The Art of the Possible

Inspiration from China
Digital opening a world of Opportunity in insurance...
China: the most dynamic insurtech market in the world

- Popular insurance mobile applications
- Innovative digital insurance products
- Largest InsurTech startup unicorn
- The only insurer with technology as core strategy
Insurtech in China is enabling hypergrowth in digital insurance

410 B
Estimated RMB 2019 digital premiums

150%
CAGR 2011-16

35%
CAGR 2016-19
Typical online and scenario-based insurance products

**Return Freight Insurance**
Embedded in online purchase process to ensure potential cost occurred as result of returning products

**Flight delay insurance**
Provide compensation in case of flight delay

**Auto related insurance**
Add-on auto property damage insurance

**Credit guarantee insurance**
Credit risk-based insurance, insurer (guarantor) provides credit guarantees to obligor (insured)

**Broken screen insurance**
Users get compensation in case of screen damage upon mobile purchased

**Health insurance**
Provide compensation in case of injury, disease, fatality etc.
Chinese firms focus on business model innovation and the application of tech and not on the tech

BCG 2017 Survey on 175 Unicorns

Chinese

- Technology innovation: 10% (6)
- Business model innovation: 90% (57)

US

- Technology innovation: 39% (44)
- Business model innovation: 61% (68)
In China, we see innovation in several areas

Data is generated through innovative approaches...

Digitisation of the core

Analytics are leveraged to drive business advantage either in pricing, risk management or upsell...

Product innovation (through test and learn) is used to solve real life problems, generating customer data...
3 types of players shaping the InsurTech landscape in China

- **Incumbent insurers**
- **Technology giants**
- **3rd party providers**

- **InsurTech startups**
- **Technology providers**
Impact in three areas from Insurtech

Enabling the traditional insurance value chain
- Risk assessment
- Claim
- Customer service
- ...

Extending partnerships and ecosystems
- Health management
- Auto aftersales service
- ...

Creating new sources of revenue
- Claim management solutions
- Contact center solutions
Impact being felt right across the insurance value chain

<table>
<thead>
<tr>
<th>Application</th>
<th>Wide</th>
<th>Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloud</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Big data</td>
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<td>✓</td>
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<tr>
<td>AI</td>
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<tr>
<td>IoT</td>
<td>✓</td>
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<tr>
<td>Genetic tech</td>
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<td>✓</td>
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<tr>
<td>Blockchain</td>
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<td>✓</td>
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<tr>
<td>AR/VR</td>
<td>✓</td>
<td>✓</td>
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Source: BCG analysis
A source of inspiration: Ping An Group

"Fin and Tech"
Ping An has transformed itself many times over the years
Ping An investing in five transformative technologies

Biometrics
Face recognition technology ranks first in the world with 99.8% accuracy low volatility
Smart identity authentication using voice used in more than 20 use cases

Big Data
Leading, large-scale data platform with 9TB data
Advanced models developed e.g. to predict disease, monitor epidemics, and help prevent them from spreading

AI
AI technology integrated in customer service, health-care diagnosis and treatment
Machine Learning and image recognition integrated in automatic claims assessment

Blockchain
Blockchain used in 12 different scenarios in finance and healthcare
Inter-bank trading platform and reconciliation platform to provide real time synchronization with high security

Cloud
80% of production systems run in the cloud
Deployment of applications in minutes
High availability and reliability with 730,000+ monitoring points
Ping An is pioneering in AI and ML

Face recognition: 99.8% accuracy
Voiceprint recognition: 99.6% accuracy
Micro-expression recognition: 90% accuracy

3-in-1 identity verification
Digitize life sales process
Remote damage assessment & claim
KYC beyond fraud management
Digital: from a potential threat to an enabler of agency

Ping An "S.A.T." Approach

Target: 1.5 X average social income

Social platform support:
- Data-based activity prompt: relationship building, service & sales

Two core APPs:
- Customer APP: Golden House Keeper
- Agent APP: e-Sales

Telecenter support:
- Tele-support of financial products
- Techniques for sales and service
- Remote sales support

"Network celebrity"
Productivity of Ping An agents outperforms peers even as agent base is strongly growing

FYP per month per agent in 2016

<table>
<thead>
<tr>
<th></th>
<th>Ping An</th>
<th>CPIC</th>
<th>NCI</th>
<th>Huaxia Life</th>
<th>Market average</th>
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<tbody>
<tr>
<td>RMB</td>
<td>~8,000</td>
<td>~5,100</td>
<td>~5,800</td>
<td>~4,100</td>
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Number of Ping An agents

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tr>
<td># (M)</td>
<td>~0.65</td>
<td>~0.85</td>
<td>~1.10</td>
<td>~1.50</td>
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Source: Company IR presentations; Expert interview
Ping An expanded into four ecosystems on top of its core business

Financial services ecosystem
Use insurance technologies to addresses core pain points and reduce front-office costs
- Core technologies: AI
- Main participants: Insurer, AMCs, trusts, funds
- Main innovation: Product and service offerings

Health care ecosystem
Full range of health offerings to crack open data silos
- Core technologies: Big data, Biometrics, Blockchain
- Main participants: Insurers, genetech firms, hospitals, universities
- Main innovation: Product, risk control, pricing and services

Auto services ecosystem
Use big data and AI to disruption of the significant and extensive auto services ecosystem
- Core technologies: Big data, AI
- Main participants: Insurers, car OEM, fintech firms, map providers
- Main innovation: Client base, products, risk control, pricing and services

Real Estate ecosystem
Penetrate the entire real estate value chain, including development, marketing and financing
- Core technologies: Big data, Cloud
- Main participants: Developers, owner-operators, agencies, brokers, customers, government
- Main innovation: Completeness of the ecosystem, efficiency of interaction between players

Source: Ping An Investor Day presentations (Nov 17)
Ping An OneConnect is a financial cloud platform serving individuals, businesses and financial institutions.

- **Intelligent banking cloud**
  - F2C Retail O2O service platform
    - Deposit
    - WM
    - Life
    - Loan
    - Payment
  - F2B SME financing service platform
    - Enterprise
    - Banking
  - F2F asset trading service platform
    - Banks
    - Non-Banks
    - Brokers/market makers

- **Intelligent insurance cloud**
  - Life insurance
  - Health insurance
  - Property & Casualty insurance

- **Intelligent investment cloud**
  - Fund
  - Trust
  - Securities
  - Private placement

- **Ping An OneConnect** is a financial cloud platform serving individuals, businesses and financial institutions.
  - Serving ~2,000 non-banking institutions, and expecting to expand into other financial industries and overseas markets.
  - 200+ Small and Medium-sized Banks on platform, covering more than 70% market size.

**Source:** Desktop research, BCG analysis
A source of inspiration: Taikang

"Fin plus Tech"
Taikang provides a full range of services covering all life stages

**Life Insurance**
- Full range of life insurance services to solve customers unmet protection and savings needs.
- Products include:
  - Juvenile Cover
  - Education Savings
  - Target Savings
  - CI & Health

**P&C Insurance**
- New online P&C insurer launched in 2015.
- The online channel solves the customer friction and makes it more convenient for customers to purchase P&C products.
- Products include:
  - Accident
  - Home Contents
  - Traffic Accident Liability

**Retirement**
- Resort like retirement communities in 8 locations in China.
- Fills the current unmet customer friction for high quality retirement care for an aging population.

**Hospitals**
- Taikang also owns hospitals in Beijing and Nanjing.
- Fills the need for quality healthcare services especially for retirees.

**Funeral Services**
- “Ai You Hui” a new business unit which provides funeral services including tombs.
- Fills the need for quality funeral arrangement services and completes the full range of services supporting customers “to heaven”

"Lifelong partnership from the Cradle to Heaven"
Taikang's "Big health + Internet" strategy is delivered by leveraging technology to integrate insurance and health as ecosystem.

- USD 250 mn investment budget per year
- Information technology center for tech development
- Partnership with Tencent for precise marketing of health products
- "Health Cloud" connecting Taikang to >1,000 nursing homes and ~2,700 dental clinics
- Direct claim settlement under ~600 hospitals
- Retirement communities in 10 different cities in China
- 80% of business closed on mobile

Source: Company disclosures; Lit. research
Example: Taikang Life leverages Wechat in "sales & distribution" and "service & operation"

Cancer insurance offering

- Tailored and integrated social media proposition
  - Cancer cash insurance
  - Easy to understand: One Yuan premium → 1,000 Yuan cover; Max. coverage 100,000 Yuan

- Simple product
  - One-click purchase in WeChat; removed underwriting process
  - Simple info required (name, ID, Email)
  - Payment via embedded payment function or bank card transaction

- Easy to buy
  - Friends-for-friends system on WeChat
  - Users buy cover for their friends—the more friends, the higher the cover

Claim request

- Simple and easy-to-use submit process
  - Info already embedded on account
  - Digital document accepted
  - 7*24 progress tracking

- Additional information and services available
  - Claim manual and related documents
  - Hospital lists for specific areas

Beta version launched end February 2014
A source of inspiration: Zhong An

"Tech plus Fin"
Zhong An was founded by three of the digital giants
Zhong An by the numbers

- 500M+ Cumulative customers served
- USD 500M+ Gross premiums written in 2016
- 0.001966 Complaint per 10,000 policies: the lowest nationwide
- 100M Policies sold on a peak day
- 8.2B+ Policies sold
- 96% Policies distributed via partners
- $13B valuation
Zhong An is redefining insurance in the digital world

**Product Design**
- Scenario-based
- Able to offer small ticket products
- Tailored coverage
- Quick-to-market

**Pricing/Underwriting**
- Accurate pricing
- Better risk assessment
- Real-time, dynamic underwriting

**Distribution**
- Seamlessly embedded into online applications
- Direct to customers
- Cross-selling

**Claims Service**
- Highly automated process
- Optimized fraud detection
- Faster, more transparent and more convenient

**Technology Platform**
- Cloud-based, secure and cost-effective
- Flexible architecture
- Open platform
Zhong An partners with a vibrant ecosystem
Implications
Four major traits of incumbents' innovation

- Real experiences to parameterize digital/AI models
  - Centralized technology strategy and planning team
  - Independent and dedicated technology team for a relatively objective view

- Centralized but independent team
  - Centralized technology strategy and planning team
  - Independent and dedicated technology team for a relatively outsider view

- Variety of talents
  - Diversified source of talents
  - Open to various industries

- Competitive remuneration
  - Attract and retain right talents
  - Incentive structure different from traditional insurance business

Source: BCG analysis
A call to action for insurers

Work to solve real-world problems for customers and the insurance products follow

Be open to innovation: take an open perspective from outside the market or the industry

Think about potential partnerships to leverage tech and ecosystems to help accelerate innovation