

TECHNOLOGY

Legacy versus digital insurers – the lines are blurring



The redundancies in the legacy insurance system are being challenged by the 'new' insurance in which technology and trust play a big role. Asia Insurance Review spoke with digital and legacy insurers to understand if the 'new' insurers could do well enough to prompt the incumbents to move away from the traditional tack.

By Anoop Khanna



Digital insurers are transforming the traditional insurance ecosystem by providing prompt, simple, flexible and value-added online solutions.

Legacy insurers need to adapt

Blue CEO and executive director Charles Hung said, "With the changing market landscape and consumers' expectations, insurers will have to be agile in adapting to changes and responding to the market's needs."

"Legacy insurers have a wealth of market understanding and distribution network strength and I feel they will, and should, capitalise on the same while building on technology and customer trust in the future," said Go digit Insurance CEO and principal officer Vijay Kumar.

Prudential (Cambodia) Life Assurance chief distribution officer Veejay Madhavan said, "Insurers now recognise that legacy systems do not prevent innovation. The main priorities for legacy insurers should be to cut through the onslaught of digital disruption swiftly to adopt/adapt relevant technologies; foster the organisational DNA of innovation; and attract, develop and retain the right talent."

"To stay in the game, legacy insurers will have to transform themselves. This is actually happening right now, and we

are one of the examples," said Mr Hung.

"Blue is a joint venture between Aviva, Tencent and Hillhouse. We transformed from a traditional insurer to become Hong Kong's first digital life insurer, and we believe more transformation will follow in the industry."

IFFCO Tokio General Insurance director **Anamika Rashtrawar** said, "With insurance penetration being low, legacy insurers have not achieved much, yet most of the insurers have already built a loyal customer base and significant underwriting capacity to be relevant in the industry."

Intermediaries still have an important role

Speaking about role of intermediaries, Mr Hung said, "Consumers may require the assistance from intermediaries for traditional and complex insurance policy terms, filling in stacks of paper forms, or just simply trying to understand what's on the shelf."

Mr Kumar said intermediaries have been there as the customers still need a 'human guarantee' and support in buying and claiming, especially for the senior population. In the future as well, this will remain an important distribution channel."

Mrs Rashtrawar said, "When a customer faces a loss - no chatbot or voiceless messages can replace the



Ms Anamika Rashtrawar



Mr Charles Hung



Mr Vijay Kumar



Mr Veejay Madhavan

of claim stand by their customers," said Mrs Rashtrawar.

"China's strong online retail environment promotes a strong online insurance model. Cambodians on the other hand, use mobile technology mainly for financial transactions. However, the advantage

human support an agent provides. However agents would need to constantly update their digital and technical skills to remain relevant in providing advisory service to their respective customers."

"Digital innovation empowers and enables intermediaries to deliver greater value to their customers. Intermediaries must also learn to co-exist with innovation. Insurers in Cambodia have generally entered the market with traditional distribution but have quickly innovated to anticipate the demographic shifts, which can be more seismic," said Mr Madhavan.

"In 2015 in the Million Dollar Round Table (MDRT) of the top 10 countries, eight were Asian and Asia contributed 71% of the cohort. In 2017, the membership in MDRT increased by 53% and Asia held nine positions with 84% contribution to the cohort."

"During the same period China's membership (keeping in mind China's leadership in digital innovation) more than doubled and it took over the top spot on the list in 2017 with well over 11,000 registered members."

Dynamics of online insurance

Mr Hung said, "The dynamics between traditional and digital distribution channels vary across different markets due to the different regulatory landscapes and customers' needs. In Hong Kong, the regulator has been supportive in fostering FinTech development in the insurance sector. We expect that more and more digital insurers will come to play, and this will bring fundamental changes to this intermediary-dominated market."

"Online insurers have not been able to make any significant mark in the insurance landscape as yet and insurance is a method of transferring risk to a carrier - which requires

certain amount of assistance at the time of making a decision of purchase," Mrs Rashtrawar said.

Mr Kumar said, "Transparency from the insurer's end with simplicity of processes and documents, along with a hassle-free consumer claim experience, might bring more customers into the fold through other channels as well as the direct platform."

"Also, new intermediaries like e-commerce channels, which we at Digit have also tied up with, will come up. This will increase the distribution network and operate within an ecosystem that gives the customer a seamless experience between buying the product to buying insurance."

Insurance will always remain 'human-digital' powered

"The relationship-hinge will never come undone in insurance sales in Asia. Customers of the future will buy some online and research the rest online to buy offline. Hence human-digital powered advisory will have its own space, but boundaries will never remain certain. Intermediaries must evolve their capabilities to maintain their presence in the customer domain," said Mr Madhavan.

He said, "Digital disruption has clearly blurred the lines between technology companies and insurers. This provides an opportunity for insurers to complement current distribution channels. The type of products sold online depends on the financial maturity and tech savviness of the country."

"Brokers are here to grow especially in providing service to commercial establishments. They will play a very crucial role in designing insurance programmes for large corporates, find suitable carriers for placement and at the time

of operating in new and emerging markets is the ability to leapfrog without having to worry about legacy," said Mr Madhavan.

"Insurers, regulators and technology companies need to collaborate to strengthen financial inclusion and literacy and create a supportive environment for multi distribution platforms to thrive. Insurance is already bought online and sold offline in Asia and that trend will only accelerate," he said.

Insurance is still a 'push' product in Asia

Mr Hung said, "In most of Asia, insurance is still a push product, with low penetration and awareness. Customers in a lot of markets probably experience similar obstacles when they buy insurance - complicated procedures, industry jargon and complex policy terms. The situation has been changing over the years with the advancement in technology. With the internet, consumers can search and compare what insurance plan works for them."

"Most of the insurance products are still push products, requiring a lot of awareness. But what being online does for us is that researching about the different plans before buying, one of the most important steps in decision making, is shifting online. This gives us a window to simplify insurance for people, make it relevant for them and assist them in decision making, said Mr Kumar.

"There are certain products, where the buying of the asset is shifting online, for such product categories, insurance online makes sense. Also, online channels enable us to customise plans real-time depending on the customer's information, this would lead to higher consumer relevance. All this will eventually help online presence as insurers gain credibility and trust among the consumers." ■