinsurers price policies using individual applicants' health activity and other digitally stored wellness data, with the added advantage of being almost instantaneous.

Such data is captured from individuals stored data within smartphones and wearables, making use of information that is real, lifestyle driven and readily available. This new data-driven way to price life and health policies for applicants is rapidly garnering interest and offers a prime example of digital innovation transforming the life and health ecosystem.

Qumata is a global leader in this transformation of underwriting for life and health insurers, that will improve customer experience and help insurers realise new revenue opportunities and save costs, while maintaining the levels of accuracy obtained by traditional methods. Qumata, founded in 2017 and now with offices across Europe and Asia, uses this alternative digital data to calculate the risk of diagnosis for over 800 conditions and related product loadings based on their Extra mortality & morbidity, saving applicants hours filling out long questionnaires or visiting the doctor.

The firm's proprietary solution is a semi-supervised machine learning algorithm built on a range of large datasets. The company's algorithm has been validated by leading academic institutions, as well as insurers and reinsurers across Europe, Asia and the US who are already actively using Qumata's solution for underwriting.

Qumata boasts a track record of positive feasibility studies, conducted in the 'proof of concept' (POC) stage with major global insurance and reinsurance firms which are conducted prior to these organisations becoming clients. These POCs have shown the accuracy of underwriting is at least on par with the data emanating from traditional methods, while the speed, ease of use and efficiency provide significant improvements to the process. It is this speed which makes these data driven solutions really stand out.

## SPEEDING UP PROCESSES

Studies published in the past few months, including one from Munich Re, show the average underwriting process for the 'traditional' method can take several days to process. Even simplified methods, such as those sometimes adopted in the UK currently, require the longer questionnaires to be completed at a later date after a quotation is given. In some markets like India, more than 50 per cent of consumers are asked to go for a medical exam which in turn creates further costs and inefficiencies into the process.

With Qumata, the whole underwriting process can be reduced to under three minutes on average. The company's API-based solution, once implemented into an insurer's backend, allows for a new way of underwriting, making it faster, cheaper, and just as accurate. Insurers can use these solutions to provide a more seamless, modern customer digital experience and realise new revenue opportunities.

Such revenue opportunities include the ability for insurers to use this alternative data to flag and track circumstantial changes to individuals' health and wellness activity. This can lead to the identification of valuable new cross-sell opportunities with pre-approval to existing customers or offer an immediate price for new health or life insurance policies.

A further potential area of lead generation comes from insurers

expanding their digital partnerships with telecoms or banking firms. A partner platform can send data to Qumata who will create a risk profile which the insurer can use to pre-approve a price for a prospective customer and market to them.

For all these journeys, Qumata can also enable insurers to implement dynamic underwriting and improve conversion rates. After a set timeframe, Qumata can reassess the risk of a customer and adjust the price accordingly. Furthermore, Qumata can be used to augment traditional underwriting processes by allowing insurers to identify healthy applicants and provide them with further discounts, or higher sums assured.

In essence, Qumata embraces digital innovation to help streamline, simplify, augment and in some cases replace the traditional methods of life and health underwriting. Qumata seeks to propel digital innovation in the following ways:

- The use of AI and data-based technology principles allowing the insurance ecosystem to modernise its underwriting business and its operations but at the same time providing a more positive experience for the buyer.
- Develops new revenue opportunities for insurers and reinsurers and value-added services for the benefit of their policyholders, using consistent tracking of personalised alternative activity and wellness data sources.
- Fosters a collaborative ecosystem where innovative service providers like Qumata, insurers, re-insurers and other partners can cooperate to bring about transformation of the underwriting process which in turn yield higher success rates in policy purchase. Digital innovation is key to accelerating and transforming the more traditional insurance business.

Insurtech is growing in terms of importance and digital technology providers like Qumata hold the keys to modernising traditional underwriting in the life and health insurance industry. The vision is to revolutionise the future of underwriting and bring it forth into the digital age. **IFT**

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## About Qumata

Founded in 2017, Qumata (formerly known as HealthyHealth) is on a mission to transform insurance underwriting – offering a faster way to access individual health forecasts without losing accuracy of traditional questionnaires or medical exams. Our solutions unlocks insights into an individual's current and future health and mortality risks, for anyone equipped with a smartphone, instantaneously and without medical questionnaires or examinations. We work with Life and Health insurers to help them create a faster, more customer-centric underwriting journey, providing the extra-mortality, extra-morbidity and other parameters for any individual and for 800 medical conditions.

Website: <https://qumata.com>

LinkedIn: [www.linkedin.com/company/qumata](http://www.linkedin.com/company/qumata)

Twitter: @HealthyHealth

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