TECHNOLOGY

The new reality

The hype behind InsurTech has faded slightly since its entrance onto the scene in 2016, as the realities of the insurance industry merged with the promise of technological innovation. At the InsurTech Summit Thailand, speakers explored the current day utilisation of InsurTech and what the future holds.

By Ahmad Zaki in Bangkok

"Right now, we are in the space where everyone has been excited by InsurTech over the past few years; where they believed everything would change tomorrow. But now they are saying that the reality is that nothing is going to change, and everything is going back to business as usual, we are just going to do it a bit better," said InsurTech Asia Association president George Kesselman.

The reality is that the change is underway. There is a fundamental change happening when it comes to products. The trend in InsurTech – in fact, in technology as a whole – is to find a niche problem and to apply a solution to it – from improved anti-fraud measures to enhanced customer-engagement tools.

Currently, if you look below the surface of digital insurers and their offerings in the region, you will still find traditional products underneath. They are more or less the same old policies and it is not scalable anymore because the risks have changed, said Mr Kesselman. "The risks have become more granular. We have a lot more data to describe those risks and there are new risks, especially when it comes to the digital ecosystem."

Product innovation, combined with technology in distribution or optimisation, will make your InsurTech and digital products a lot more scalable in the long run. "Ultimately it is making insurance into another type of utility. The connotation is that as a utility it becomes a commodity, but that it doesn't need to be. Utility means is that it is highly useful and prevalent everywhere. When insurance reaches the utility level, it becomes a risk-transfer utility and at that point, you start identifying the risks that were previously inaccessible or uninsurable and you start to be able to pool it together and effectively address that."

That is still some way over the horizon. Insurance still has to go through the iterative nature of high-velocity, curated testing - growing and finding the product-market fit phase that technology currently occupies.

How insurers are responding

"Most of our competitors were in marketing and distribution, but now we are seeing small start-ups come up with system policies and product development innovations, providing services across the industry," said Allianz Ayudhya president and CEO Bryan Smith. "Most start-ups are trying to attack the customer catch points so they can control the whole process. If we don't respond we run the risk of being pushed into being just a product provider. This is where we basically see the pressure on us right now."

There are three ways to respond, according the Mr Smith:

1) build a community and build innovation.
2) partner with other insurers/service providers.
3) work with the start-ups and use their innovations.

While Allianz Ayudhya itself is taking the third option, having just completed Thailand's first incubator programme in April of this year, he also pointed out other insurers adopting the other approaches, such as AIA with the Vitality programme.

He also advised insurers to look at the investment opportunities a start-up holds. "While we cannot lock in individual start-ups to us, if we become early adopters, I think we can get a head start and give unique benefits to our customers - and we change the nature of what we are," he said. "At the moment we are a life company and we're becoming a health company. We're going to invest and, to some extent, build technology companies. Increasingly, the nature of our business, the income and the fees, especially for a life insurer, will change dramatically."

Mr George Kesselman

Mr Bryan Smith