



TRUST RE

THE IMPACT OF TECHNOLOGY



**ASIAN INSURANCE AND REINSURANCE
SURVEY RESULTS 2018,
PART 3: THE IMPACT OF TECHNOLOGY**

JUNE 2019

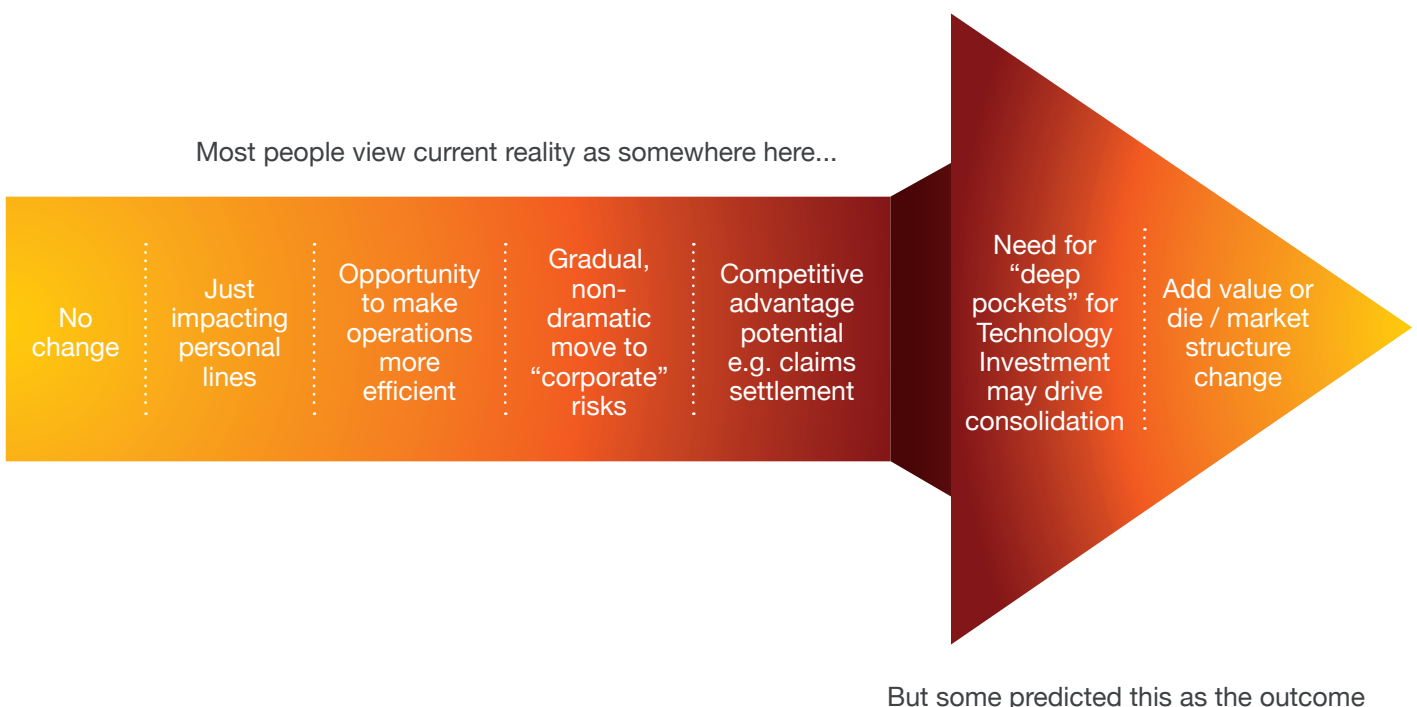
WWW.TRUSTRE.COM

Introduction

In second quarter last year, Trust Re commissioned the third edition of its market research report on trends and developments in insurance and reinsurance in Asia. In the third of this four-part series, we will take a closer look at the impact of technology in Asia, expected to be a key future phenomenon with potentially far reaching implications. We will highlight a number of areas where technology is expected to have an impact, as evidenced by the survey participants in Asia, noting that many are reflective of trends in the wider, global market.

It is worth noting that technology was the area of the survey discussed which resulted in the broadest divergence of views. This could be symptomatic of an uncertain market or because the extent of changes brought about by technology were unknown at the time. In brief, some participants saw technology as having very little impact on the markets and on their own role and operations. From the business-to-business point of view, many believed that face-to-face interaction was still more important especially regarding complex risks. Conversely, in business to customer transactions, technology was considered more beneficial.

Views on the impact of technology



Market structure impact

Technology can be seen as an enabler, to bring insurance more easily to sectors of the population who do not have access to it. Moreover, it also benefits both insurance companies and policyholders by providing better quality information, at lower cost. Some participants expressed their concern for brokers with the worry that if brokers did not keep up then technology would eventually take over their provision of services. Insurers need to be first in terms of what they provide, and be able to use technology to drive value.

Some brokers themselves are seeing insurance companies being able to provide what they (the brokers) previously did exclusively. The entire market structure could change with those who have superior use and implementation of technology eliminating other players. E-trading platforms could omit or reduce the need for brokers in the future.

“As an intermediary, we see some threat to us, because local insurers are developing their own systems and applications. It makes things easier to assess for the client. We have to prepare for that. How do we adapt to the chain? Allianz, Zurich, AXA all coming out with programmes – even local insurers have come out with a couple of applications. It is very convenient for the client...so how as an intermediary do we continue to add value?”

(Broker, Malaysia)

Brokers are seeing reinsurance companies collaborating with InsurTech firms, going direct to the risk, and bypassing direct insurers. Online aggregation, and distribution companies, will help the industry grow but it will disrupt insurers and reinsurers who are unable to keep up with the technology. Furthermore, a reduction in the number of insurance company branches, alongside the development of alternative distribution channels, are expected as on-line sales grow.

Boosting efficiency

In the customer sphere, technology was widely believed by the participants to bring better efficiency in terms of client interaction and servicing. Efficiency also encompasses using technology to cut transaction costs such as claims settlement, acquisition and administration costs. Furthermore, using technology in an innovative way, such as drones in claims management, can bring greater efficiency in helping the insurer to survey the insured property. Also in the claims assessment phase, drones can provide easier access, post event, to sites that could be hard to reach by other means¹. Some participants, however, saw the impact of technology on business functions such as claims handling as being more relevant in the future. The implications of InsurTech were a more immediate concern.

“InsurTech is very important. Particularly in Singapore, where it is being supported by MAS, and the financial supervision service.”

(Broker, Singapore)

Currently InsurTech is considered to be more focused on distribution channels. In the future, the impact of technology is expected to spread across the value chain including claims handling. On the motor lines side, a participant noted that technology is used more widely through integrated telematics that link physical events to claims and premiums. Insurance companies are predicted to automate more insurance functions and streamline the operation for example marketing, sales, claims, underwriting and loss adjustments, leading to an eventual reduction in cost. Furthermore, Cloud, Artificial Intelligence (AI) and Blockchain have the potential, according to interviewees, to reshape the insurance industry; business processes will be streamlined making them much more efficient while data and analytics will provide faster and better insight.

¹ <https://www.clydeco.com/insight/article/from-property-surveying-to-claims-assessments-the-innovative-ways-insurers>

Boosting efficiency (continued)

Technology is expected to assist in particular lines of business, e.g. transacting personal lines therefore technology can be seen as a factor in increasing insurance penetration and closing the protection gap.

“For those investing in on-line apps, InsurTech will be a game changer, enabling a move away from the conventional client / agent engagement model to be more remote and automated, to a much more technology-driven interaction. From an insurance perspective, it will make the competition much more intense and may well lead to price wars”.

(Insurer in Brunei)

Regulatory support

As a whole, Asia has a ‘high appetite’ for technology and so the impact, particularly driven from the consumer, could be very extensive. However, some interviewees saw the pace of change and adoption being different across Asia because of variances in demand, levels of infrastructure or government or regulatory support. Singapore for example, as mentioned earlier in the article, is one country whose jurisdiction is supportive of technology.

Data analytics

Improved data analytics was seen to be another benefit derived from technology. More data analytics, accessible to the client, in terms of an interface for the client to decide on the coverage linked to their own risk profile for more informed decision-making. Data analytics can reduce costs to provide competitive products. However, before dealing with data analytics, some foresee the real issue to be around data quality and the data used in new systems. If data cleansing is not carried out, the impact of data analytics will be compromised. ‘Systems’ are only as good as the data which is used in them.

As technology quickly becomes more and more a part of our lives, it has rapidly led to the creation of a lot of data. This in turn presents vast opportunities to use advanced analytics to leverage new information – about potential markets, risks, customers, competitors and natural disasters².

“A lot more data analytics is definitely required (and to be) a lot more accessible to the client. An interface for the client to decide on the coverage, linked to their own risk profile.”

(Broker, Singapore)

² [https://www.ey.com/Publication/vwLUAssets/Advanced_analytics_for_insurance/\\$FILE/Adv-analytics_insurance_AUNZ00000335.pdf](https://www.ey.com/Publication/vwLUAssets/Advanced_analytics_for_insurance/$FILE/Adv-analytics_insurance_AUNZ00000335.pdf)

Unforeseen consequences of technology

With technology, however, comes the risk of more data exposed to cyber breaches. A survey participant commented that he foresaw a shift in risk profiling towards technology and cyber risk, away from the more traditional profile of property and engineering.

Technology has an impact on emerging risks and raises questions regarding availability of capacity, underwriting ability, technical knowledge, market development, terms and conditions and potential loss scenarios.

Furthermore, automation, for the sake of efficiency in various stages of the insurance value chain, will inevitably mean a reduction in staff. Yet the staff who remain will need to be technology literate across companies, not solely in IT departments. Training to keep pace with technology will be very important. Some survey participants foresee reinsurance modelling as becoming more specific and more detailed which they did not necessarily consider as positive, if it does not reflect market conditions or sentiment. Technology is therefore not considered as omnipotent because the human touch, judgement and communication will always be important. The cost of investing in technology did not go unnoticed either, and certainly, those that are not able to sufficiently invest in it will be left behind.

Conclusion

In sum, there are significant potential implications of technology for the Asian insurance market. Although technology was the topic in the survey where views regarding impact were most diverse, there was no one who saw it as having no impact at all. It is more a question of timing. Given that many believed the very structure of the market itself could change because of technology, an important point for Asian insurance market players will be the ability to respond to technological change, to harness technology and to respond quickly to structural changes in the market. This is in addition to specialist risk expertise, financial strength and claims paying ability. Perhaps the ability to respond to technological change will become as much a source of competitive performance as underwriting performance.

References

<https://www.clydeco.com/insight/article/from-property-surveying-to-claims-assessments-the-innovative-ways-insurers>

[https://www.ey.com/Publication/vwLUAssets/Advanced_analytics_for_insurance/\\$FILE/Advanced_analytics_insurance_AUNZ00000335.pdf](https://www.ey.com/Publication/vwLUAssets/Advanced_analytics_for_insurance/$FILE/Advanced_analytics_insurance_AUNZ00000335.pdf)

Swiss Re Institute: June 2017 Technology and insurance: themes and challenges

The Outlook for Insurance and Reinsurance in Asia (Trust Re, 2018).

*Copyright © 2019 Trust International Insurance and Reinsurance Company BSC (C) (“Trust Re”)
All rights including the Authors’ rights are reserved to Trust Re*

Title: Asian Insurance and Reinsurance Survey Results 2018, Part 3: The Impact of Technology

Authors: Labuan Regional Center, supported by Sally Meikle Communication Specialist & Planning and Performance Management Department, Trust Re.

