

Six Key Takeaways

INSURETECH CONNECT 2017

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The 2017 Insuretech Connect conference was a melting pot of perspectives, ideas and approaches to transforming the insurance industry. With the October 1 tragedy in Las Vegas heavy in mind, participants discussed ways that the insurance business—a business dedicated to protection from risks—will be affected by technology in the months and years to come.

Drawing more than 3,500 participants (up from 1,500 in its inaugural edition last year), InsureTech Connect offered a wide array of perspectives, viewpoints and opinions during seminars, panel discussions and one-on-one sessions. Following are some key themes that cut across the deep pool of ideas—big and small, mundane and revolutionary—shared at the conference.



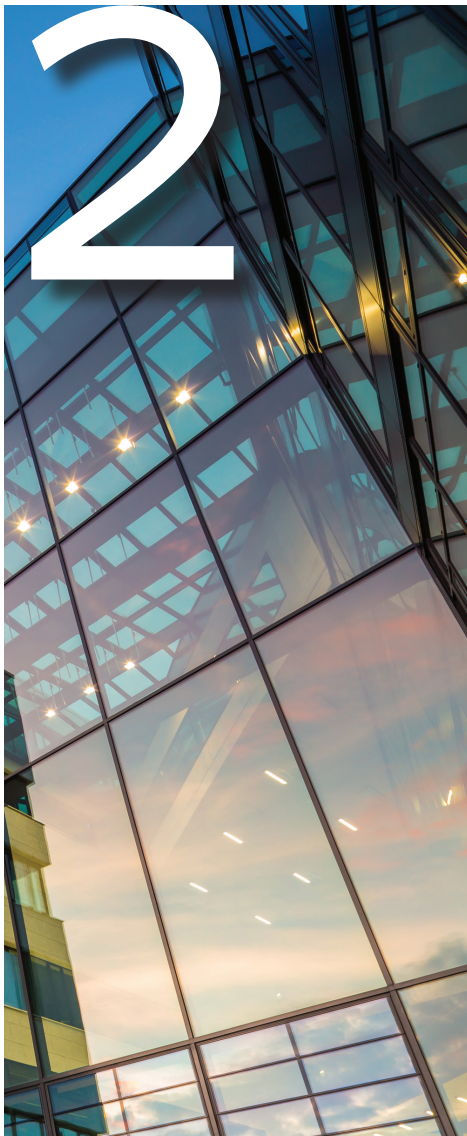


Cooperate to Innovate > Disrupt to Displace.

While there is still a healthy tension between start-ups looking to upend the industry and incumbents seeking to protect their well-earned market leadership, all sides acknowledge that the transformation of the industry will not be done quickly and will not be done by a single participant.

Partnerships may arise between and among incumbent carriers, start-ups, alternative sources of funding (for insurers), venture capital and growth financing (for start-ups), established businesses in different industries seeking to expand into the insurance market (Airbnb, Amazon and Tesla) and regulators (more on regulators below).

This cooperation will result from aligned interests with common themes, and these partnerships may take different forms and evolve over time. To be sure, today's partnership may be tomorrow's springboard into independence and direct competition, and many of the players in this space may not exist in five years due to disruptive competition.



Balance Innovation and Regulation.

In addition to commercial cooperation, collaboration with regulators will be crucial to the success of initiatives to change the insurance business. Regulators are clearly focused on technology and its impact on the industry, and while they are moving faster than they have before, they understand that the industry and pace of innovation continues to move faster.

Cooperating and collaborating with regulators to help them understand new products and processes in the industry will go a long way toward helping necessary regulations keep up with the pace of innovation. In an information vacuum, a regulator may be inclined to take a more negative or conservative approach to a new idea than is necessary. For example, proactive discussions with regulators about new sources of data or methods of analytics may help regulators be comfortable that these innovations will not be proxies for prohibited practices.

In addition to placing new ideas within existing regulatory frameworks, the industry and its regulators will need to define new standards and rules that apply to novel questions. For example, will the owner of the autonomous vehicle have the right to decide whether to share or give others access to the data collected by the vehicle?

In addition, the emerging field of “RegTech”—technology-enabled solutions for compliance and regulatory requirements—is an area ripe with opportunities to increase efficiencies. While RegTech may not make the biggest headlines, these types of solutions could be critical bridges for new products and other innovations to enter the market.

Focus on the Nexus of Problems and Solutions.

To put it simply, not every problem has a technology solution. Each market participant needs to ask itself: is this a problem that requires a technology solution? And if so, is the solution relevant to its business?

Insurtech itself is not a market—it is (sometimes convenient) shorthand for technology-enabled solutions to issues and problems that arise in established insurance businesses due to changing risks and consumer preferences. The most effective insurtech players will stay focused on the ways that these technology-enabled solutions can address real problems in the industry.

Customer-Centric Focus Will Drive Priorities across the Value Chain.

Customers' priorities are driven by the nature of the risks they experience and the way they experience risk, both of which may change over time. In response, insurers and markets will need to adapt to these priorities and offer products and services to address them. This adaptation can involve, among other things:

Re-creating the customer experience: Insurance market participants are competing against other service businesses such as Uber for the attention of their customers, not just against each other. People increasingly interact with each other and service providers within an ecosystem and it may be more effective to offer insurance in that context rather than as a stand-alone offering.

Blurring the lines of traditional insurance: By shifting focus from selling products to solving problems, insurance products may be bundled with services such as roadside assistance.

Playing a more active role in the lives of the customers: Insurers can actively manage risk by sending signals to customers to influence behavior and manage risks. For example, through signals and incentives, an auto insurer can communicate to a driver that driving during a snowstorm is more risky than driving on a sunny day. This is more intimate than typical insurer/customer relationships; it requires trust and very different skills.

Addressing new risks: With high-profile breaches of Equifax and Yahoo (and others), emerging risks related to cybersecurity and privacy are becoming more relevant to a wider segment of the population. Insurers will be called upon to provide solutions that address both risk protection and risk prevention.

Not all customers will experience risk in the same way and not all customers will seek the same type of experience. Some customers simply want their coverage and a passive relationship with their insurance company. Other customers will seek a more active relationship with their insurance company if its offerings are consistent with their interests. Still other customers will seek a more traditional interaction due to the size and nature of the risk being insured—for example, a web-based platform and an automated underwriting process may not be appropriate for a multi-billion dollar asset.





Artificial Intelligence Has the Potential to Revolutionize Many Areas of the Business, But It Won't Be Easy.

Artificial intelligence, machine learning and big data have some of the greatest potential to impact all aspects of the insurance industry. However, gathering data is just the first step—using it, integrating it into products and processes, making things more efficient, and doing all of this in real time is much more difficult. And of course, all of this activity must be done within the industry's evolving regulatory framework.

This is not just a problem of technology, but a problem of adoption as well. Implementing innovations is difficult in any business; doing it in an industry that is notoriously slow to change is an even greater challenge. As a result, changes to the business will need to focus on people as much as—or more than—the products and innovations themselves. Which leads to the last point...



Talent Will Drive Everything.

While innovation is exciting and change may be inevitable, these trends run headlong into decades-old processes, systems and routines that can create tensions in organizations. Talented individuals—from the C-suite through middle managers and across organizations—will be critical to managing these tensions and integrating new ideas into existing businesses. This may seem obvious, but it is often overlooked and is the single biggest reason why transformational programs fail to achieve their intended goals. The culture of an organization needs to embrace the talent that will enable it to better serve customers. Whether an organization is large or small, the right culture is essential to keeping interests aligned and maintaining focus on a common goal: to meet the needs of a dynamic and diverse customer base.

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