



Bio

Heiko Scholz has been the Chief Marketing Officer of Barmer since 2013. Before that, the 51-year-old Wuppertal native headed the company's E-Marketing, Media and Public Relations departments. He started his career at the insurance company in 1984 with a vocational training program for insurance clerks.

“Predictive” for 300 years

Heiko Scholz, CMO of Barmenia Versicherungen, and Hans-Michael Schnelle of T-Systems on the healthy pace of digitization, confidentiality as core business, and “individual discovery” vs. crowd profundity.

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Mr. Scholz, what is at the top of the agenda in the insurance industry?

Throughout the entire industry, it's digitization, of course. But we at Barmenia don't think of digitization simply as an automation process at our company, but as the technological and organizational implementation of what our customers want. So, actually, we're becoming digitized. Customers use digital devices, functions, and they find out how others deal with their service expectations. They expect their digitization experience with insurance to be as easy as with Amazon or Apple. This is what's driving us immensely at the moment.

Does that mean you need to catch up?

In the sense that the insurance industry isn't exactly known for simplicity, but more for complex things, obviously yes. Our processes and policies run 10 or 15 years – maybe even a lifetime. It's not as easy as buying a device on Amazon. And that's the balancing act that we need to achieve in the future: making products, services, and processes “easy” so the customer ultimately decides Barmenia is the right choice.

Do you perhaps need to further personalize products and offers?

And do you then need to know more about your customers, who, in turn, would need to be willing to give you more information, more data in the first place?

This is also a balancing act: on the one hand, personalization and insurance are, in and of themselves, mutually exclusive as a business model. Insurance for just one person doesn't work. Insurance works because it is borne by a collective, thus it requires, in principle, a group

providing mutual support. However, personalization in addressing customers, in communication or processes that's what is driving us, what we urgently need to implement. For products to be flexible enough to “go along with” changes in a policyholder's living situation and almost automatically react when it comes to re-personalizing a product framework. Because if I, as a customer, expect my specific problem to be solved quickly and easily at any given point in time, the standard cookie cutter process isn't what I consider “personal” – that is, the personal addressing of individuals even within a collective.

You mean the opportunity for personalization is more at the point of contact with the customer than within the core process?

Correct. And if we don't take this opportunity, we run the risk of completely losing touch with customers and being reduced to our core business of risk balancing – of only being perceived as a system that pays bills and no longer as people. Let me give an example: in today's health insurance, we reimburse you for your medical bills. That's our business model. You have private insurance, you go to the doctor, get a bill, take a picture of it and send it to us, your insurance provider, through our app. We check it, reimburse you and you get your money the next day. Done. Everyone's happy, it all worked perfectly. In the future, we'll no longer just reimburse customers, we'll be a part of their lives – more accurately, their health. Why should we not much rather prefer to react by saying, “We know a lot about health, so we'll help you to not get sick in the first place”? Consequently, in the future we'll be much more in demand as a health manager. We've already taken this step by offering the Vivy app, our health assistant.

To take this path from rigid insurance coverage to flexible, mobile companion – your customers will have to provide you information.

Will that be a problem?

I believe, when it comes to security and health, our customers show us a high level of trust. This is the basis of our mutual relationship. Trust is our core business and for us, as a service provider, it is crucial for customer relationships to last years.

Unlike in other industries, an Accenture study shows the progression of technology in your core business will no longer be linear, but exponential. How are you handling that and where do you expect the greatest growth?

In the use of data, above all. Actually, our job is to make predictions on mortality, the probability of illness or fire. We use this to calculate premiums to protect our customers against risks and the resulting financial impact for the immediate future that is, the duration customers choose for their policies. We've been doing "predictive" for 300 years, if you will. Until now, however, we've always looked backward to do it. To past experience. What we now need for our customers is risk data going forward and not backward. It's about the use of data for our customers.

For a house, which is, by its nature, immobile, this is easy when it comes to fire. Cars, on the other hand, are almost constantly going back and forth between different levels of risk.

We're all familiar with the model where cars use a dongle, a kind of plug-in interface, to almost constantly monitor and communicate driver performance in order to determine premium discounts and offer them to customers. Something else we've done with Deutsche Telekom is based on the "Park and Joy" app to offer situational coverage for when my car is parked and I want to protect it from minor damage, for example. We've created insurance that automatically detects this: the risk situation is now present and it'll end an hour later. If I park in public places a lot, I need a lot of coverage; if I don't park so much, I need less. No other industry today is doing this. This kind of situational coverage, which would also be feasible when going skiing or bungee jumping for the first time, is made easier with data and digitization. Only when customers let us know where they're planning to do something so we can calculate probabilities that end up in a premium of, say, one euro, can we come up with a suitable offer.

We naturally always assume the phrase "tracking" puts people off.

What's your experience with acceptance of this?

That's a question of value. If customers find it worthwhile to say, "I'm using the fitness tracker and uploading my data," it literally pays off – in the form of a better premium, for example. Or that we offer assistance: "Listen, with that blood pressure you should go to the doctor." So we're with them not just for their annual checkup, we're also their personal health manager. And if we can also offer customers "Hey, we're making an appointment. Should we go to your usual doctor?", then we're handling scheduling as well. The market will decide the extent to which the customer considers that a fair deal. We're taking the first steps with our health assistant, Vivy, which we offer our customers.

Looking at the market, you've played it safe when it comes to minimizing risks on new products and have gone after the Telekom crowd with situational insurance. How did you think of it, what were the initial results and where will it lead?

It will lead to innovation and services coming from customers to a much greater extent, and no longer "The customer is always right, I'll just tell him what he wants." We've done that for many years, but it's no longer possible. Simple individual discovery is at an end. What I want to know directly from customers is what they expect, what they're getting elsewhere, even in other industries. If I personally have an experience with Amazon or Apple, I also want to feel that with my power company and my insurance provider. In this sense, for example, the current restructuring of our customer portal is of major strategic importance to us. When asking "So, what do we do first?", at its core, it's about identifying the 15 most important processes. And this is where we said, "It doesn't matter what we want to do first, the priority is what the customers expect." What would be smarter than to call on the "wisdom of the crowd" for that kind of information?

Virtual and augmented reality, avatars and voice recognition, adaptive software – what will the next great trigger for Barmenia be in regard to its digital customer relations, and in what form?

Everything's on our radar. What we're currently working on, for example, is voice control. With Alexa, Siri, OK Google, we see the quality of these offerings has improved tremendously in the last two years, but we don't believe it's a sales channel. Someone sitting in their living room and asking Alexa to sign an insurance policy is still pretty much a pipe dream. In three years, though, perhaps I'll sing a different tune. It could work with another example: When buying glasses, I ask myself, "What will I actually get from my insurance for new glasses?". Depending on the rate, the benefits could be different. Different glasses, different frames – that is, if we set up our benefits in a structured way, it would be child's play for Alexa to find the answer. It checks the database, sees the customer hasn't received any reimbursement for glasses this year, so then you would get 600 euros to go to an optician and get new glasses.

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HEIKO SCHOLZ,
CMO Barmenia Versicherungen

According to Bitkom Research, every second insurance company is not yet generating that kind of actual customer benefit from digital touchpoints with their customers. Is your industry lagging in this area?

Yes and no. No, because we definitely have the data. If we were to use the data we already have, we would be way ahead. If we were to add the data we'll get in the future, the better it would be if we could use it. This is why the entire insurance industry is currently working on analyzing data in a more targeted fashion – to be better able to assess risk situations – and, in doing so, create risk profiles that are more customer-focused. The same goes for determining probabilities of need. Data analytics – that's the process of deriving information from data to be able to make customers a more precise offer – is an even more relevant topic. All of that, of course, is under the strict gaze of data protection, which naturally needs to be observed in the interest of faithful customer relations.



What does the future hold for the insurance industry? What trends, customer preferences, requirements? For Barmenia CMO Heiko Scholz (right) and Hans-Michael Schnelle from T-Systems, there's always something to talk about.

FACTS & FIGURES

Barmenia is one of the largest independent insurance groups in Germany, offering a range of products from health and life insurance to accident and auto insurance, to liability and property insurance. A sales and support staff of over 3,400 and a substantial number of agents serve over 2.2 million policies.

“InsurTechs” are considered nimble and potentially attractive cooperation partners for heavyweights, since they can implement innovations more rapidly in cases of doubt. How do you scout out these “young guns”?

We're a founding member of “InsurLab Germany” in Cologne, where we work with InsurTechs on a level playing field and develop ideas together. So there's absolutely no reticence there. Just the opposite: if these “young guns” sometimes naively approach certain topics, they learn quickly from the insurance industry: “Man, there's some experience that we should rely on.” And, conversely, we also learn some things from them.

What would be an example?

For example, that no customer wants three different portals for three different policies just because they took out three different policies with different partners. These days, our customers can keep Policy A and a different Policy B in the same place they keep their Barmenia policy. With how we used to view ourselves, we wouldn't have done that even a few years ago. In other words: someone had to come in and show us in the insurance industry that it's possible to think in this customer-oriented manner. But that characterizes the thought process these start-ups have mastered. They understand the customer. It's not witchcraft – just the opposite: it can be easily adapted. You just have to see things more often and more consistently from the customer's perspective.



Hans-Michael.Schnelle@t-systems.com



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