

Is an insurtech revolution coming our way?

Digital technologies are rapidly changing every aspect of human life, including how we live, work and engage. 'Insurtech' is having a similar impact on the insurance industry the world over. When supported by a conducive ecosystem, insurtech holds great promise to enhance customer experience, reduce claims response time, provide data-driven insights and support both customers and insurers to make informed decisions.

Although early days in India, insurtech has already disrupted the traditional value chain to improve 'digital distribution' and 'customer experience'. E.g. a breed of technology fuelled start-ups offer on-demand bite sized insurance, mobile powered micro-insurance platforms and remote claims management capabilities; insurers have also introduced chatbots for improved customer service and drones to ascertain claims in agriculture insurance.

Going beyond 'protection'

The growth of the insurance industry in India has primarily been led by government sponsored mass schemes and mandatory products, such as motor insurance. These products are traditionally positioned around 'protection' and insurers have mainly leveraged pricing to capture market share. Evolving from a 'protection' oriented approach to a 'protection + prevention + assistance' (PPA) solution set should be the future key focus area for insurers.

Consider this scenario – insurance only provides cover for hospitalisation i.e fulfilling the 'protection' aspect. When cover for 'prevention' and 'assistance' are incorporated, the individual could be utilising the insurer's provided wearable devices that identify impending health risks (prevention) and simultaneously offer immediate 'assistance'. This includes providing a list of recommended medical facilities nearby or even send an alert to a preauthorised medical practitioner in case of a

medical emergency. Therefore, to realise the full potential of insurtech in India, every constituent of the insurance ecosystem needs to digitally interact, integrate and act in a 'phygital' mode.

Challenges and opportunities

Adapting to the pace of change: The Indian insurance ecosystem is largely struggling to adapt to the technology driven pace of change due to many reasons, such as traditional mindset, legacy practices, and inadequate skills. This sluggishness could lead to a scenario where faster technology adopting incumbents swallow the slower ones. Incumbents need to regularly assess market dynamics, customer feedback and opportunities to collaborate and connect with the larger insurtech ecosystem.

Prioritise: With recent growth in the Indian insurance industry primarily driven by government sponsored mass schemes, insurtech interventions in this area should be prioritised. E.g., Insurtech can potentially augment crop claims and farmer-insurance bonding by connecting farmers to the larger agri-ecosystem including lenders, machinery suppliers, weather and crop price data insights. Technology enabled rural healthcare and fraud control are other areas where insurtech can enable significant gains in federal health schemes.

People and skills: The insurance industry has historically struggled to attract quality talent and now faces an incremental ask of attracting digital natives. Insurers will need to focus reskilling/upskilling their existing talent or acquire requisite talent through talent market places/gig workers. E.g. in Singapore, a Tripartite Advisory on Human Capital Practices for Insurance was recently launched by industry associations together with the Ministry of Manpower. This advisory sets out HR best practices for the industry in the areas of building a talent pipeline,

skills-based hiring, and managing retrenchment responsibly.

Big data and sharing: Big data can only drive a competitive advantage or help in new products development if the incumbents have the technological capabilities to decipher and decode the large volume of data. Yet another challenge is the unwillingness of all the insurers to share data. A group of private life insurers are exploring blockchain to securely share customer data, which could potentially eliminate the need for customers to provide the same information at each point of sale. However, without having all the insurers on-board, this initiative is unlikely to yield optimal results.

Commercial vs personal segments: Insurtech developments have primarily been in the personal lines of insurance whereas large complex commercial risks are yet to be addressed. Understandably, it is difficult for insurers to develop every aspect of insurtech on their own. Hence, it would be prudent to consider partnering with start-ups which are either in the same (e.g. product distribution) or complementary (e.g. GPS/IOT solutions) spaces.

Regulatory oversight: The regulator's recent steps in forming working groups to explore insurtech applications, and adopting sandbox approach, are steps in the right direction. While data privacy and cyber laws are being assessed, aspects like digital partnerships to enable a larger ecosystem connect, outsourcing of backend processes and online talent marketplaces need closer examination.

Conclusion

The insurance industry is at an inflection point undergoing massive transformation. With the abundance of capital flow in insurance, it is the biggest opportunity in recent times to change the mundane narrative of insurance from just protection to PPA, and to perform the role of a true risk avoidance partner of the customer. Simply put, it's a golden opportunity for the *insurance industry to insure its own future*.

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