

INSURTECH: THE FUTURE OF INSURANCE

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InsurTech refers to the use of technology innovations designed to squeeze out savings and efficiency from the current insurance industry model. InsurTech is a portmanteau of “insurance” that was inspired by the term FineTech. The belief driving InsurTech companies is that the insurance industry is ripe for innovation and disruption.

InsurTech or Insurance Tech are Technologies and platforms that help optimize any of the principles for success or requirements of insurance.

InsurTech is a term applied to the many segments of new technology that are disrupting the insurance space: smartphone apps, consumer activity wearables, claim acceleration tools, individual consumer risk development systems, online policy handling, automated compliance processing, and more.

InsurTech is the FinTech sub–segment addressing existing insurance challenges and opportunities.

InsurTech is a technology enabled and driven disruptive insurance or financial services business models and products.

There are seven main characteristics of InsurTech:

- **Distribution** – is all about making insurance easier to buy, consume, understand and relevant. They put the consumer first and build their insurance proposition from the customer out. These startups

are all about the customer and their propositions are characterized by convenience, on-demand, personalization and transparency

- **Enterprise** – Here we see a new breed of enterprise class software providers. These are Software as a Service platforms running on the cloud. They have consumption based pricing models that replace the traditional \$million up front licence fee and multi-year implementation. In the main, these InsurTech's have taken hold of the SMB space but it is a matter of time before they prove themselves as genuine enterprise solutions for tier 1 insurers.

- **Mutual** – New peer 2 peer business models return insurance to its roots of mutualisation and community. The model relies on the notion that social grouping and affinity will change behavior and address moral hazard (thereby reducing claims payouts and premiums). The question of scalability still hangs over P2P insurance but if it succeeds as a business model, it could form the foundation of a new breed of insurer.

- **Consensus** – Blockchain technology will fundamentally change the way the insurance industry works. The promise is huge although as yet, unproven. From smart contracts to identity authentication, from fraud prevention to claims management, blockchain technology will provide the underlying technology foundations for a trustless consensus that is transparent to all parties.

- **Engagement** – here the product becomes integrated in the customer's lifestyle. It becomes sticky and overrides the annual buying exercise where price is the key buying criteria. Digital natives are responding well to lifestyle apps that sit on top of the underlying insurance product.

- **Experience** – The true value of insurance is only realized when the customer makes a claim. New tech solutions that improve the customer journey through the claims process will not only improve the customer experience, they will also reduce the cost of claims and claims payouts.

- **Data** – This is all about new sources of data to rate and underwrite risk [1].

InsurTech came late to the game, mostly due to government regulation and the size and historical switching costs that insurance companies have had to bear to keep up with technology. The ever-increasing size of the insurable market provided additional incentive for entrepreneurs to begin to create innovative insurance products for the health insurance industry. Other industries began to follow suit. Most of the InsurTech roots gained traction in 2011.

Today, InsurTech is a \$2.6 billion sub-industry that stands to either disrupt or empower the incumbents of the insurance industry. In 2016 we are poised to see increased investment in the space, as well as some dramatic changes: Lifestyle apps from insurers will enable them to gather valuable data, and become more relevant in the eyes of their more connected consumers.

Like FinTech, global investments in InsurTech are increasing dramatically. Up 1900 percent since 2011 the InsurTech segment is pegged for massive growth in the coming years. As consumers are presented with technological conveniences in other areas of their lives, from alarm clocks that go off based on sleep patterns, to self-driving automobiles, you will also see increased demand for easier to use, more customizable and more accurate insurance products – elements that rely on continued advancements in the InsurTech space[2].

We can define 10 main points which can help to develop InsurTech in the future:

- Automation will replace human effort across the entire insurance value chain;
- Insurance premiums will become highly personalised based on greater tech enabled insight on customers and their individual risk;
- The Blockchain era has begun and there will be a rapid shift from pilot to production of distributed ledger technology;
- The lines between the old and new will blur into one as InsurTech becomes mainstream by 2020;
- Digital engagement through lifestyle apps will change the relationship dynamic between insurer and insured;
- The All-in-One insurance policy is here to stay;
- New models will challenge the traditional insurance value chain;
- Lemonade have set the pace in InsurTech 2.0; copycats will follow;
- Claims settlement will become an automated, self-service and quick to pay experience for customers;
- Tech enabled loss prevention will become a key feature in the insurance product [3].

In terms of sectors, majority of the focus (60% of deals) have been on the general insurance sector with about 30% focusing on multiline business and only 10% focusing primarily on the life insurance sector part of that is a long term nature and additional complexity of the life insurance business relative to

general insurance and the fact that the latter the number of years ahead in its adoption of technology however we expect activity and focus in the life sector to increase materially over the next few years [4].

There are some examples of InsureTech Companies:

– Life Insurance: Ladder (on demand life insurance), Sureify (direct to consumer life insurance), Health I.Q. (life insurance for healthy lifestyles);

– Health Insurance: Oscar (smartphone application for identifying in-network healthcare providers in coordinating health insurance coverage), Fitosense (personalized products and services using app and device data);

– Property & Casualty Insurance: Lemonade (peer-to-peer homeowner's and renter's insurance), Slice (on demand insurance for personal property), Trov (on demand insurance for auto and home-sharing), Metromile (private passenger auto insurance).

FinTech is a rapidly developing sphere that affects different segments of society. In 2017, global FinTech investments reached the highest point. It was about 16.6 billion dollars which were invested in 1128 FinTech projects. One of the trends of this year is InsurTech [5]. This year in Belarus with the support of the leading commercial bank of our country – “Priorbank”, for the 4th time was held the greatest technical forum – FinTech Hakathon. This event gathered more than 150 participants who worked on creating projects in one of the most promising field for start-ups. In 2018 the insurance company Belneftestrakh took part in current event as an insurance partner and became the first company which supported the development of such start-up in Belarus [6].

InsurTech adoption will make the insurance sector stronger, and in that way more able to achieve its strategic goal: to protect the way people's lives and organizations work.

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