

New tech enables L&H re/insurers to improve risk selection: Tony Laudato, Hannover Re

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The growing influence of advanced technology is enabling life and health insurers and reinsurers to improve the efficiency and robustness of the risk selection process, according to Tony Laudato, a Vice President (VP) at reinsurance giant Hannover Re.

The rise of technology and its increased focus on the risk transfer industry is driving change across the space. Historically, the insurance sector has been slow to change, but a rapidly advancing world that's becoming ever more interconnected is forcing companies to embrace new technologies, or risk losing market relevance.

Reinsurance News recently spoke with Hannover Re's Laudato about the influence of technology on the life and health re/insurance sector, where advancements in tech are starting to play a more meaningful role.



"When we start thinking about new technology, I think we have to start thinking about the buckets that it falls into and the impact it has.

"First off, there's the marketing and sales funnel piece of technology, which might include looking at how companies are reaching their current markets or how they're looking to reach new markets. For the existing markets, it's technology platforms that are trying to make more traditional distribution channels far more efficient and far more effective around how they reach potential customers and grow their pipelines.

"And then for their existing clients that they have, how are they continuing on with those clients over-time and how are they providing value to them," said Laudato.

Across the insurance and reinsurance landscape, the number of new InsurTech companies and investments in these companies is constantly on the rise, with each hoping to add value to the risk transfer chain in their own way.

In the life and health space, Laudato explained that many InsurTech firms are deploying all kinds of tech designed to improve the matchmaking process from risk to client, identifying key markets and microtargeting increased penetration in areas that have the highest propensity to buy.

Away from marketing and distribution, and where Hannover Re spends a lot of time, is around technology in the underwriting phase and risk selection.

Laudato said that the German reinsurance giant is focused on leveraging the advancements of data analytics and the ability to connect to data sources that can make the firm's risk selection process much more consistent and far more robust.

"The risk selection process in life insurance really hadn't changed in probably the last 60 years of going and doing questions on an application, an interview of some type, through medical records. This is generally done on paper and that process can take months.

"Now, we are at the point where we can access so much of that data electronically. First, that speeds the process up, but most importantly it allows us to go a little bit deeper in actually having our underwriting talent in the industry spending time on the cases that really should be reviewed, the more complicated cases, and putting more of the straight forward cases through some sort of automated process.

"So for us, the technology around automation and underwriting and underwriting rules and how you bring additional data sources into that, that's really where risk selection is today and we think that will only continue going forward," said Laudato.

He continued to explain that at the moment, much of the tech focus from insurers is on the risk selection side of things, which is partly driven by the fact it's not so much of a foreign concept when compared with some of the other potential uses of new technology.

"They can understand how they can break some new data in and change underwriting and things like that, it doesn't change their world too much," added Laudato.

With the absence of public sector influence, the challenges of increasing insurance penetration exists across the risk transfer landscape, life and health sector included. Heightened use of social media platforms and other social economic trends have altered the distribution landscape for insurers, but as ever with market challenges, opportunities also exist, and specifically in relation to technology.

"The last piece is around engagement and when we think about insurance companies in particular, it's how are they reaching out to their policy holders. For the longest time they had been relying solely on distribution to have that relationship with them, and now we start to see that carriers are starting to engage and talk with their policyholders themselves.

"And so, what are the technology programmes around that and around trying to be more omni-channel to their policyholders and talking to them in ways that clients would expect. Whether it be email, text, or mobile applications further down the line. So it's meeting the expectations of the current day consumer, where and how they want to be engaged," said Laudato.

From a communication point of view, Laudato told Reinsurance News that it's important to be everywhere so that you're able to meet whatever expectations people have about how they want to be educated about insurance ,and about how they want to purchase protection.

"And I think that one of the larger challenges that the insurance industry has, is changing the way that they've done it for so long and being able to develop the technology to be able to do that in their current platforms and current systems, and how do they start to change that.

“That is very big risk for them, both from an expense and technology point of view, but then from a talent point of view as well. Do they actually have the talent to be able to do it,” he said.