

# A customised future for insurance products

*The insurance industry has been starved of any real product innovation for many years. But if Leonteq Securities gets its way, firms will soon be able – and in a digital-friendly format – to create fit-for-purpose policies to reflect the life-cycle needs of clients, says Sandro Dorigo.*

Life insurance is a long-term commitment for most individuals, usually spanning a decade or two, sometimes longer.

Further, although policies work as either a savings instrument or retirement planning tool, or a mix of the two, they usually don't allow much flexibility.

So once purchased, a policy can seldom be adjusted to certain events impacting a policyholder.

But all these types of features don't reflect the dynamic and changing elements of the average person's life.

Sandro Dorigo, founding partner and head of pension solutions at Leonteq Securities, says policyholders should be able to do a lot more, given that they can be invested up to 50 years.

They should, for example, be able to increase their allocations, to ensure



**SANDRO DORIGO**  
Leonteq Securities

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Most of what is bought today also sets a defined outcome, with the premiums invested with that target in mind.

more aggressive participation when they have the risk appetite to do so, and then be able to switch to a more

capital protection-focused approach when they near the end of the policy term, explains Dorigo.

## PLATFORM-BASED SOLUTION

Dorigo and his colleagues have been busy working on ways to help give insurance companies such a solution to offer their customers.

“Leonteq offers a platform to enable the creation of bespoke and flexible products for individual clients.”

At a glance, the platform offers some key benefits to insurers.

It can help them design products that reduce capital costs by providing third-party guarantees; it also allows them to process the products created on the platform on their own systems.

Yet perhaps most significant about the platform is the dedicated support on offer to insurance partners as they conceptualise and create their products.

## VALUE THROUGH CUSTOMISATION

Customising policies for a large number of clients sounds like a lot of extra work. But the Leonteq platform aims to simplify the process for insurers and, in turn, policyholders.

While the policies which the platform can create are re-evaluated on a monthly basis according to a number of potential changes in the needs or investment objectives of each policyholder, a batch 20,000 policies that

cumulatively amount to over USD1 billion, for example, takes less than two hours a month to evaluate and process, explains Dorigo.

Inevitably, that keeps insurance companies happy.

Further customising policies can help insurers grapple with challenges they have been facing in terms of retaining assets. Whether a policyholder is in a phase of accumulation, evolution or

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decumulation, providers can now tweak what they offer these customers to give them the best options for them at any point in time.

For insurers which persist in selling standardised solutions, margins are likely to shrink. “The only sustainable way to remain profitable is via individualised solutions,” says Dorigo.

Using Switzerland as an example, Dorigo says big insurance companies have been seeing huge outflows every year from accumulation products.

They are losing 80% of these funds to investment products while only 20% is in the form of annuity purchases. “Effectively, the retention rate is even less than 20%,” he says. “Being able to have accumulation, evolution and decumula-

tion products rolled into one should massively increase the retention rate.”

## DRIVING DIGITAL SOLUTIONS

Being able to offer a multitude of such policies requires a certain degree of automation in the process. But while the potential of digital platforms in facilitating better lead generation, sales, client education and customer engagement is clear, this is still a way off for most in the insurance space, it seems.

On the one hand, insurance companies are struggling to create digital platforms that integrate with their own systems. On the other side of the equation, many industry players don't think customers today are ready to purchase high-grade insurance products online.

The next step, therefore, needs to be about using digital solutions and plat-

forms to assist advisers in their interactions with customers, and provide real-time access to account information once a sale is made.

Insurers certainly see the value in providing clients with such insights into their portfolio. It is aligned with their focus on trying to retain clients by helping them manage and adapt their investment options.

“The industry believes that whatever digital solution is created, in the form of a mobile application or being web-based, it should have a method to first support the sales process and then the maintenance process,” explains Dorigo.

“The client can definitely go online, choose a product and buy it, but we believe it will take a few more years, especially in the life insurance business.”

How profitable this offering will be, will depend on the volumes managed on the platform. “It is not about the number of transactions; it is really about assets under management,” says Dorigo.

All investments are held by the insurers for practical reasons, and they remain as bearers of the assets, he adds.

The concept of paying only for volumes on the platform instead of paying an upfront fee is the key to success, according to Dorigo.

This model ensures a longer-term alignment between insurer and Leonteq. “Only if the life insurance product is successful will Leonteq earn its fees,” explains Dorigo. “Hence, Leonteq aims at doing whatever the market requires to make each product on the platform a complete success.” ■

## LIFE CYCLE AND CHANGE OF GENERATIONS

### FLEXIBLE DIGITAL PLATFORM IS KEY TO COPE WITH THEIR NEEDS

