Escalating client demand for insurtech drives digital change in insurance industry

By Pieter Venter

6 Jan 2022

The past two years have been tumultuous, to say the least.

Source: Supplied. Pieter Venter, co-founder and CEO at Ctrl.

Two things we can all agree on is that life is not as predictable as we might hope and that change can happen faster than we think. The Covid-19 pandemic posed challenges for all industries across the world and the insurance space is no different.

There is, however, an upside for those who are prepared to innovate and embrace new ways of thinking and doing. By embracing "disruptive" technology, traditional insurers and particularly brokers, can streamline their business processes, and scale and service their clients more efficiently. This is also in response to changing behaviour in consumers, who are increasingly insisting on digital capabilities.

Although the uptake in South Africa has been rather sluggish, events of the last two years have accelerated the process as everyone has started realising the need to digitalise their offering. This is in line with four major trends gaining momentum both locally and abroad:

Brand fluidity and moving horizontally

The fluidity of brands is a worldwide trend where brands that are trusted by consumers move horizontally to offer other services because they already know how to interact with consumers digitally.

In the insurance world, this means that insurers are realising that they can position themselves as underwriters only and focus on creating needs-based products, while leaving the client interaction to trusted consumer-facing brands that already have connections with consumers, acting as the proverbial middleman.

Return of the middleman and the value of advice

That brings me to the next trend we believe is going to gain momentum in future and that is a return of an old model but in a new shape.

In the past, brokers knew their clients personally and they knew them well enough to know what kind of risk they represent. We are back in a position where a digital broker could possess intimate risk data around clients to share with relevant parties, as needed, to negotiate the best deal possible.

The middleman has gained a bad rap, but as Marina Krakovsky points out in her book "The Middleman Economy" there are several functions that only a middleman can achieve for the consumer. Tech giants like Google, Uber, Airbnb, Linkedin are all essentially middleman businesses, sifting and vetting in the interest of parties on either side.

Because insurance is complex, it's an area where most people need some advice and assistance. The biggest pain point we found was not with claims, but when people realised they weren't covered for something when they needed to claim. So the problem was that they didn't get good advice and transparency at the buying stage. That's where we believe a digital advisor with human and AI elements can make a big difference. The move away from prediction towards measurement

Ctrl, South Africa's first digital insurance advisor appoints Tag 8
Tag 8 6 Aug 2021

Data-based risk modelling

A third trend concerns the above-mentioned consumer risk data that gets collected thanks to the rise of the internet of things. We are now able to measure risk instead of predicting it. Risk modellers can adjust their models based on actual data and not merely projections. In the insurance world, that means that underwriters can create products and determine premiums to reward 'safe' behaviour and penalise 'unsafe' behaviour, thereby charging the right premium for the right risk.

The question is who owns that data? We believe it is much better for the consumer if an independent third-party or broker is the custodian, rather than any single insurer. This is because the independent broker, ideally a digital advisor, would be able to present historical data to a range of insurers instead of being locked into a single insurer.

Insurance on demand

A fourth trend is that of insurance on demand, or as it is also referred to, 'needs-based insurance'. This was seen and accelerated during the lockdown in 2020 where people wanted to stop paying insurance for their cars because they weren't using them as regularly.

The pricing and monitoring of this switching on and off needs to be done carefully, but it can only be done where there is a digital link between the product provider and the end-user. Without digital channels, insurers will find it impossible to be agile enough to make insurance on demand a possibility for consumers.

Given these shifts in the landscape, insurtech offerings such as Ctrl, have a great deal of value to add.

ABOUT PIETER VENTER

Pieter Venter is co-founder and CEO at Ctrl, SA's first digital insurance advice app. A trained engineer, Venter spent three years at Anglo American before completing his MBA at the University of Cape Town's GSB. After four years at the Industrial Development Corporation he joined Absa's Corporate & Investment Banking division working with non-bank financial institutions, including insurers and fintechs, focusing on how technology is changing the insurance sector. In 2017 Pieter resigned to start Ctrl.
- #BizTrends2022: Escalating client demand for insurtech drives digital change in insurance industry - 6 Jan 2022

View my profile and articles...