

International Trends in Risk Coverage

IX Forum Nacional

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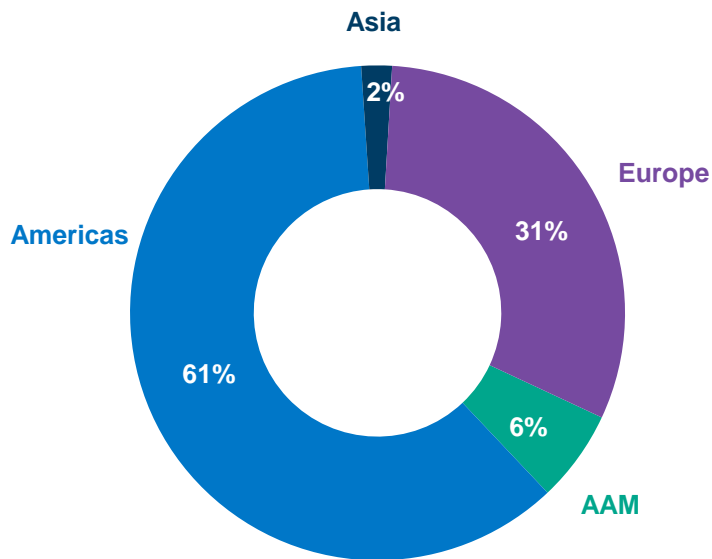
Helping people achieve a lifetime of financial security

Sao Paulo

June 2018

AEGON
Blue Square Re

Aegon at a glance



Earnings

Underlying earnings before tax of **€ 2.1 billion**
(Full year 2017)



Focus

Life insurance, pensions & asset management for approximately **29 million customers**



Sales

Total sales of **€ 16.2 billion¹⁾**
(Full year 2017)



History

Our roots date back to the first half of the **19th century**



Employees

Over **28,000** employees
(December 31, 2017)



Investments

Revenue-generating investments **€ 817 billion**
(December 31, 2017)



Paid out

in claims and benefits **€ 48.1 billion**
(2017)

¹⁾ Sales represents new life sales + accident & health premiums + general insurance premiums + 1/10 of gross deposits

Outline

International Trends in Risk Coverage Plans

- Fundamental change drivers
- Impact on product, distribution and regulation
- Wrap-up and panel discussion

Challenges and rewards of insurance

■ Insurance can be challenging

- ▶ Price is known, but cost is not – until much later
- ▶ Consumer often and increasingly has better information than insurer
- ▶ Interest rate levels & financial market returns
- ▶ Litigation

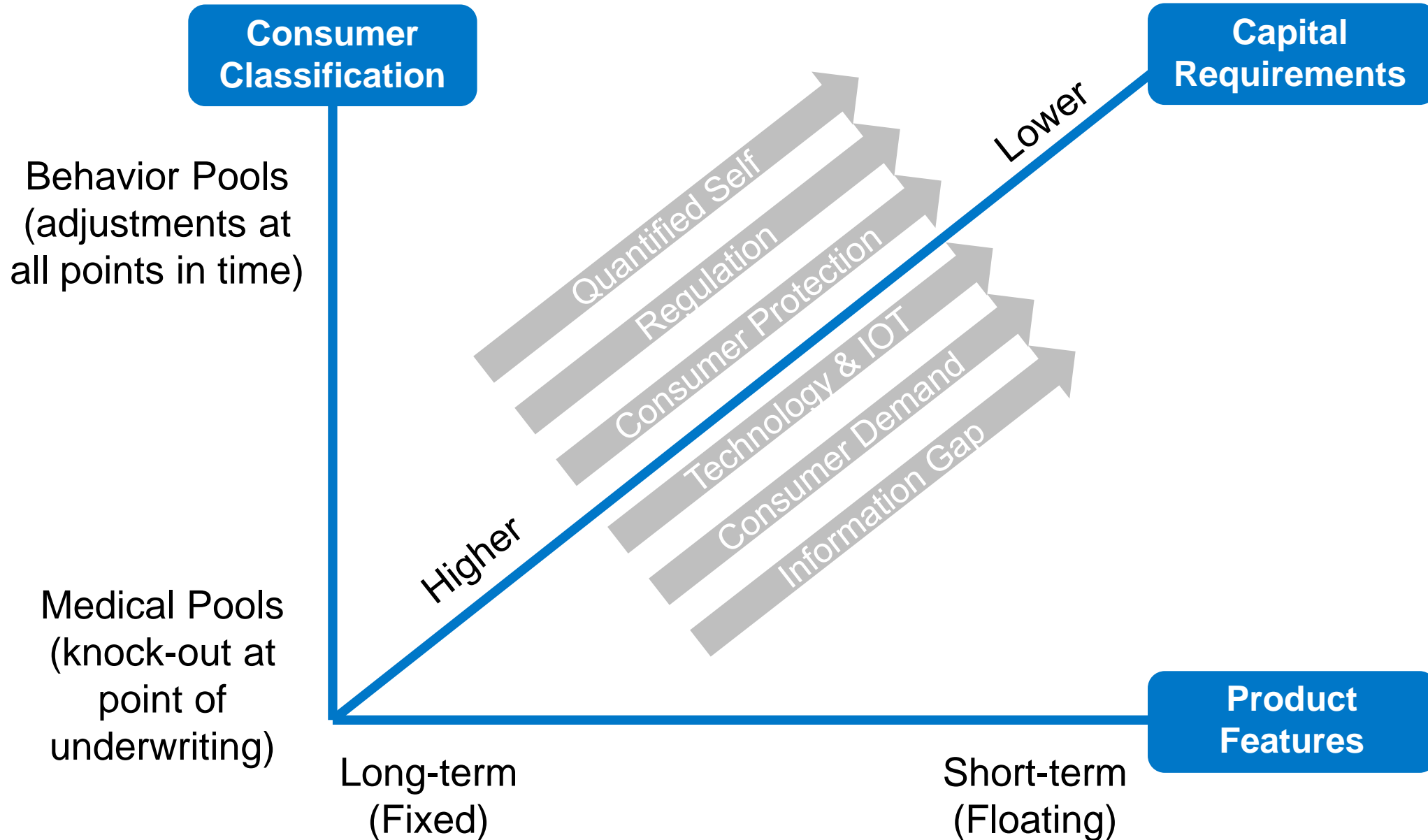


The chasm is expanding

■ Insurance can be rewarding

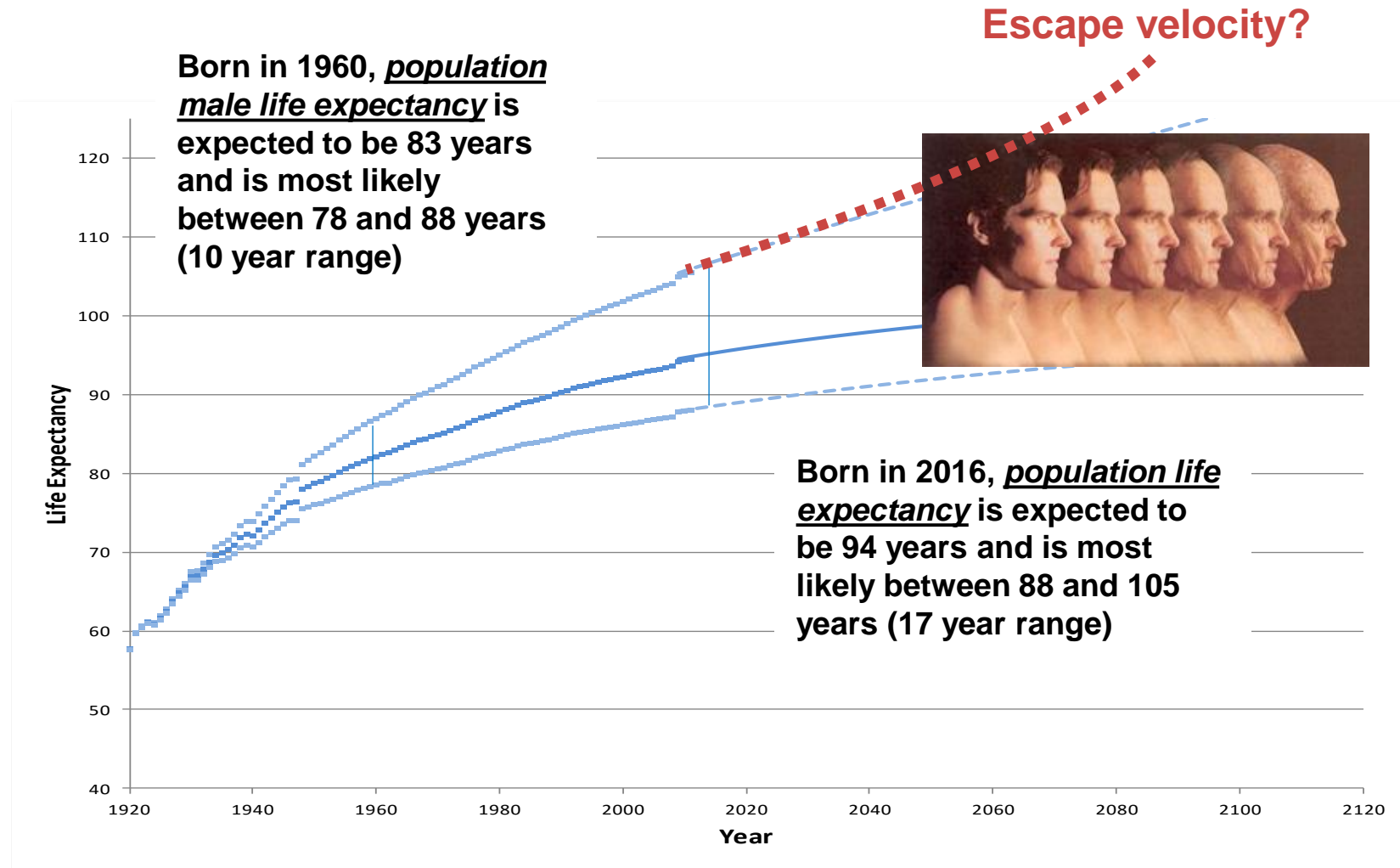
- ▶ Clear societal purpose
- ▶ Strict process and absence of biases lead to stable long-term results
- ▶ Alignment with consumer drives positive selection

Key trends affecting products and underwriting

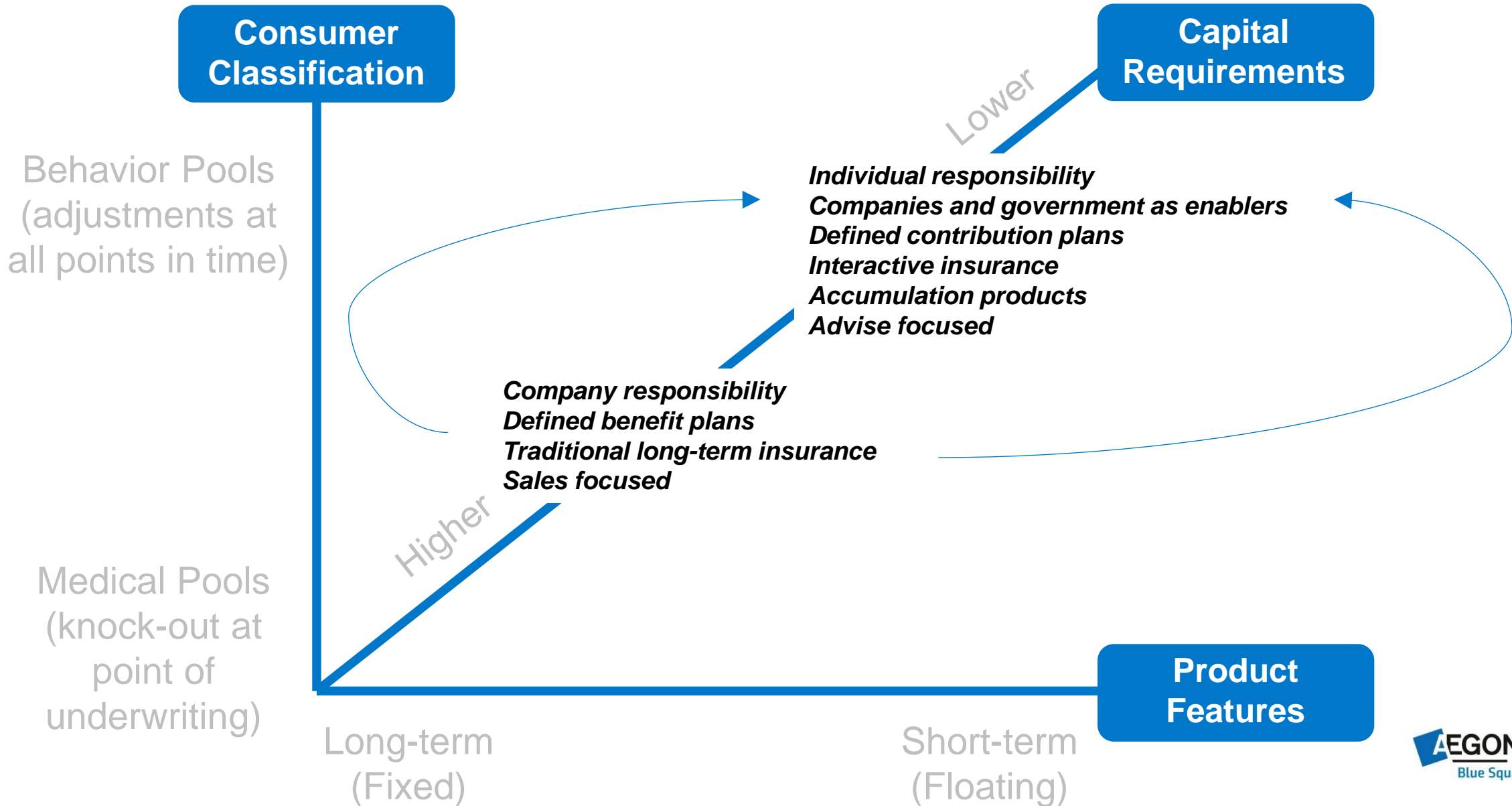


At the same time, life expectancy is increasing

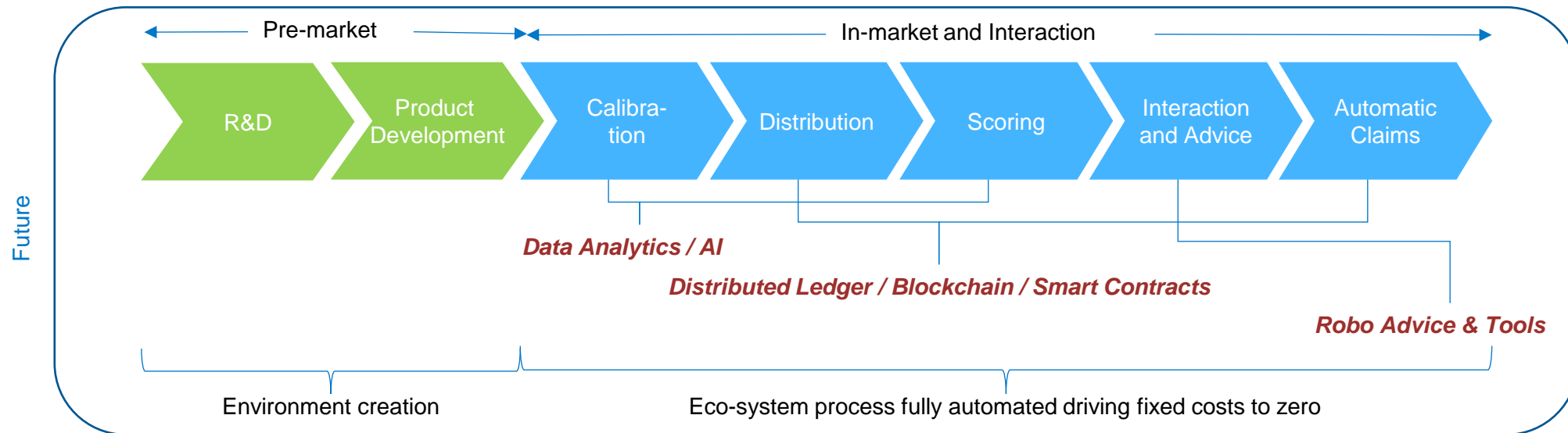
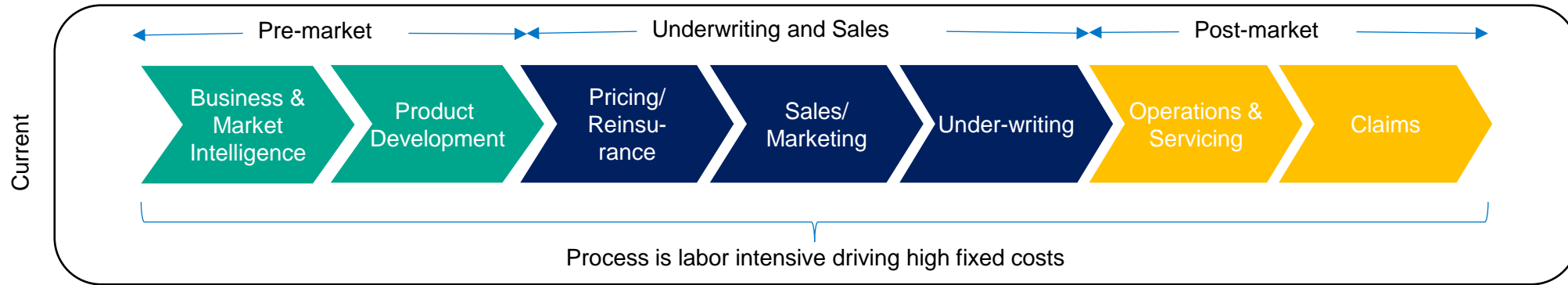
- Dutch life expectancy is currently increasing at 1-3 years per decade depending on cohort and geography
- This is factored into current assumptions to various degrees depending on geography
- Life expectancy is not a single number – it depends; it may accelerate or decelerate



Driving needs for better personal planning



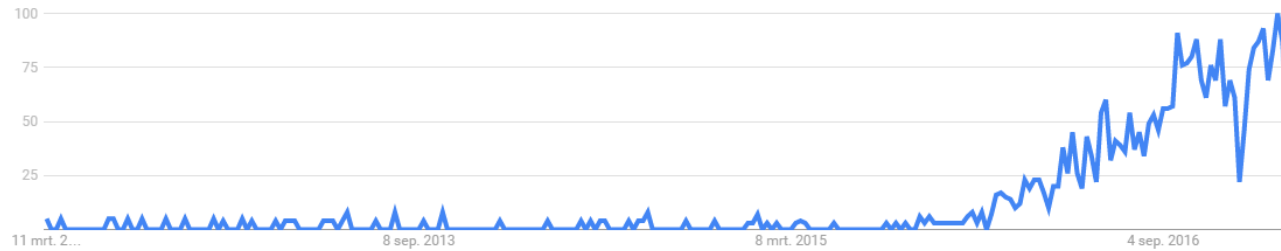
The value chain is also transforming and there's less time to complete process



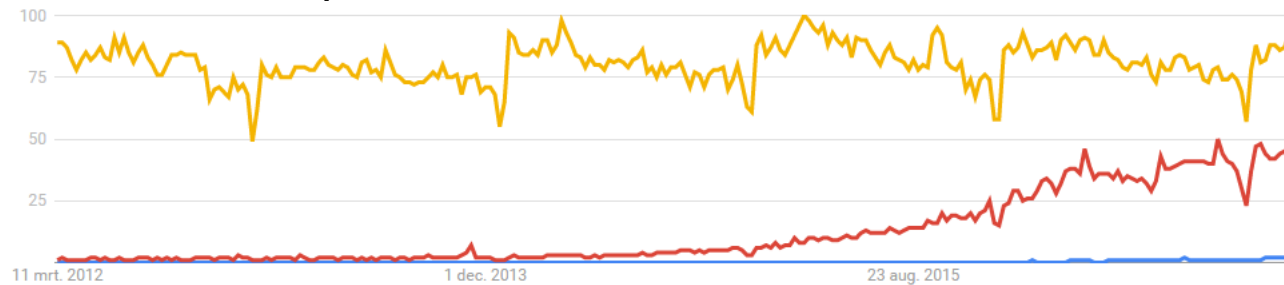
This opens the space to new players

Insurtech growth is still fairly nascent

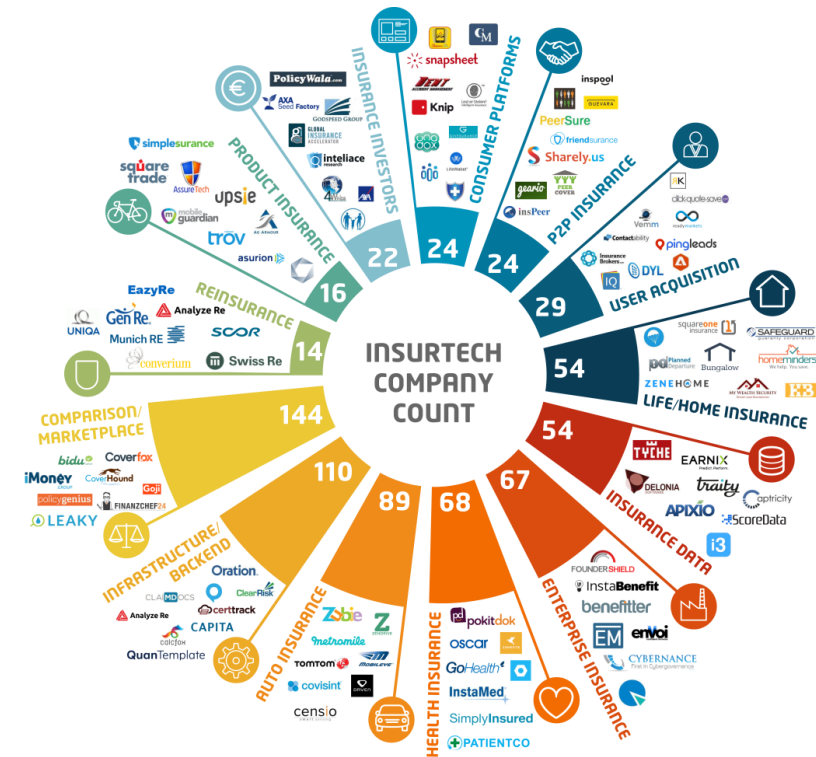
Level of Interest in Insurtech over time



Compared with Biotech and Fintech

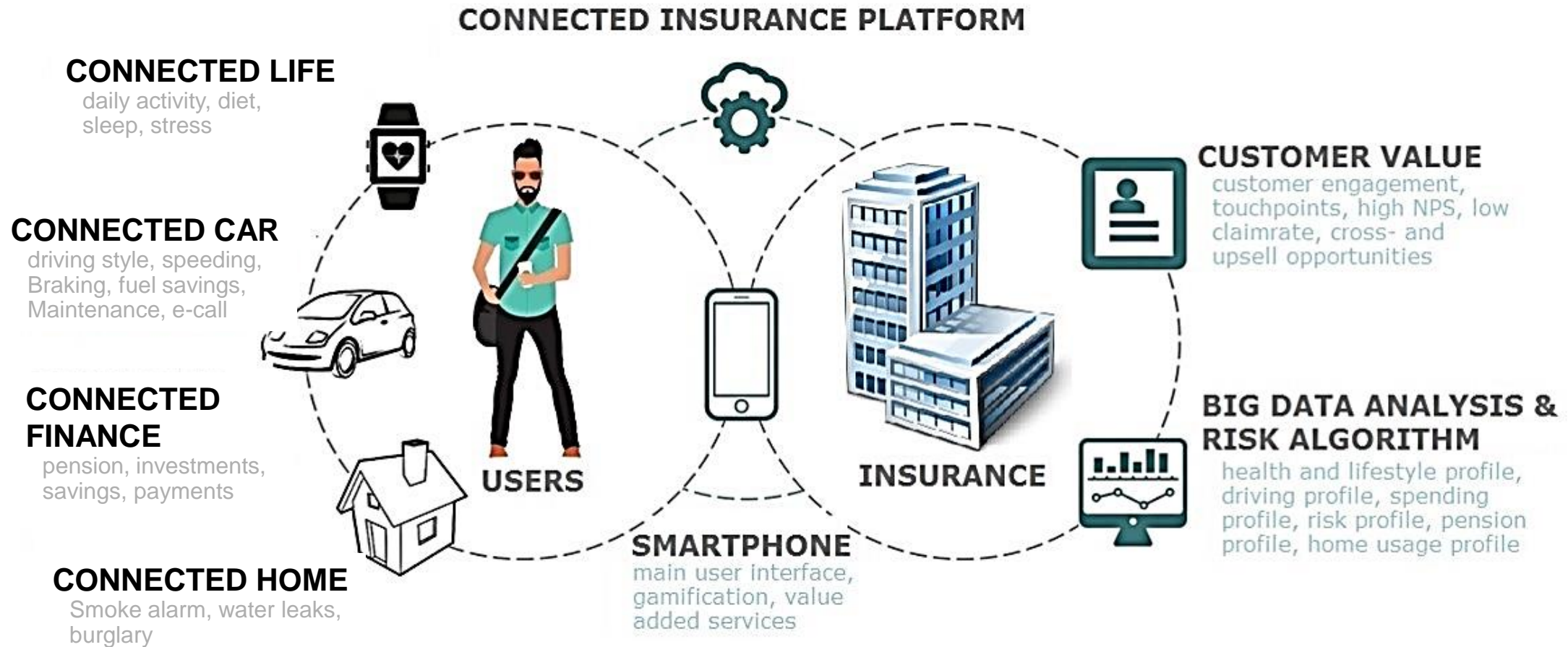


Source: Google Trends



Source: Venture Scanner

New Players are Personalized and Data Driven



Car insurance: Car**kroodle**.



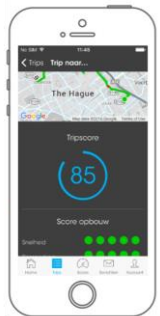
Rewards positive behavior. The safer you drive, the more you save on your premium



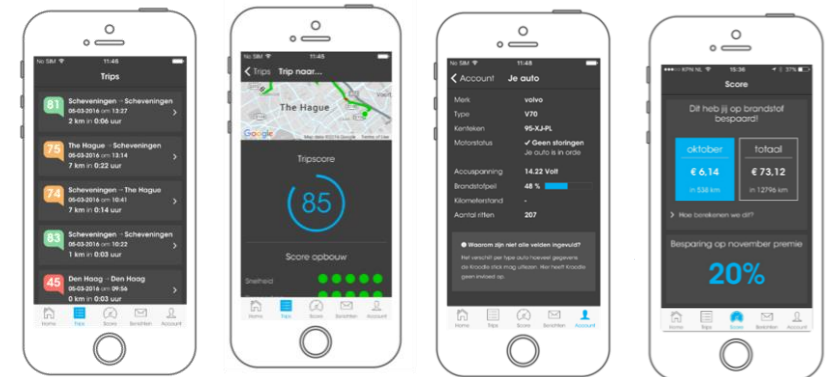
Tested in the Netherlands. Customers can get a discount of up to 20% for safer driving



The stick keeps track of how you drive (speeding, breaking behaviour, time, etc.)



Information is translated into a monthly KroodleScore that determines how safe a driver you are. The higher your score, the less you pay the following month. The basic premium can't increase, it can only get lower.



Thousands of healthcare, fitness, medical apps Devices are getting smarter & software follows



The collage features a grid of various app icons including 'The Anderson & Johnson Official...', 'Fitbit Smart Sleep Cycle Alarm...', 'Sports Tracker', 'Lume Personal Tracker', 'Nike - GPS Run Tracker', 'CARDIO TR - 2 Minutes in Hea...', 'Sleep Cycle With Your Cycle...', 'GET IN SHAPE', 'HIKING & CAMPING', 'Breeze', 'ZOMBIES, RUN!', 'Essentials' section with icons for 'M', 'Yoga Studio', 'Nike + Running', 'FitStar Personal Trainer - Built...', 'Nike - Move', 'TouchMx GPS + The Complete...', 'PECK', 'MediLabs Medication...', 'Epocrates Medical', 'Discula Medical', 'Discula Medical', 'Essential Anatomy 5', 'MimicR 24/7: Sleep Cycle Alar...', 'Discula Medical', 'cures', 'symple', 'Mango Health', 'Glow', 'essentials' section with icons for 'd', 'NEJM This Week', 'Epic Health', 'MERCK MANUAL', 'Human Anatomy Atlas - 3D...', 'CME COUNCIL', 'Real: Personalized...', 'Epocrates Medical', and 'Symptom Checker'.



Take control of your heart health.
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Muse is your personal meditation assistant

muse™
the brain sensing headband

Life and Wellness: Introducing WinSocial

A New Company to Drive Change for the Benefit of Customers



<http://www.winsocial.com.br/>

- Company based in Rio, Brazil
- Group life and disability insurance
- Reward based interaction through Health Points
- Peer group performance reward
- Over 10,000 activities logged since March
- Supporting and testing underwriting R&D from low and customer friendly cost base
- Working closely with Mongeral Aegon as well as IRB and Aegon Blue Square Re

Other market examples

Different setups but a common theme of disruption

Insurer – being the insurer, e.g.

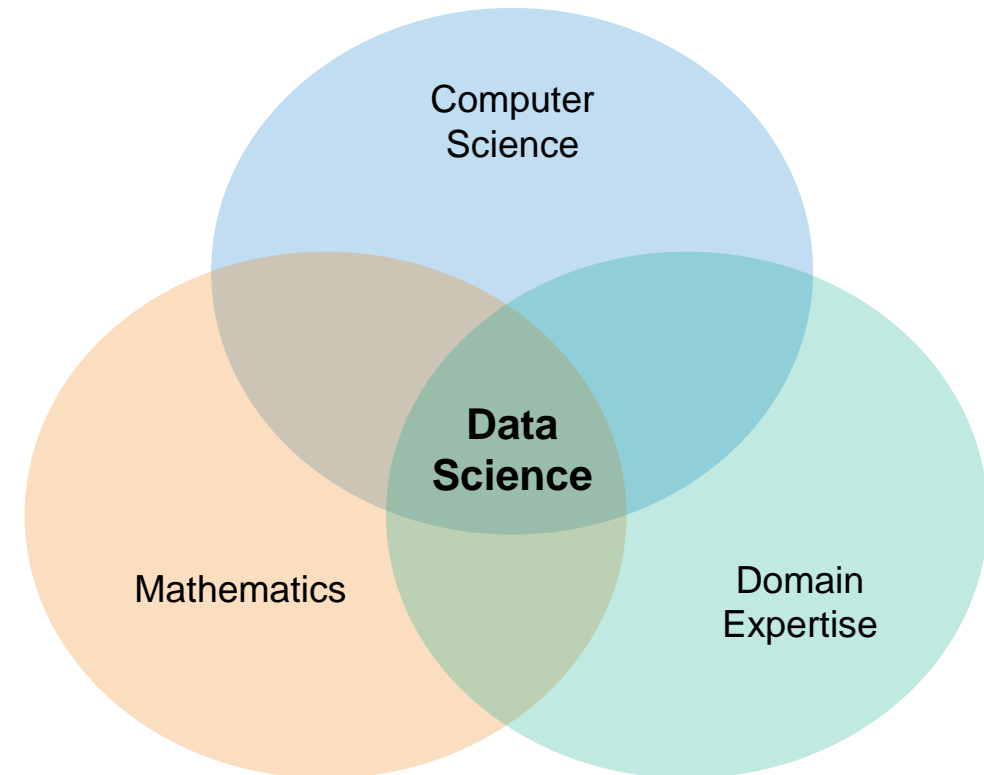
- Vitality – life and health
- Lemonade – renters and home

Broker – partnering with insurers , e.g.

- Friendsurance – bike and home contents
- Ladder Life – life

Peer to Peer – potentially no insurer , e.g.

- Teambrella – form teams for desired coverage



Blockchain Insurance Industry Initiative

B3i - A true industry collaboration



- Founded in October 2016 between Aegon, Allianz, Munich Re, Swiss Re, Zurich Insurance
- Extension to 15 members in February 2017
- Extension to 38 parties market testing in October 2017
- Set up as separate company in April 2018
- For more info, refer <http://www.b3i.tech/>

Regulation and reporting are also adapting

Focus is on consumer protection and full disclosure

Consumer Protection

- **EU: General Data Protection Regulation (“GDPR”)** - Effective May 25th, 2018
 - Puts consumer more in control of use of data
- **US: Department of Labor Fiduciary Rule** – target date July 1, 2019
 - Expanding the “investment advise fiduciary” definition under ERISA (Employee Retirement and Income Security Act) of 1974

Anti-discrimination

- **EU: rules on gender neutral pricing** – effective 21 December, 2012
- **US: Genetic Information Nondiscrimination Act (GINA)** – effective May 21, 2008

Conduct and Reporting

- **Own Risk Solvency Assessment (ORSA) expansion**
 - Originally, part of Europe Solvency II regulations (2016), but now expanding to other locations as well
- **Conduct risk and responsible investments**
 - Larry Fink letter to CEOs: “A sense of purpose”, January 2018
- **IFRS 17** - Effective January 1, 2021
 - “Will undoubtedly represent the most significant change to insurance accounting requirements in over 20 years”, EY publication

Where do we go from here?

One step at a time – each building on the previous one

Fast Data

- Driven by technology - more devices giving more information
- Data processing power – also on “old” data – combining different elements previously separated
- Individuals continue to get better and better information
- As scoring improves, broader risk sharing may be possible

Product

- Transparent and simpler structures
- Interactive communication rewarding customers continuously
- As more interaction ensues, possibilities expand to develop new features
- Personal responsibility increases need to advice – in particular for more complex products

Distribution

- Value-add clearer of each component
- Technology likely to make process more efficient than to fully replace intermediaries
- Simpler products automated, complex products get more attention
- Personal information in distributed ledgers
- Potential emergence of insurance in broader ecosystems

Regulation

- “Sandbox” environments emerging
- Consumer protection focus – also impacting advisory services (US DOL)
- Balancing savings with expectations
- Defining elements of solidarity
- Data privacy user control (GDPR)

Thank You

