

INSURETECH, THE NEXT BIG THING?



Q HOW HAS INSURETECH AFFECTED THE GI MARKET?

A Insuretech is a broad term. It refers to the impact of technology on all aspects of the general insurance value chain. Examples include: Insurance apps that allow anyone to purchase insurance on-demand. Wearables such as fitbits that offer consumers lower health insurance premiums as an incentive to exercise more. Black boxes in cars. Machine learning, which enhances an insurer's ability to detect fraud and price insurance, Drones which transform the way that reinsurers respond to natural catastrophes, and even Blockchain, which promises to lower the costs of reinsurance transactions in a transformative way. Some of these technologies affect a company's front-end operations, others affect the less visible back-end processing. Some technologies have incremental impacts, others have the potential to be so-called "game-changers". Whatever the impact and no matter which part of the value chain is affected, when technology affects insurance, it counts as InsureTech.

However, when thinking about the effect on the GI market, it is worth bearing in mind that the GI market and insurance in general has always had high barriers to entry. This means that the larger, more powerful players in the market have greater market power, and hence collectively they have a greater say over the impact of any potential game-changing technology. This naturally smoothes the impact of Insuretech, making it more gradual. In addition, large players in the market have in recent years been using consolidation as a way to grow, which has removed a key source of investment in Insuretech. If consolidation stops being so attractive or if a disruptive Insuretech company emerges, I'd expect the amount of attention given to InsureTech to increase dramatically. For example, there have been rumours that Amazon will begin to sell warranty / product insurance. Similarly, Google has shown signs of being interested in health insurance. Were these ventures to take off, they would be game-changers.



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Q WHAT IMPACT HAS IT HAD ON THE DAY- TO- DAY BUYER?

A It depends on the buyer. For retail consumers of motor insurance and home insurance, it is already having a large impact. Many consumers now purchase insurance through aggregators, which are themselves a product of technological advances in data aggregation. UK consumers have for many years enjoyed the benefit of a very competitive market in motor and home insurance, driven by advances in technologies for pricing and detecting fraud. For more specialist buyers such as commercial buyers, the impact has been less noticeable so far but this will change in the future. One area of change is Cyber Risk: a new insurance product that more and more businesses are clamouring for. For reinsurance buyers too, the impact has been small so far.

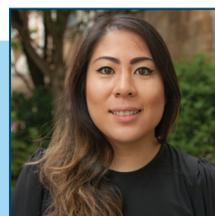
Q IS THE TREND WITH TECHNOLOGY AND INSURANCE GOING TO BECOME MORE PROMINENT?

A Yes and no. Many market phenomena are tipping point ones. The build up to the tipping point is slow and gradual, but once the tipping point is reached, the impact is big and happens quickly. I believe many technologies that are applied to the insurance value chain will behave similarly. If a disruptive Insuretech company emerges, the amount of attention given to Insuretech will increase further. On the other hand, some technologies are over-hyped, and these technologies which are prominent now may become less so in future. For example, Blockchain may have already passed its peak hype period and we should start to see some winners and losers emerge.

Q WHAT TRENDS DO YOU ANTICIPATE FROM A CONSULTANCY PERSPECTIVE?

A For consultancies, the trend will be to try to profit from this fast-growing area. I would expect teams to build expertise in particular areas and build a reputation in the market for those areas. Consultancies will also play an important role in helping the industry coalesce and form opinions about particular technologies.

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