# InsurTech and the Future of Insurance

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InsurTech is a blending of the words "insurance" and "technology". It refers to the digital revolution and technology innovations shaking up the insurance industry. This revolution has speeded up beginning 2016. It is still at its early stage. "Innovation" and "disruption" are by-words used to describe the innovations happening at break-neck speed. In the June 2016 Global FinTech Survey conducted by PwC, it was found that 74% or three in four insurance companies believe that some part of their business is at risk of disruption within the next five years.

At the background of this technological upheaval is the continued phenomenal growth of online retail sales. In China alone, online retail sales grew by 26.2% in 2016. Indeed, InsurTech has grown from a mere presence in the World Wide Web.

InsurTech was brought about by the innovations in technology such as gadgets, internet speed, and software. Gadgets that work in insurtech include, GPS trackers, trackers worn on our wrist or other wearables, cellphones, and tablets. In most cases, fusions of several technologies are involved. Indeed, an Internet of Things. It has been estimated that about 500 million smartphone users will be using a mobile medical app in 2017. It is projected to grow to 1.7 billion smartphone and tablet users by 2018. Technavio, has predicted that the worldwide InsurTech market will grow at a compound annual growth rate of over 10% between 2016 and 2020.

It seems that InsurTech is here to stay. According to Chris Skinner, managing partner of BB Fund, "Companies who think they can still wait a couple of years until they start to embrace digital innovation will cease to exist 10 -15 years from now." More importantly, it was brought about by the mind-set of millennials who are very much comfortable with digital technology. In a world driven by huge data, efficiency through technology would seem heaven sent. It also generates customer loyalty.

The insurance industry is such a traditional industry that embracing technology expectedly should take more time. The rise of InsurTech is highly correlated with the rise of financial technology or Fintech in the banking industry. Indeed, Insurtech has been described as a sub-set of FinTech. To say the least, these are game-changers. Already, after Fintech and Insurtech, we are seeing the birth and growth of Healthtech.

There are many facets to insurance. Every aspect of the industry is now being reformed by technology. InsurTech is multi-faceted. We now have highly customized policies, personalized insurance solutions. The one-size fits all solution is being squeezed out.

With InsurTech, buying an insurance policy can be done from the comfort of your home, your office and through your smartphone in less than 15 minutes. Today, sales of insurance is highly dependent on the call-center. 78% of client contact is though the phone. But change is imminent with the rise of web-based platform and mobile applications by which insurers can interact with customers.

**Data from internet-based devices**

Insurance products and services will become more customer-centric, giving customers power like never before. On the other hand, for the insurers, big data and predicting risks will be digitally based. Indeed, many aspects of the insurance business are being remodelled. Start-ups are reinventing the way people buy insurance, how insurers manage risks, and other solutions to a host of disruptions.

**Examples of InsurTech**

Data about a driver can be automatically linked to his car insurance. Instead of computing premiums, data on the driver is immediately made available to the insurer. In case of a car accident, emergency services can be made available and insurance claim can be made on the spot using an app. This can be made possible through software.

With respect to health insurance, biometric information is linked to the insurance policy. This can be done, for example, through the use of Apple Watch.

On-demand insurance for specific events can be made available, such a car insurance while borrowing a friends' car. This can be made possible through the use of telematics insurance or technology where a gadget called a telematics box is placed in the vehicle that measures various aspects of how one drives. Insurance premiums are therefore based on the current driving behaviour of the driver rather than on historical performance. The premiums are therefore personalized. The technology in the telematics box uses a GPS system, a motion sensor, a SIM card - to compile the data, and the software.

**InsurTech Start-ups**

A secondary industry has been born, the InsurTech start-ups or the InsurTech companies. 2016 was, so far, the biggest year for InsurTech start-ups with US$1.7 billion worth of deals. According to Sam Evans, founder of Eos Venture Partners, "Insurtech established itself as a stand-alone investment sector last year and we expect the momentum to continue to build." Annual investments in InsurTech start-ups have increased fivefold over the past three years, with cumulative funding reaching US$ 3.4 billion since 2010.

Friendsurance is a Berlin-based P2P insurance start-up. It is funded in part by Horizons Ventures, a private investment arm of Li Ka-Shing. P2P is a peer-to-peer insurance model that is causing disruption in the insurance market. Examples are Tongjubao in China, Friendsurance in Germany, and Guevara in the UK.

It has been observed though by some that few are actually embracing InsurTech and few have actually embedded Insurtech as an integral part of the insurer's strategy. It has been reported by the PwC Global FinTech Report 2016 that only 43% claims that they have FinTech at the heart of their corporate strategies. Moreover, only 28% are exploring partnerships with FinTechs. And less than 14% participate in FinTech ventures or incubators. PwC concluded that many insurers "are missing the opportunity to become proactive." CB Insights has stated that US$ 4.7 billion has been invested from 2011 to 2016 in about 460 Insurtech start-ups. This is low compared to about US$ 33 billion invested in BankTech.

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