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# What ZhongAn Group knows about efficient insurance system development?

Hajime Minamimoto

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## Executive Summary



**Hajime Minamimoto**

General Manager  
NRI IT Solutions  
America, Inc.  
Pacific Branch

*The ZhongAn Group is at the forefront of insurance-related system development. ZhongAn Online Property & Casualty Insurance has made a name for itself as a fast-growing global insurance technology leader, while its subsidiary, ZhongAn Technology, has been building an insurance IT platform capable of rolling out new insurance products in rapid succession.*

### ZhongAn Online, a globally recognized insurtech leader

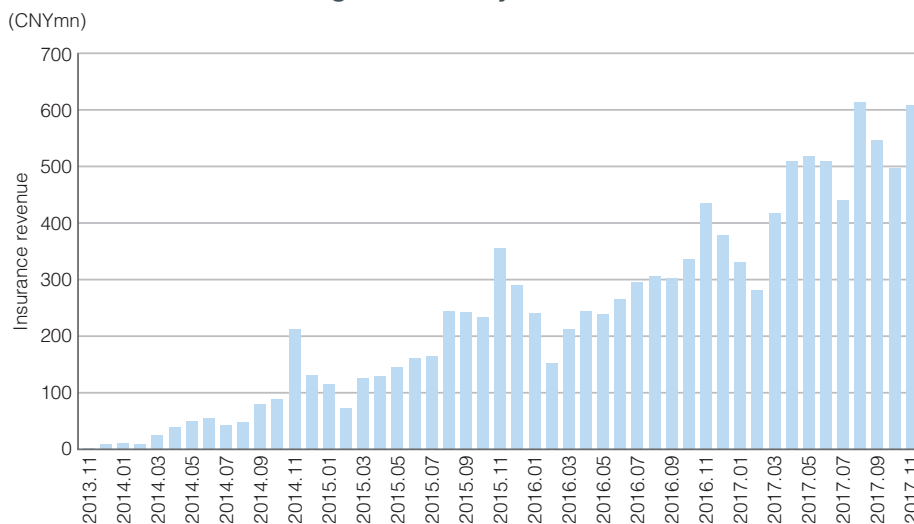
For the past three years, ZhongAn Online Property & Casualty Insurance has been ranked in the top five of KPMG and H2 Ventures' annual Fintech 100 list of leading global fintech innovators<sup>1)</sup>. Established in 2013 by Ant Financial, the Ping An Group and Tencent, ZhongAn floated a US\$1.5 billion IPO on the Stock Exchange of Hong Kong in September 2017. It has since continued to grow as a global leader in the insurtech space.

**NOTE**

1) It was ranked first in 2015, fifth in 2016 and second in 2017.

ZhongAn's initial product in the consumer market was shipping return insurance, which covers the cost of shipping goods purchased from e-commerce sites such as Taobao back to the seller if the purchaser is not satisfied with the goods. In China, shipping return insurance rapidly gained popularity in tandem with growth in e-commerce. Its popularity has largely fueled ZhongAn's dramatic growth.

**Exhibit ZhongAn's monthly insurance revenues**



Source: NRI-ITSA, based on data published on China Insurance Regulatory Commission's website

2) ZhongAn's monthly insurance revenues have a seasonal tendency to peak in November, reflecting Chinese retailers' practice of holding sales events ahead of Singles Day (November 11).

ZhongAn has been continuously expanding since its November 2013 inception, with its monthly insurance revenues recently reaching the vicinity of CNY600 million<sup>2)</sup> (see graph). ZhongAn has been increasing its underwriting volume by successively rolling out new products, including flight delay insurance and smartphone insurance.

Flight delay insurance has become popular with travelers by virtue of its convenience. If, according to publicly available flight information, an insured passenger's flight is delayed beyond a stipulated time, the passenger automatically receives compensation by electronic funds transfer without having to file a claim. Flight delays are so frequent in China that airport disturbances caused by passengers infuriated by delays had become a social issue. With flight delay insurance now widely used, the consolation of being compensated for delays has reportedly reduced the incidence of such disturbances. In other words, ZhongAn's flight delay insurance has helped to alleviate a social problem.

ZhongAn is expanding into health insurance products also. Its health insurance product line includes policies with monthly premiums that vary based on the number of steps measured by the insured's smartphone pedometer app and policies for diabetics with premiums calculated based on the insured's glucometer readings. ZhongAn has expanded its product offerings to over 300 insurance products in five market segments: lifestyle, consumer finance, travel, health and auto. It plans to eventually enter the life insurance market as well.

### **Expedited product release a top priority**

Over its short history to date, ZhongAn has rolled out such consumer-friendly insurance products via its own website in rapid succession, while frequently and swiftly upgrading its products in response to changes in insurance claim payouts and policyholders' needs.

How is ZhongAn able to launch and upgrade so many products so quickly? One of the ZhongAn employees interviewed explains that the company has a completely different approach to IT system development than the standard approach in the insurance industry.

In general, new product development typically begins with product staff formulating the new product's business specifications and forwarding them to IT staff, who then design and develop systems to bring the product to fruition. As

part of this process, the IT staff set a system development timeline predicated on fulfilling the business specifications as the top priority. Such timelines are often longer than the prospective system users' expectations. And therefore product staff are frequently in conflict with IT staff, trying to shorten product development timelines.

ZhongAn, by contrast, places utmost priority on expediting product rollout and upgrade. From the very beginning of the new product development, its product staff and IT staff work together as a unified team. Product development proceeds in parallel with system development that allows short product launch and upgrade cycles. To keep its IT system simple, ZhongAn sometimes even removes product features. In addition, versatility and extensibility of the products are another priority so that it is easier to develop other products.

### **ZhongAn Technology's platform as a competitive edge in the market**

ZhongAn has turned the IT systems described above into an IT platform that enables ZhongAn to rapidly introduce products to the market. In 2016, ZhongAn established a wholly owned subsidiary, ZhongAn Information Technology Service (ZhongAn Technology), with the primary mission of making this platform available for other companies.

ZhongAn Technology's platform provides components of IT system needed for insurance products. Partnering companies can combine these components and easily embed insurance services into their own services as needed. By promoting utilization of its insurance IT platform, it aims to create many insurance services that differentiate it from traditional insurers. And this is why the ZhongAn Group claims itself as the "leader in global insurance technology."

At present, ZhongAn Technology's insurance IT platform appears to be limited to relatively simple products, but it should be able to accommodate more complex ones if augmented with additional system components. ZhongAn Technology presumably aims to add more system components to its platform by expanding the platform's usership, thereby building an ecosystem that drives further growth. ZhongAn Technology's insurance IT platform seems to have the potential to give rise to even more remarkable insurance services by amassing all sorts of insurance-related data and deploying AI-enabled Big Data analytics.

Japanese insurers and their IT vendors have much to learn from the ZhongAn

Group in terms of providing insurance services ever more efficiently. It may be worthwhile to test drive ZhongAn Technology's platform in your next product development programs.

(Written with input from Li Zhihui, Senior Consultant, NRI Center for Strategic Management & Innovation)

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Inquiries to : Business Planning & Financial IT Marketing Department  
Nomura Research Institute, Ltd.  
Otemachi Financial City Grand Cube,  
1-9-2 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan  
E-mail : kyara@nri.co.jp

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