Insurance's evolution through tech

By Jaqueline van Eeden

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We are seeing a very clear shift away from traditional insurance cover to newer, more evolved methods to maintain pace in a fast changing, always-on and connected world.

There are typically four main aspects of insurance: product design, pricing and underwriting, distribution and admin, and claims management. This model has been the same for decades and, despite of the increase in product complexity, the insurance business is essentially relying on policy premium income and asset management to function.

However, the rise of disruptive technologies and the shift in customer mind set is changing this model. Insurance companies are forced to change from a product-centric to a customer-centric approach.

Insurers are moving towards customised, usage based, real-time coverage models and moving away from risk based underwriting approach to risk management approach. From the beginning, insurance companies have captured lot of data and advancements in big data and analytics helping insurers in right risk selection, enabling more accuracy than ever before.

Legacy interaction methods and distribution channels - using call centres and one-on-one visits, an anywhere any-time response to customers is taking top priority. Virtual technology is providing easier and instantaneous ways for clients and insurers to obtain and update information, even enabling seamless and accurate billing via mobile applications.

Emerging digital trends in insurance

There are several trends currently disrupting the insurance industry across the globe, many of which are either technology related or technology driven, which are enabling insurance companies to remain relevant and competitive. African insurance companies are following suit and embracing many of these global trends in the face of a challenging and complex market environment.

Internet of things

Some of the key trends that have been identified are an increased use of internet of things (IoT) by insurance companies,

the use of big data to improve claims processing, an increasing demand on cyber insurance, the emergence of peer-to-peer insurance, and a growing focus on mobile applications for interaction between insurers and their customers.

Today's customer uses the internet to source quotes and research insurance companies to check for the best deals, yet research shows that most insurance purchases are still happening telephonically or through in-person interaction. Insurers are coming around to the fact that customers prefer online interaction, and are realising the need to adapt their systems accordingly. We will be seeing the progressive simplification of legacy systems to remove the barriers that hinder them from offering a consistent and seamless customer experience.

Auto insurance

As the trend for connected and smart devices continues to grow, IoT is fast becoming a transformational driver in insurance industry. Several auto insurers have implemented new models based on vehicle telematics. The possible applications of connected devices across the industry are extensive and have the potential to revolutionise claims processing, product pricing and fraud detection.

The industry is still worried about the future of insurance connected cars and driverless cars as the manufacturing advancements are going to reduce the risk and there by premiums for insurers. Industry predicts that auto insurance premiums will go down significantly in the next 10 years due to customer behaviour changes and manufacturing advancements in the industry.

Virtual computing services

Virtual adoption across the insurance industry has also been vast, and many insurers are actively using or implementing virtual computing for operational flexibility, function standardisation, cost savings, scalability and business agility. Small to mid-market insurers have been seen as early adopters of virtual computing services, which is enabling the ability to deliver faster claims, policy and billing services.

Cyber crime

Insurers are facing an all-time low retention rate, backed by growing customer demand and rising concerns about cyber-crime. By not capturing and extracting data accurately, insurers are not able to assess their business positioning and the associated business risks fully, including security breaches. Insurers are being forced to make operational changes which will enable them to make better use of their data, for the purpose of retaining business and staying ahead.

Traditionally insurance is sold rather than bought. With advancement in technology customers have multiple options and they are demanding changes in the behaviour of insurers to have multiple touch points now compared to the past. Legacy system transformation has been slow in Africa due to perceived high costs and lengthy implementation timelines. However, many are quickly realising that the longer they wait, the more customers they risk losing, adding to their lag behind competitors.

Disruptive technology is creating new insurance services

With the advent of technologies like IoT, we are seeing an emergence of new services. Connected home technologies are enabling people to stay in touch with things like their home security systems, which is reducing risk for insurers who offer home insurance. Wearable technology is enabling health insurers to keep real-time tabs on the health and wellbeing of their customers, again mitigating risk.

We are seeing the biggest impact in the use of big data, though. Insurers are discovering the multiple benefits that the wealth of information available from sources such as social media is delivering. Using this information, they are able to tailor their products based on customer preferences and even offer customised rewards programmes, increasing sales and customer retention significantly. It is also enabling easier and more streamlined claims processing, as information is recorded, and centrally stored and accessed.

Of course, the mobile trend, particularly in Africa, is making possible the use of apps, not only to smooth insurer and customer interaction, but also to track things like customer fitness, health and even wealth status. Applications are opening up a world of possibility for insurers everywhere.

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