

Dextra Insurance 2016

Swiss Car Insurance Start-Up

Dr. Patrick Eugster, CEO Dextra Insurance Ltd.

7th AIDA Conference, Warsaw, April 2018

Agenda



- Dextra Legal Protection 2012
- Dextra Car Insurance 2016
- Use Case I: Pricing & Underwriting
- Use Case II: Claims Management
- Key enabler: Modern IT



Dextra Legal Protection Ltd.

- Founded by the four 4 managing directors in March 2012
- Licensed by the Swiss Financial Market Authority (FINMA) 21.12.2012
- 44 shareholders (24 being employees)
- Consumer Price Award Winner (Product) since 2014
- High service quality
- Focus on online and broker channel
- Few product variations, easy online access, competitive prices
- Fully automated and lean processes
- New approach to IT and Marketing setup (same provider)
- Focus on online marketing, online servicing & online sales
- Role based & low cost portal setup



Peter Dähler, Daniel Buchs,
Patrik Howald & Hugo Nuss

Dextra Insurance Ltd.



In the beginning of 2017 Cyril, Marcus & Patrick joined Dextra Insurance providing more than 50 years of international and industrial experience in the three most important parts of a modern insurance company:
Claims, Pricing, Marketing & Sales



Cyril



Marcus



Patrick

Modern car insurance is a highly competitive market. Dextra's strategy is based on four pillars:

- **Agile IT development:** New marketing and process oriented IT-System to ensure optimal growth and high service quality in a competitive market, 2 week product release cycles, SEO & SEA optimized system.
- **Pricing excellence:** New competitive pricing approach, external pricing software, 1.4 Mio. Lines of code (response time of pricing calculation in less than 0.4 seconds), use of rapid pricing and underwriting adaptations as a strategic benefit.
- **Brand value:** Strong brand and high reputation from sales partners, consumerism and clients.
- **Modern sales channels:** Focus on broker- & direct-market requires a market-oriented pricing view, targeted marketing and good communication of the desired risks and customer segments.

Use Case I: Pricing & Underwriting



RANK OPTIMIZATION = Using the simplest possible demand function and optimize!



Business Case
Improve profitability by up to 10% in terms of written premium!



Attractiveness
Place ourselves "visibly" on the main market place!



For us as start-up
We are able to start without our own pricing data!



Pricing accuracy We use the pricing experience of the whole market!

- Use of rank optimization in pricing requires to know the competitive landscape as well as possible
- Use of robotics on aggregators to determine competitive landscape
- Machine learning enables us to reengineer/reconstruct unknown price approach of competitors the best (98% accuracy and can be fully automated)

Use Case I: Pricing & Underwriting



Why use Machine Learning to determine competitive landscape?



More Precision: Machine Learning methods can fit to “complex” and “unknown” problems (such as unknown Motor rates) much better than classical methods such as GLMs.



Speed: Results can be produced in minutes/days rather than weeks and can be run in parallel: «How many actuaries do you need to fit 174 complex models in one day?»



Applicability: ML methods can fit data that GLMs cannot: «Your data does not follow a normal distribution!»

What happens after you know your competitive landscape?

- Vast amounts of calculating power needed to optimize on competitors price and pricing elasticity of consumers within less than a second – 1.4 Mio. lines of code in less than 0.3 seconds
- Cloud services required to be able to have this calculating power – data flows/exchange and data security as main challenge

Use Case II: Claims Management



Claims of profound /average complexity are being automated more and more. Repetitive and simple tasks can be done by the implementation of technology.

Support of the administrator through the implementation of basic rules (for example Fraud algorithms).

Ressources can be used more precisely, thus delivering higher value to the customer and the company, e.g. resources can concentrate on more complex claims and costumer support.

Securing equal treatment of all costumers. Higher satisfaction for costumers through the reduction of individual mistakes.

Important: Automation and robot interaction has to serve the costumer as well as the insurer!

Use Case II: Claims Management



Lemonade sets New World Record

- Making a claim is also simple and uses technology to appeal to consumers.
- Rather than filling in forms, customers simply record a video testimonial on their phone via the app.
- The company was also the first insurer to process a claim from start-to-finish with no human interaction.
- In just a few minutes, a Lemonade customer submitted a claim using his mobile phone. Then with no paperwork or form-filling involved; the claims bot processed the claim, using a series of algorithms to review and check the claim before making the payment.
- 18 fraud algorithm were ran, e.g. probably credit check.
- Amazingly, approving and wiring the claim took the bot just three seconds.

Large sets of personal data are collected and can be used for analysis!

Key enabler: Modern IT



- + **IT:** System (Frontend & Backend) and infrastructure (incl. hosting) with one external partner
- + **Website:** SEO & design on all devices with the same external partner
- + **Interfaces:** One IT-System focused on partner business, interfaces can easily be programmed within days
- + **Business organization:** Agile development to gain efficiency and speed
- + **Machine learning:** Use of webbots and mathematical algorithms
- + **Modern analytics:** Data model as key enabler of analysis and management, future business models based on modern analytics
- + **Operations:** Digitalized and automated business processes including back-end integration, no duplication of processes
- + **Portal architecture:** Possible portal deployment within a day
- + **Ability to white-label:** System based on a white-labelling approach

A powerful and efficient partnership

SUM.CUMO[®] &  dextra



THANK YOU FOR YOUR
ATTENTION!

QUESTIONS?