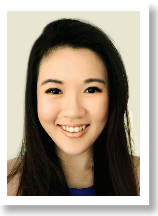
TECHNOLOGY – INSURTECH

InsurTech hype gives way to reality

Insurance in Asia has reached a pivotal point as much of the hype around disruptors has faded and the industry is now going through a self-correction phase. At the Asia InsurTech Summit 2018 in Singapore, the spotlight had evidently shifted from abstract theories to proving concepts as experts shared tips on turning thoughts into action.

By Dawn Sit



Reflecting on InsurTech developments since the inaugural Summit in 2017, InsurTech Asia Association president George Kesselman noted that the InsurTech 'hype curve' observed last year has seen the market reach a self-correction phase that is typical of such trends. He also cautioned that there will be some disappointments in store. However, the fundamentals of InsurTech are changing – subtly now but growing in significance – and over time, will impact insurance.

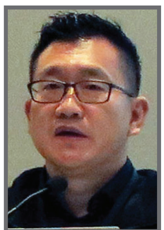
Mr George Kesselman

He highlighted China's example of 860m policies that were sold online in a single day last year as an illustration of 'fundamental change', demonstrating that insurance and digital could be a powerful combination. In China, he said, the rise of 'embedded insurance' no longer meant taking traditional products and fitting into an online environment; it means redesigning products to become embedded in the digital ecosystem.

In developing InsurTech, he advised insurers that velocity and short-cycle iterations in a matter of weeks or days are critical – design, go to market and try again for what doesn't work. Collaboration with startups also entails strategic partnerships and not the vendor relationship that insurers traditionally would take. He advocated taking a VC approach – rapid validation and 'putting enough bets out there' to make things work, and not the old approach of waiting to find something that is proven before investing. Incumbents should seek globally scalable solutions at the outset, instead of just starting with a single market in mind, he said.

Blueprint for success

Speakers also addressed the necessary architecture for InsurTech and innovation success. MAS head of financial centre development and director of FinTech and innovation Roy Teo elaborated on the successful FinTech ecosystem in the city-state, where



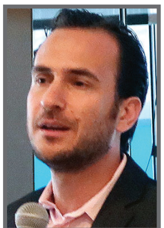
Mr Roy Teo

nearly half of ASEAN InsurTechs are headquartered. This included world-class R&D, supporting talent development, and international FinTech collaborations such as MoUs with 19 international markets, all of which have helped establish Singapore as a FinTech hub. Calling on market players to collaborate fairly with start-ups, he said that instead of expecting free proofs of concept, both insurers and startups could tap government grants and schemes.

"Don't say that one can't be innovative because of regulation," he said, explaining that Singapore's FinTech regulatory sandbox, which recently saw its first graduate in InsurTech startup PolicyPal, now enables experimentation of ideas that go beyond what regulation usually permits. Mr Teo also encouraged the industry to tap the S$27m ($20.4m) artificial intelligence and data analytics (AIDA) grant launched in December 2017 and the 'Deal Day' initiative to link investors and startups at the annual Singapore FinTech Festival, which garnered $2bn in capital for startup financing last year.

Nonetheless, there is still room for improvement and one area is for collaboration between insurers, while another was the potential for more useful connections between various elements on the innovation spectrum, such as digital health and AI.

Organisational infrastructure


Nr Daniel Peled

Macro architecture aside, discussions also touched on building internal infrastructure. Insurers looking to improve productivity and efficiency ought to look no further than robotics process automation (RPA), according to Kryon vice president of sales Daniel Peled. "Humans should focus on what we are good at and leave the rest to be automated."

Rather than rendering humans obsolete, he said RPA allows humans to be redeployed to focus on tasks that require more creative thinking and also to focus more on customer experience. This results in businesses being able to offload high-volume manual tasks to robots. RPAs also allows for scalability, as well as accuracy and compliance as human error can be systematically eliminated.

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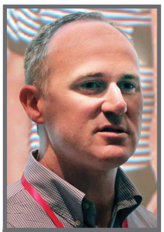
Mr Peled noted that one of the uses for RPA in insurance would be in optimising claims processing. Automating this labour-intensive process that entails sorting, data entry and validation, can have a significant impact on the optimisation of claims processing. This also contributes to raising customer satisfaction as resources can be focused on improving the quality of the claims management process, while reducing the turnaround time of claims payouts.


Dr Fabian Winter

On data and analytics in insurance, Munich Re head of business analytics Dr Fabian Winter spoke of how bringing data and technology together with highly-skilled people and advanced methods could generate value. The reinsurer recruits streamlined data-related capabilities, from statistical modelling and machine learning to AI and deep learning. It also offers existing staff several different levels of training in the domain. Data and analytics bring value in two dimensions – one would be innovation enablement in certain areas like telematics that could bring about better risk selection and pricing for car insurance based on driver scores. The second dimension would be data analytics platforms and solutions in themselves, such as an analytics suite which covers primary health insurer clients and provides insights into individual members and for providers, a platform with high efficiency in identification of fraud and abuse and a risk management platform for Nat CAT pools.

Meanwhile, Mulesoft principal solutions consultant Greg McCreanor highlighted three aspects to realising value and readying the organisation to seize new opportunities. The first is business alignment with projects, which are chosen with executive sponsors and should be in line with higher level organisational goals and meet business KPIs; the second would be putting modern technology and architecture in place; and third would be implementing a refreshed IT operating model.


Mr Greg McCreanor

Look out of the box


Mr Dat Le

In the process of building up one's data science capabilities, insurance companies should also take heed not to employ people who merely 'tick all the boxes', and instead focus on the candidate's ability to demonstrate real business impact and a capacity to learn, Uber data scientist Dat Le said.

"Your data science capabilities do not start from merely hiring data scientists, but with having a clear vision of what are the things to be achieved through data and also putting the data infrastructure in place," he said. "For example, having a good team of data engineers is important to help data scientists do their work more effectively."

Capacity without culture is futile

He added that employing a team of data scientists is not a panacea and what is important is creating a culture that values learning, and marrying that with practical experience and modern data science toolkits that ultimately deliver business impact.

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Ms Rosaline Koo

Indeed, the topic of culture resonated strongly with business leaders during the summit as health tech start-up CXA Group founder and CEO Rosaline Koo shared tips on why innovations fail. A culture of innovation, she said, is crucial to supporting the other two fundamental pillars of strategy and execution in order to achieve success in any project. Any new initiative is bound to meet with resistance, red tape, negativity and even rebels, so "this is where leaders will have to look at how staff fit the culture, and how to make the shift, if necessary," she said.

Strategy and execution meanwhile, must go hand in hand as Ms Koo said, "One can have strategy without innovation, but talk is cheap and who would care?" For her, strategy is only 10% of the innovation equation, while the remaining 90% is execution. She added that senior leadership – and this does not only refer to the CEO – must truly believe in the cause to drive innovation across management representatives.

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In the same vein, Aviva Asia executive chairman and Aviva Digital global chairman Chris Wei highlighted a series of common pitfalls to avoid, such as unclear ambitions and areas of focus for business units. He advised insurers on being startup-friendly and reasonable in working with them, as the latter may not survive otherwise. On translating innovation into buy-in from the rest of the organisation, the starting point has to be top down sponsorship, as middle management still has to support the day-to-day operations. "Buy-in will grow over time, and you need early, bite-sized chunks of success. If you've got top-down sponsorship and work with the middle manager for successful proof-of-concepts, reward them for that, then there's a higher probability of success (overall)," he said.


Mr Chris Wei

The conference, which drew some 250 participants, was organised by *Asia Insurance Review* in conjunction with InsurTech Asia Association and sponsored by Munich Re, eBaoTech, dacadoo, Kryon, Appway, Inspire Innovations, and Mulesoft. It was supported by DBS Bank, the International Insurance Society, the Life Insurance Association of Singapore, General Insurance Association of Malaysia and the Thai General Insurance Association.