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Insurtechs: How to Make it Work

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The rapid rise of insurtech in the last decade has improved the insurance offering across the entire value chain. The growing disruption by the insurtechs has forced traditional insurers to start investing in areas like digital technologies to improve the customer experience, automate processes to reduce costs, enhance product development, make policies more affordable and

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This impact has been transformative to an industry that for years relied on traditional modes of operation with minimal technology. As insurers and insurtechs alike realise the benefits of these partnerships, what should they consider to best work together?

Examining the impact

Insurtech has played a critical role to enhance some of the key areas of the insurance value chain.

Marketing and sales

Several insurtech players have made real inroads to the areas of marketing, leads generation and sales. For example, Discovery launched the Vitality Drive app to generate leads and vast amounts of data through gamification. Players would download the app and invite their friends to join the game to compete on good driving behaviour.

Another approach in this area is the peer-to-peer business model, launched by players such as Lemonade, Guevara and Friend sure, which has successfully used social groups for new business sales. Also, insurtechs like Lemonade are focussing on demystifying insurance through simplification of policy jargon into plain English. Similarly, companies like Risk Genius, a product launched by Claim Kit identifies and categorises insurance clauses in commercial policies through machine learning.

Product innovation and risk rating

Product parametrisation and flexibility of risk choice is another area where insurtechs have made real inroads. In terms of underwriting and risk rating, an interesting company to follow is Trov which provides instant micro-durational insurance where policies can be underwritten and priced in real-time to allow the user to switch their policy on-and-off instantaneously. Insurtech player, brought by Many[DS1], incorporates another approach by grouping people with similar insurance needs together through social media and search engines, enabling that group to negotiate better deals with insurers.

Customer engagement

As insurers strive to maintain customers for life, several insurtechs have focused on retention offerings through innovative ways of engagement by providing services that are useful to an individual customer on a daily basis and at the same time complementary to the insurance offering. For example, Unique Insure provides value added services for car insurance providers such as free car evaluation, traffic and weather updates and finding the nearest car repair service. Metromile has an app that allows users to track telematics data in order to optimise route planning and to provide updates on the health of the vehicle.



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Claims servicing

The impact of AI and blockchain technology on claim settlement times and associated costs has been highlighted by McKinsey in its prediction that by 2030, head count associated with claims will be reduced by 70-90 per cent compared to 2018. Leading insurtechs in this area include [DS2], Eagle Eye Analytics, Miway and ClaimKit.

Customer service

The industry's customer service has also been enhanced by technology. While the concept of having an insurance agent in your back pocket might be a touch too far for some customers, Finance Fox's app is able to answer queries anytime, anywhere and keep track of all policies and quotes, costs and contact details in one place. In the area of agricultural insurance, Dataerion helps farmers by providing drone services on-demand for early-stage risk detection from weeds, identifying irrigation needs and damage caused by insects. There are many other players in this space.

Onboarding customers, a critical component of the user experience, has been enhanced through technology, such as biometric IDs and big data, which has accelerated the application process and increased fraud detection rates. According to a report by SNS Telecom, big data has already improved fraud detection rates for insurers by up to 60 per cent.

Partnerships are key

Relationships between insurtech providers and traditional players are evolving and it has become clear that there is merit in partnerships for both groups. In 2018, investment in insurtechs surged to USD 3.17 billion, nearly double the value from 2017.

To understand how traditional incumbents are responding, according to Capgemini's *World InsurTech Report 2019*, 68 per cent of insurers say partnership is critical and over 60 per cent of insurtechs wish to work with insurers to build technology infrastructure for open collaboration. This is driven by the fact that most insurers still operate their policies, commissions, claims and finance systems on mainframes, making it difficult to harness emerging technologies. There is also the issue with scale. Many insurers fear the sheer complexity of the implementation required and the scale of organization change needed to make the transformation successful.

As a result, partnerships between insurers and insurtechs are popping up throughout Asia. For example, Generali Hong Kong has an Asia-wide partnership with Blink to develop innovative data driven travel disruption insurance solutions. Tokio Marine has partnered with Plug and Play in Singapore and Chubb is collaborating with ride sharing company Grab to provide in app insurance solutions.

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'Many insurers fear the sheer complexity of the implementation required and the scale of organization change needed to make the transformation successful'

How to make it work

First, alignment is essential especially when considering an insurtech to partner with, the same applies to the insurer. Leading global insurance companies have a large customer base and capital, coupled with hundreds of years' of experience in managing, assessing and pricing risk. This is an attractive opportunity for insurtechs. In turn, insurers value insurtechs for their unparalleled innovation, technology and customer insight. Making sure these aspects are aligned is essential.

Focus is an important aspect of the insurer and insurtech partnership. Partnerships work well when both parties have agreed on the focus of their resources and efforts to solve one precise pain point, rather than spreading resources to solve an overarching problem. For example, it would be too broad a project if an insurer partnered with an insurtech to help improve customer experience.

Cultural fit is an important consideration too, whether it be a partnership or acquisition. Many traditional insurers are built on legacy systems and the culture may be very different to that of an agile, fast-paced insurtech start-up.

A final word

While these aspects are important it is also essential for both parties to be realistic in their outlook. They need to be aware that innovation does not happen overnight. So, before they embark on their journey, they should set expectations that incorporate a period of trial and error. On that note, successful missions are only completed with tenacity. Having a common mission of working and succeeding together will ensure the partnership prevails.



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