CXO INSIGHTS

Historically, insurance providers have distributed products using traditional channels such as an agent or a broker or a bancassurance partner. Products sold through such channels used to be highly commoditized. These were underwritten and priced basis analysis done by actuaries and underwriters. Insurance has been the original data industry and has used data to their strategic advantage long before the use of the words such as "data analytics" became popular.

With the rapid rise of the internet and mobile user base in India, insurance providers have slowly graduated to this new distribution channel. Today majority of Gen Y and millennials are always connected, use multiple applications and screens, have a short attention span, prefer instant gratification and want a single application to service their needs. To respond to this segment, insurance providers have tried to increase their digital distribution capacity through their own online channels or through partnerships with aggregators/comparison websites. However, there remained a strong need from an insurance customer's perspective of a one-stop shop.

The advent of Insurtech companies in insurance distribution

Insurtech companies are typically technology led companies that have entered the insurance space. To start with, most of these companies focused primarily on the development of aggregation platforms/chatbots without any

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INSURANCE PROVIDERS AND THE RISE OF THE DIGITAL INSURANCE CUSTOMER

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significant insurance experience or know-how. Proofs of concepts and frequent nurturing by insurance providers have helped these companies to develop solutions that have innovative ways of reaching out to the consumer. Insurtech companies took advantage of the fact that young digital-savvy customers tend to treat insurance like other financial products & services, and were therefore seeking to transact digitally without directly interacting with the insurance provider. Also, the same customer prefers a chat-based interface to interact with her insurance provider as compared to having a telephonic or a face-to-face conversation. The new digital-savvy customer does not mind paying a small amount for travel insurance while paying for an overseas or domestic travel, nor does she think multiple times before buying a home insurance contents & burglary policy while paying for their electricity bill using their payment wallet.

> ## Advances in artificial intelligence and machine learning will help insurance providers in lowering operational costs, improving segmentation and providing comprehensive risk management solutions for corporate

Enabling new product development

The advent of Insurtech companies to meet the needs of a digital-savvy consumer have also helped insurance providers identify new products. The ability to interpret significant consumer behaviour data and insights about customers is now enabling insurance providers, with the help of Insurtech companies, to be able to provide personalized products that better meets the expectation of consumers. Examples include (a) allowing customers to buy insurance only on days that they drive their car basis the kms driven; (b) allowing customers to get discounts on the days they go running basis the kms run and number of steps taken; (c) buying cover for adventure sports on a holiday; (d) merchants buying insurance cover for product returns.

Moving up the insurance value chain

While most of the Insurtech companies are focused on increasing digital distribution or distributing new products in the digital ecosystem, there are very few Insurtech

companies that are focusing on the core function of an insurance provider namely claims and customer service. Taking advantage of the high availability of data, a few Insurtech companies have ventured into the field of artificial intelligence and machine learning. With the help of technologies like computer vision and deep learning, these Insurtech companies are working with insurance providers on use cases such as automatic damage assessment of motor claims, auto-adjudication of claims using artificial intelligence and machine learning, anomaly and outlier detection of garages and hospitals to curb overcharging. Similarly, Insurtech companies are also working on identifying fraudulent customers using image and video detection algorithms.

Transforming risk management

With a number of devices already connected using the Internet of Things (IoT) including Telematics devices, smart homes, IoT devices in industrial corporations, there exists an abundance of data for insurance providers. Telematics devices help in better understanding driving behaviour of individuals and can also help alter driving behaviour to mitigate accidents. Smart home data is helping insurance providers send real-time alerts in case of an accident at a home and many a times help predict an accident before it happens. Similarly, IoT devices in industrial corporations are helping to prevent short-circuits, predict failure of machinery and avert large accidents in the workplace. All this is helping insurance providers work with corporate and retail customers to provide comprehensive risk management solutions in addition to simple risk transfer.

Exciting times lie ahead for both the Insurance provider and Insurtech companies

As Insurtech companies continue to explore new areas with insurance providers, they are also challenging the way insurance providers are reaching out to customers and the way they are servicing them. This healthy competition is definitely helping customers as they seek new ways of buying traditional commoditized products and also look at easier ways for obtaining service from insurance providers. Similarly, advances in artificial intelligence and machine learning will help insurance providers in lowering operational costs, improving segmentation and providing comprehensive risk management solutions for corporates. Insurance providers are helping startups in discovering new high-impact business use cases. Leveraging their technological know-how, these startups are tailoring their business models to solve these challenges and become more Insurtech focused. Looking forward, interesting and exciting times lie ahead for both the Insurtech and the insurance sector. CR