

WHITEPAPER

KoverNow Items Insurance

September 2021

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KoverNow Pte Ltd, together with QBE Insurance (Singapore) Ltd, was awarded the Proof-of-Concept (POC) grant on 27 May 2021. The POC grant provides funding support for experimentation, development and dissemination of nascent innovative technologies in the financial services sector. It is part of the Financial Sector Technology and Innovation (FSTI) scheme, under the Financial Sector Development Fund administered by the Monetary Authority of Singapore (MAS).

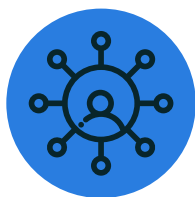
This paper summarizes the problems, solutions and technologies employed in developing a highly personalized digital insurance solution for individual assets, and considers the outlook for commercialising the product.



1. Project scope



2. Starting point, assumptions and resources



3. Technology issues and solutions



4. Conclusions and findings



1. Project scope



1. Project scope

KoverNow was incorporated in Singapore in early 2019, to rethink digital ways for consumers to interact with insurance that would result in a fundamentally improved user experience. To mirror current mobile user expectations in other service areas, we felt we needed to decompartmentalize products to make them easier to understand and specific to the needs of the consumer. We chose a home contents product as a starting point, and then we built an alternative, ‘items insurance’, which we believe is more intuitive and appealing to a user group that may not require traditional comprehensive home contents cover.

Specifically, the solution we had in mind was to build a product that could: (i) **provide continuous utility value above and beyond the cover provided by the underwriter**, (ii) **allow protection for a particular asset (item)**, (iii) **be able to instantly quote a policy premium based on the specifics of the underlying item, and adjust premiums automatically in lockstep with changing asset values**, and (iv) **deliver the whole solution from beginning to end within a mobile app**.

The resulting project, ‘Ludwig’, ran from April to September 2021, benefitting from the technology and expertise KoverNow has been developing since it was founded.



2. Starting point, assumptions and resources

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Starting point:

To develop a product that would provide a dynamic premium, we first needed to design a system that could track current asset values. One can think of this as a mark-to-market concept for physical assets. There is, of course, an easily observable daily price for an ounce of gold and for some other assets, but what about the current price for a Chanel Shopper Tote Bag from 1988 in good condition? That needs a bit more legwork than a simple Google search. In a mark-to-market world, asset prices can move in two directions, up and down. While a strict accounting approach would require assets to be depreciated as the default method of valuation, in practice some assets that consumers want to protect appreciate in value. That would, for example, be true for the above Chanel handbag. And this can also be true for watches, vintage sneakers and, of course, art.

For the buyer of insurance to be protected to the current value of their asset, and not be over- or under-insured, the actual value of the asset needs to drive the premium. Because it is impractical to adjust premiums, and collect or refund them, with every price movement, we decided to set an interval of one month between premium adjustments. For this proposition to be within the risk and regulatory parameters of an underwriter, we needed to consider additional elements dealing with the accuracy of asset ownership and associated fraud risk.

To address these points, we decided to build a virtual KoverNow 'Vault' as the centrepiece of our microservices suite. The Vault can verify, hold and continuously revalue assets that a consumer chooses to place there – independent of whether they choose to take out insurance.

2. Starting point, assumptions and resources



(Fig. 1)

Assumptions:

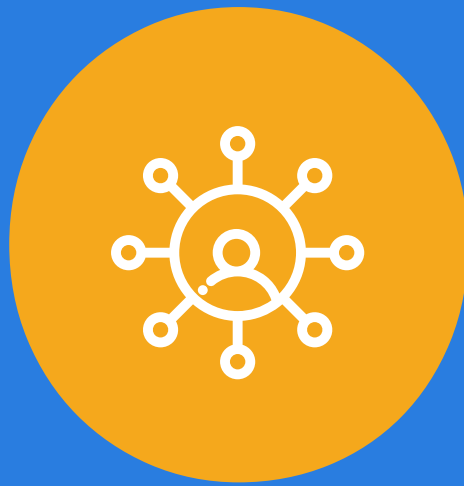
We had certain general ideas about the mindset of our target users, which we broadly distilled from knowing how consumers deal with other mobile-based financial service propositions, as well as other established mobile-based behaviours. To verify these thoughts, we engaged a market research firm to conduct a survey for us with 500 consumers who represented a good sample of our target user group. The prototype of our app was not yet available, so we used a video mock-up to show the basic features and flow of the product. The survey returned a high level of positive feedback, giving us great confidence that we were anticipating user expectations correctly.

2. Starting point, assumptions and resources



Resources:

Although the KoverNow team has a diverse background, including insurance knowhow, we felt we needed the input and guidance of an underwriter to help us with practical, actuarial and pricing expertise. We were therefore delighted that we could convince QBE to explore and develop this product idea with us. Because many of the choices that consumers make are influenced by their habits, convictions and past experiences, we also reached out to behavioural scientists and were delighted to win over Prof. Chong of the Centre for Behavioural Economics at NUS Business School to the project. He helped us to think through user process choices and app flow alternatives. In due course, we also hired three interns from Singapore's NUS Business School and Nanyang Polytechnic, who helped us progress the project and provided valuable instant feedback on our app choices.



3. Technology issues and solutions



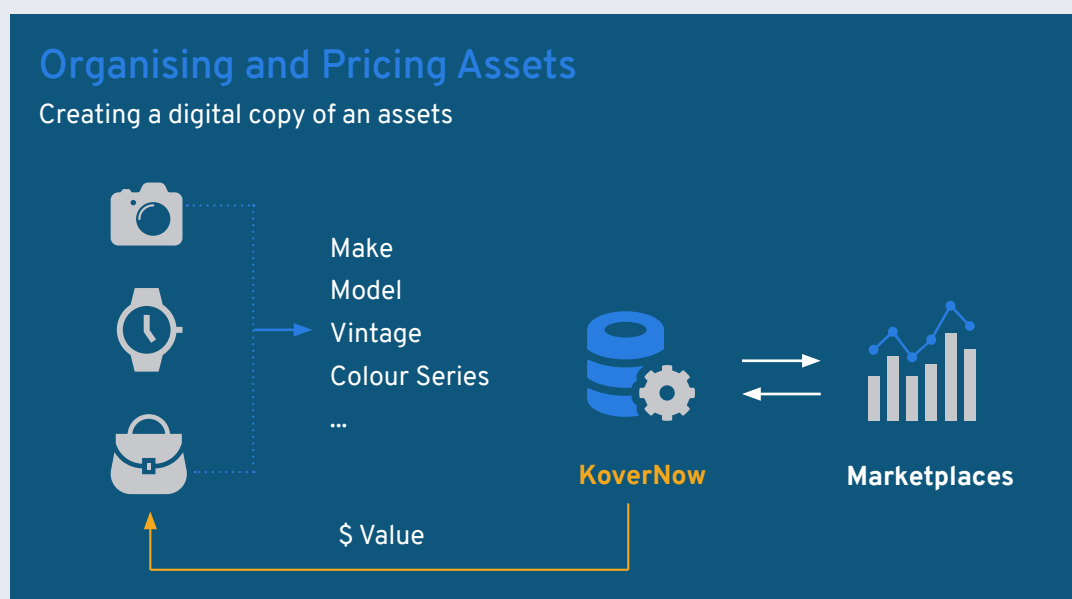
3. Technology issues and solutions

We identified three key technical problems that required a specific solution to create a ‘minimum lovable product’ (MLP) that would satisfy the user experience (UX) standards that we set ourselves.

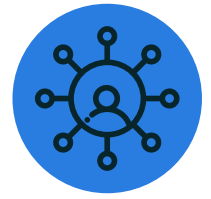
I. A suitable asset base and its valuation

We were convinced we had a reasonably good understanding of what items our users love and would be interested in protecting. As mentioned earlier, we confirmed our assumptions by surveying a group of 500 potential users in Singapore who were in our primary target age group of millennials. Based on this confirmation, we developed what we called our KoverNow ‘Universe’ (see Fig 1 above). The next challenge was to take this abstract description of physical assets and give them digital attributes that would allow us to clearly identify and value individual items.

Depending on the specific category of asset (for example, watches) we created catalogues of eligible assets, organised in a standardized way to connect to suitable pricing sources.



(Fig. 2)



3. Technology issues and solutions

Before we looked for specific prices (Fig. 2), we needed to determine a hierarchy of multiple price data points, to be sure we would link an asset's value to the most robust price reference point available. The result was an algorithm ranking price sources, liquidity, history, and some additional factors to arrive at the most realistic valuation for a specific item.

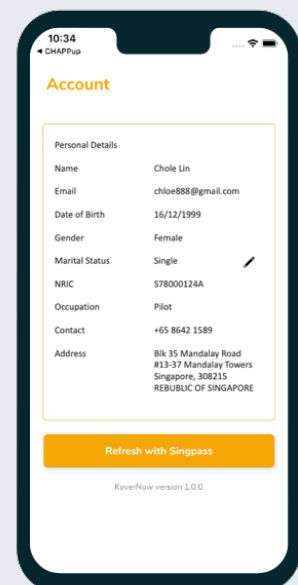
II. Early introduction of utility value and UX

Because we feel strongly that our solution must deliver immediate, ongoing utility value and positive customer experience (CX), independent of an underlying insurance policy, we wanted to make using the app simple and free.

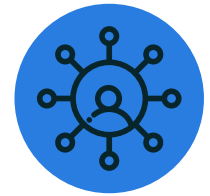
We therefore opted to design the app in two layers. The first layer is a free service available immediately on download that allows users to record assets, generate vault portfolios and access KoverNow's constantly-updated valuation and corresponding premium for those asset types that are insurable via our underwriter.

Before a consumer can purchase a policy, we need to satisfy various regulatory requirements, including the Know-Your-Customer rules. We decided to work with Assurity Trusted Solutions (<https://www.assurity.sg>), the Singapore platform for digital identity, making it convenient for the user to share key personal data with us to process their policy purchase. Assurity's MYINFO product allows this in a secure, instant, in-app format (Fig. 3). For the insurance cover to apply immediately, Singapore requires the premium to have been received by the underwriter (a process called bonding). We chose to work with a payment platform providing instant feedback on the successful transmission of funds from our app via Apple Pay and Google Pay.

As a result, we can offer a 24/7 service with protection always available instantly.



(Fig. 3)



3. Technology issues and solutions

III. Connecting user and underwriter

Clearly, when it comes to insurance, claims are a fact of life, demonstrating that the product works and has value.

To reduce the stress of the consumer when filing a claim, we incorporate the entire claims process into our app. Allowing the user to file a claim in this way allows us to connect the user and the underwriter immediately, providing additional, unique data points to the claims service so the claim can be assessed quickly and confidently. With the asset value being carried at current market price, there is no need for a drawn-out process to establish its value, which allows for a faster claims resolution process, with transparent results for both underwriter and consumer.



(Fig. 4)



4. Conclusions and findings



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Connecting user and underwriter

The KoverNow Vault can identify, verify, and onboard physical assets, and also provide a current market value on a selected group of assets that are insurable. As we build out the KoverNow universe, we will create a wider set of assets eligible for valuation, broadening the choices for consumers and enhancing utility value.

The pricing model provides automated, up to date quotations on premiums that are available for users to take up immediately through the app.

Because all policy documents are available electronically, and claims filing is integrated into the app, users will no longer have to wait for or file paper, and will always have all their insurance records in one place.

With our cloud-based service being available 24/7, we are adding resilience to the insurance process. Any current or future disruptions (Covid-19 or otherwise) will not impact users' ability to transact with us, including claims filing and receiving settlements via the integrated underwriter platform.

In developing our solution, we have demonstrated that co-operation beats disruption most of the time, as disruption often distracts from creating something truly new. Our willingness to collaborate has paid off. Our engagement with QBE, in particular, has led to a better outcome with a more innovative proposition, with both teams benefitting from each other's insights, perspectives, and experience.

For more information on KoverNow, please visit www.kovernow.com.

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