Earning a place in the ecosystem

InsurTechs are innovating new and unique ways to improve the entire insurance value chain and help traditional insurers access new markets.

By Zuhara Yusoff

Four key global trends will shape the future of the insurance industry, according to Oliver Wyman in its report titled 'Insurance redefined: A roadmap for insurers and InsurTechs'. Economic and demographic changes, which will result in a larger insurance and protection gap; changing consumer behaviour; accelerated digital adoption, which blurs the lines between channels; and technological advancements that transform the value chain will have the most profound impact on the insurance sector.

InsurTechs are in a unique position to take full advantage of and play a critical role in this evolution of the sector.

COVID-19 is exposing some of the structural opportunities in how life and health insurance specifically has been productised, priced, sold and serviced to meet our protection needs, and galvanising the changes that have been long overdue, said Democrance CEO Michele Grosso.

"Insurance has traditionally implied managing risks across large homogenous populations through products that have predominantly been sold through intermediaries and provided protection against a static set of risks regardless of individual exposure and needs over time," he said.

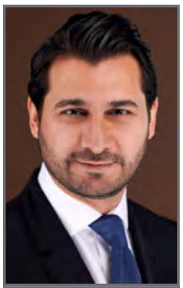
"Claims have been settled through case-by-case assessment of individual losses. In addition to resulting in adverse selection for some products (low-risk consumers subsidising higher-risk consumers within a population), these products have failed to address individual risk exposures and coverage needs when people need them the most."

Mr Grosso pointed out that traditional life and health insurance products are not only complex and difficult to understand by the average consumer, but they have also failed to meet short-term emergency needs arising from hospitalisation, loss of employment, quarantine expenses, disability, and loss of a loved one – risks that are pervasive during pandemics such as COVID-19.

"InsurTechs are innovating new and unique ways to remotely access and serve unserved and underserved customer segments, improve customer acquisition and retention through a connected multi-channel experience, improve risk assessment, underwriting and pricing based on individual exposure and needs, deliver need-based life and health insurance products, and settle claims remotely and seamlessly," he said.

Democrance works alongside leading global insurance companies and third-party distribution enablers such as agents and brokers, telcos, super apps, payment portals, digital wallets and e-commerce channels to support their customer journey and product design, proof-of-concepts, and implementation


Mr Michele Grosso


Mr Saif Aljaibeji

and scaling – in a bid to unlock new markets for businesses. It also aims to make insurance accessible and affordable for those who need it the most but can afford it the least, said Mr Grosso.

New technologies bring the industry together
The market is assigning greater value to InsurTechs that have brought applications of new technologies to the industry that have shown promising outcomes, according to Oliver Wyman. This is evident in the growing collaboration between traditional insurers and InsurTechs.

Take for instance the latest partnership between Democrance and Swiss Re. Last October, the global reinsurer joined forces with the UAE-born InsurTech firm to empower insurers in the MENA region to automate and digitise their life insurance operations.

The partnership gives insurers access to Democrance's intelligent platform at a reduced rate – if they reinsure their business with Swiss Re – to automate the life insurance back-end processes, cutting costs and processing time. This allows life insurers to offer more competitive premiums when selling online via a multitude of digital channels, agents and brokers, bancassurance and non-traditional partners such as online aggregators. At the same time, insurers also benefit from the product innovation and reinsurance capabilities of Swiss Re.

Such a collaboration is not only a boost to the life insurance market in the region, but also to the end consumer, making life insurance products more accessible and affordable.

Change from within
Sehteq, another UAE-based InsurTech startup offering low-cost health insurance plans to individuals and SMEs, is focused on acquiring small TPAs to service the low-income population. It now owns and operates six TPAs – including Vidal Health through the latest merger in December – and health maintenance organisations and has a customer base of about 700,000.

Sehteq co-founder Saif Aljaibeji said, "The future is bright and technology is the new name of the game. InsurTechs have a great opportunity to play a key role in the insurance ecosystem and change the legacy system from within rather than competing with the traditional players."

Sehteq – a combination of the word 'seha', which is Arabic for 'health' and 'teq', which stands for 'technology' – has a startup DNA, said Mr Aljaibeji, and "we promote ourselves as the design studio for the market".

The company's growth story is built around enabling traditional players to benefit from its menu of innovative solutions on a white-labelling basis.

"Our 60-second, white-labelled and AI-powered sales technology is now used by 140 clients in the UAE and Oman. This is testimony to the market acceptance of InsurTech solutions," he said.

Overcoming hurdles
So what are the hurdles involved in working with traditional insurers?

Mr Aljaibeji said, "The insecurity of very few old-school executives at the traditional insurers limit their ability to benefit from what InsurTechs can offer."

"Having worked in the insurance sector for many years, we appreciate and understand the legacy challenges that traditional insurers face in testing, deploying and scaling innovations," said Mr Grosso.

To help bridge and alleviate these challenges, Democrance offers a white-labelled software-as-a-service (SaaS) insurance platform, which enables insurers to launch end-to-end digitised sales journeys including promotion campaigns, enrolment, billing, claim management, internal reporting and compensation management, and seamless integration with policy administration, underwriting and pricing platforms.

The 'plug and play' SaaS service has clear advantages over traditional insurance platform software, said Mr Grosso, including fast to market advantage (it goes live in less than 30 days). It is cheaper compared to a traditional insurance platform software, requires minimum workload for insurers, and does not require support from system integrators. It offers the flexibility, scalability and connectivity to incorporate future changes and enhancements with minimum hassle.

Drivers of growth
Fuelled by population growth, regulatory reforms, infrastructure development, an influx of foreign capital and the current low penetration, the GCC insurance market is projected to grow from $32bn in 2020 to $43bn in 2025 – registering a healthy CAGR of 4.3%, said Mr Grosso. The life insurance market is projected to grow at a CAGR of 4.9% to reach $5bn, primarily driven by rising population and increasing awareness.

"Capturing these opportunities is going to require insurers – and therefore drivers of InsurTech – to ramp up six core digital capabilities in the near term, whilst ensuring new regulatory requirements for digital insurance," said Mr Grosso. These core digital capabilities include direct to customer sales, distribution and servicing (acquisition, retention and cross-selling); broker/agent sales enablement; bancassurance and sales through affinity partnerships; integration of protection and savings products; digital claims and underwriting; and speed to market without replacing core systems.

Mr Aljaibeji said regulation is the key driver of growth in the InsurTech space. "We're lucky to be based in Dubai where the regulator supports innovation. Sehteq is a technology-driven startup in the insurance space and not the opposite. We don't limit ourselves to the framework of an insurance setup. We continue to test solutions from different markets and different industries," he said.