

# Dextra Insurance 2016

## *Swiss Car Insurance Start-Up*

*Dr. Patrick Eugster, CEO Dextra Insurance Ltd.*

*7<sup>th</sup> 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



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# 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



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

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

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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.

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

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**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**<sup>®</sup> &  **dextra**



THANK YOU FOR YOUR  
ATTENTION!

*QUESTIONS?*