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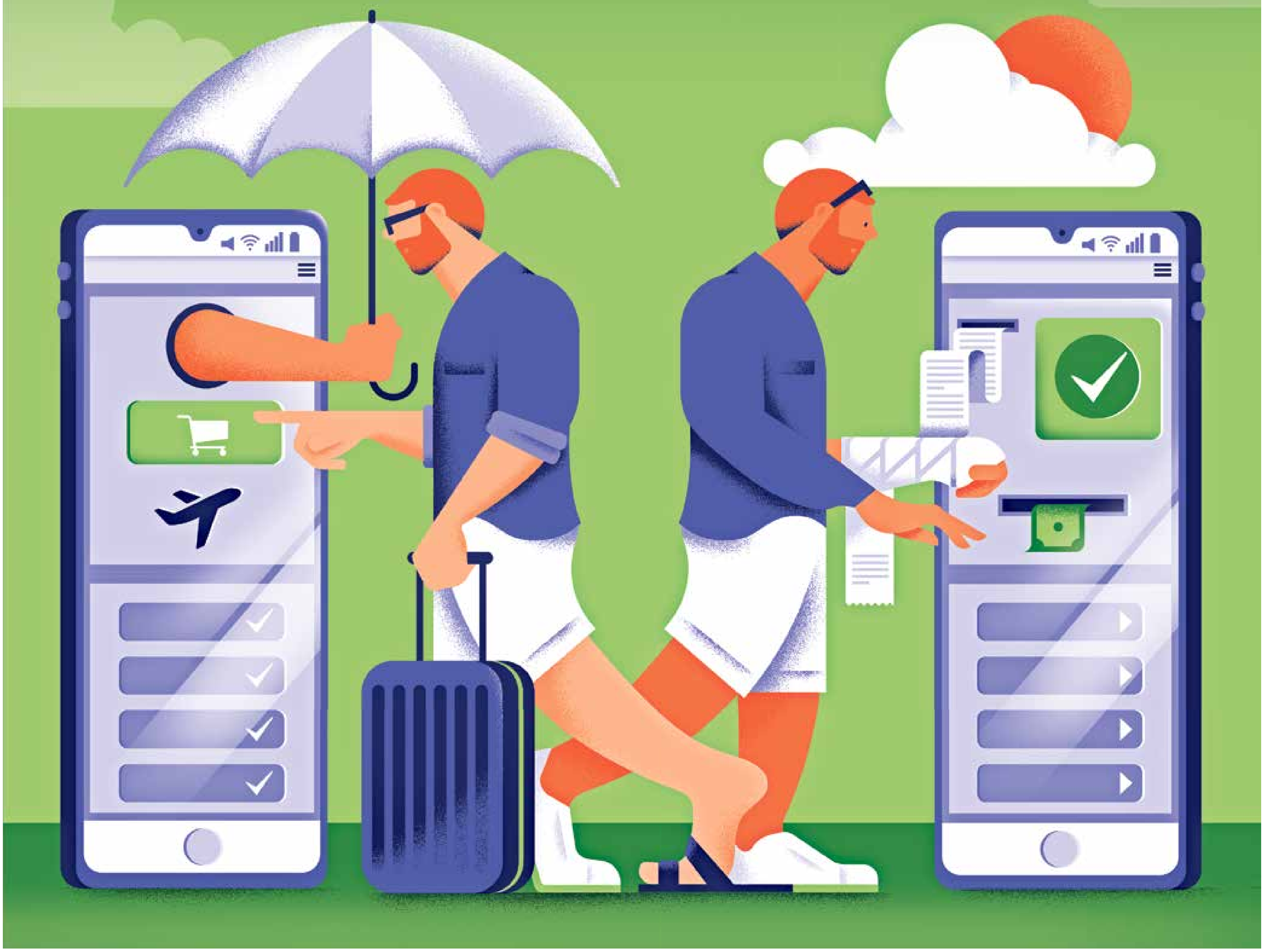
FUTURE OF INSURANCE



FUTURE OF INSURANCE

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TRAVEL INSURANCE

How will travel take off again?

As the UK government debates whether to relax restrictions on travelling abroad for holidays and business this summer, the travel insurance industry is firmly focused on how it will bounce back from 12 months of pain

Jonathan Weinberg

Few industries have been hit harder by coronavirus than travel and, with holidaymakers and business travellers forced to stay at home for much of the past year, demand for travel insurance has unsurprisingly plummeted.

As the pandemic set in, there was much confusion among travellers with insurance policies over who was responsible for paying out when their plans were cancelled or curtailed.

But now the picture is becoming clearer and, ahead of the UK's borders opening up, insurers have worked hard to make cover levels and exclusions easy to understand.

However, according to Defaqto, there is still a wide variation of cover for people to navigate. Its research this March found that while 73 per cent of the 978 single-trip policies it checked would cover cancellation following a positive COVID test, just 32 per cent would cover it due to self-isolation.

Additionally, only 2 per cent would cover the costs of being quarantined abroad and none offered cover for cancellation due to further lockdowns.

Anna-Marie Duthie, travel insurance expert at Defaqto, explains that most insurers will now cover the costs of medical treatment if you catch COVID on holiday. But she says: "Compared with the start of 2020, the travel industry has already seen a fall of around 15 per cent in the number of travel insurers and policies in the market. It is likely that many of these insurers will not return.

"We have already seen travel premiums increase since the start of the pandemic. Insurers will be pricing to take account of the losses they have suffered, but it is still a competitive market so recouping large losses will be difficult. It is unlikely though that we will see the return of the very cheap travel policies, such as those which existed at the start of 2020."

Antony Martin, managing director of travel insurance company Insurefor.com, agrees. He says travel insurance policies have already had price rises of around 15 per cent to take account of COVID cover.

"There have been significant income losses due to customers not travelling, but this has not impacted insurance performance, so we do not expect rates to increase much further over the next 12 months," says Martin.


Philip Myrtorp via Unsplash

When it comes to travel protection, much is already offered by travel providers in the first instance, and many experts believe they will have to shoulder more risk going forward.

The Association of British Insurers (ABI) says the travel insurance industry has paid out an estimated £152 million since the pandemic began, but explained how travel insurance is not an alternative to any legal obligations on others, citing its main purpose is to provide emergency overseas medical cover.

The ABI says that, where there is policy cover for those forced to cancel their travel plans or who have faced travel disruption due to COVID, it will kick in if refunds are not firstly obtainable from airlines, accommodation providers and tour operators, as well as via section 75 credit card refunds and debit card chargeback claims.

Sarah Brodie, ABI general insurance policy adviser, explains: "Customers should check the terms and conditions, as policies sold since COVID-19 was declared a pandemic are likely to contain some exclusions for cancellation cover. Travel insurance is designed and priced to cover unforeseen risks when the policy is taken out. It is important to note that it is the policyholder's responsibility to meet any border requirements, for example a negative COVID-19 test.

"No insurer seeks to hide behind numerous terms and conditions, and travel insurers will continue to do all they can to ensure policies are as clear and as user-friendly as possible, to give travellers the reassurance they need."

Nicky Kelvin at advice website The Points Guy UK also believes this clarity will be paramount. "Small print when it comes to COVID-19 will likely have to become more transparent," he says. "Comparison sites are already showing which policies have such cover and customers may be choosing policies on this basis, so insurers may have to be more transparent to remain competitive."

Matt Connolly, of Sønr, a market intelligence business that tracks insurance innovation around the world, believes the pandemic should signal a chance for transformation, especially when it comes to making the claims process more seamless with digital technology.

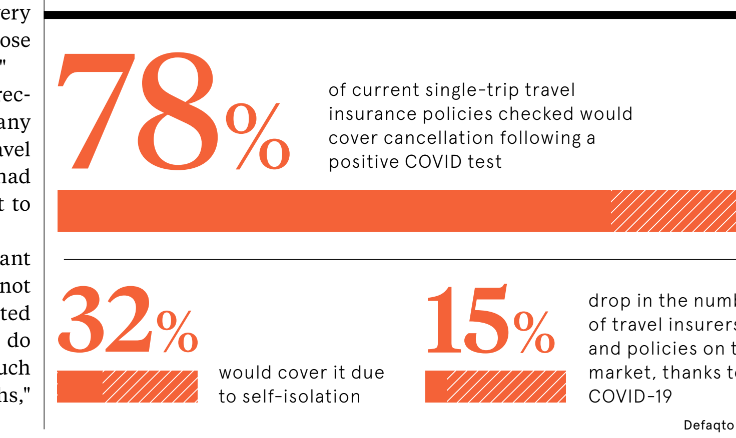
One trend being explored by a number of insurers is parametric insurance, where a customer takes insurance out and if their trip doesn't happen for some reason, the claim is immediately triggered and money refunded.

Connolly says: "My recommendation to insurers is to study the innovation taking place in the market and capitalise on the opportunities out there. If your strategy is to copy what's already in-market, what you're actually copying is the artefact of past effort."

Avi Meir, co-founder and chief executive of business travel management company TravelPerk, believes flexibility must now be the overriding principle. "Thanks to an ever-changing patchwork of regulations and restrictions, a traveller now doesn't know that their journey won't be disrupted, delayed or cancelled until their plane takes off," he says.

"That pervasive uncertainty means traditional insurance policies just don't cut it; they were designed to cover for rare, one-off disruptive events, not an ever-present need for almost unlimited flexibility.

"Just as travellers have adjusted to the 'new normal', providers too need to reassess and adapt their offerings to cater for what travellers now need most: flexibility."



Commercial feature

Insurance firms turn up the dial on digitalisation

After playing catch-up on innovation, insurers can now embrace artificial intelligence to define new standards of customer experience and business performance.

The historic insurance sector may have lagged behind its close counterparts in financial services and other industries when it comes to embracing innovation, but C-suite leaders are waking up to the huge opportunities. Customer interactions are increasingly led by chatbots, drones have significantly reduced the time to damage assess a disaster and insuretech startups are enabling consumers to file claims and get paid in minutes.

If concerns about digital disruption weren't already causing ripples in the boardrooms of incumbent insurance firms before coronavirus, they certainly are now. Digital offerings leapfrogged seven years of progress in a few short months of the pandemic, according to research by McKinsey, and drove a surge in interest in accelerating digital transformation within the insurance community to help embed operational resilience.

As exciting as that may sound for insurance customers, one key barrier has traditionally stood in the way of any digital acceleration: legacy. Nine out of ten legacy insurers struggle with archaic infrastructure, according to a study by operations management and analytics firm EXL, and many are still stuck on systems from the 1970s or 80s. Meanwhile, agile startups are able to better meet their customers' expectations.

"There was certainly a big surge in insurance companies coming to us wanting to speed up their digitalisation programmes and operational resilience was a principal reason," says Raghav Jaggi, senior vice president at EXL, which gives organisations the power to transform and grow sustainable businesses.

"Companies are looking at what levers they can pull to increase their margins, deliver shareholder value and enhance their capability to serve customers. But legacy infrastructure is not a band aid you can just rip off; transformation requires completely new wiring and plumbing. And that kind of change management requires a super-sensitive knowledge and approach.

"And that knowledge has to extend to the end customer. Insurance is very broad: global markets for large businesses, specialty markets and syndicates, and then the personal lines. We know customers in all sectors don't want to have to key in data or repeat information again and again. Particularly for consumers and small and medium-sized enterprises, it has to be a seamless digital experience because that's what people are accustomed to now.

"The real opportunity, however, is in how large corporations buy and get serviced on their insurance policies. We can help make every process and experience from an end-client to a broker to a carrier to a reinsurer more seamless by technology."

Up to 70% of large-scale change programmes are estimated to fail. Digital transformation is difficult to achieve in any industry, let alone one as old as insurance. Mostly this is because they aren't customer or market driven, though insurance firms are now increasingly understanding they must establish the customer requirements first and then allow the technology to follow. Equally, transformation should be an iterative process, accepting small failures and scaling up the successes.

EXL sees digital transformation of insurance in three phases, starting with automation of processes. But while companies might have been improving processes, they weren't fundamentally changing how they interact with clients. The second phase, which is where most advanced insurers are arriving now, is customer-driven transformation. Though organisations are undoubtedly still focused on driving efficiencies, if they aren't changing how they interact with customers, the transformation isn't achieving its goals. This is all, however, heading towards a third phase: artificial intelligence (AI) as the operating system of choice.

EXL's Digital Experience Center is a purpose-built facility for clients and teams to collaborate on innovation in the digital and AI arena

"That means moving everything on to a learning loop," says Ankor Rai, chief digital officer at EXL. "All the data is entered by AI rather than manually by humans, customers' conversations are with AI and companies take decisions using not just their own data but third-party data too. It constantly informs and improves itself, so is dynamic and intuitive. Data is the key to powering a frictionless customer experience with service at the speed of desire and AI-driven personalisation to each customer and their behaviour.

"Insurance companies want to move away from interacting with their customers once every six months or year at the time of renewal or a calamity. Filling the $1-trillion insurance gap, which is caused by the huge number of people who don't have cover that's right for them, relies on a deeper, more ongoing relationship, powered by AI."

A global broker deployed EXL's Xtrakto.AI, the company's proprietary AI-at-scale solution, to ingest data from various sources, digitalise it and then enable the input which eliminated the entire need for a manual effort into their legacy systems. Even though legacy still exists on one side, the company can create wrappers that bring the newest and greatest techniques to bridge that gap, without having to rip it out entirely. Another advantage of infusing AI into operations is the ability to extract more data from insurance documents and then feed back into key business areas, such as how to improve underwriter decision-making.

For 20 years, EXL has been deepening its insurance-domain expertise, while creating best-in-class data, analytics and digital technology, and ensuring both "sides" understand and inform each other. That way it can design and manage the agile, customer-centric operating models needed to drive efficiencies, improve customer experience, increase data-driven insights, and manage risk and compliance.

Part of the reason for EXL's success with its clients is the way it lives by its core values. "We always believe we can find a better way," says Mohit Manchanda EXL's head of insurance in the UK, "so innovation is a part of our DNA. And ideas like collaboration and respect mean we truly work with our clients to make sure we do, together."

Rai adds: "The future of insurance depends on data and we are the partner of choice for leveraging that to not just catch up on innovation but truly leapfrog into the next decade and beyond. Our analytics business translates data into insight to drive better decision-making, while our digital business infuses data, using AI, into the actual guts of an insurance company. Wrapped around all that is our deep insurance-domain knowledge.

"By working with a partner such as EXL, insurance firms can harvest and monetise data, drive efficiencies and create a better customer experience. We do that best because we've been 20 years in this business. You can't just get a technologist to navigate this. You need someone who understands both insurance and technology to be able to bring these things together. By infusing data and digital we are hitting the entire value chain."

> There is a $1-trillion insurance gap. Filling that will rely on a deeper, more ongoing relationship, powered by AI

£150m
savings targeted by global broker through better data ingestion with embedded AI and natural language processing

30%
reduction in cost achievable through conversational AI

20%
increase in employee productivity expected through embedded analytics and behavioural science

Source:EXL

Bloomberg Creative via Getty Images

> What started out as a Brexit hedge has become a successful long-term growth strategy for us

BREXIT

Brexit is a passport to innovation, say insurers

Meticulous planning is what we expect from professional insurance companies and, with Brexit, they haven't disappointed

Virginia Matthews

If there's one industry which knows about hedging its bets, it's insurance. No sooner had the ink dried on the 2016 Brexit referendum than many firms set about restructuring their businesses and securing new talent pipelines.

While the Association of British Insurers (ABI) believes some 35 subsidiaries and 29 million contracts were transferred to the Continent in the two years that followed the vote, for other players it was a case of looking closer to home.

"Our focus is on our strongest and most strategically advantaged businesses in the UK, Ireland and Canada," says Suresh Weerasinghe, head of European Union and Brexit public policy at Aviva.

"These are our core markets, where we have market-leading positions, can generate attractive returns and have a clear path to win, and we will invest for growth across them."

He believes Brexit offers a good opportunity to regulate specifically for the UK market, rather than for the EU as a whole, and says the new rules should be tailored with this in mind.

With an already-strong international presence, the task for Willis Towers Watson was to create a dual-regulated operation in Belgium, allowing collaboration between client services teams in the EU and UK.

"So far the trading climate has been maintained at very strong levels thanks to the planning and solutions we put in place," says Nicolas Aubert, head of Great Britain at Willis Towers Watson, who is looking forward to a new period of innovation and growth.

Post-Brexit, the firm's experience has been "one of continuity, for our clients, ourselves and our business partners, so there have not been too many bumps in the road so far", he says.

£95bn
could be released by post-Brexit reforms to financial regulations in the insurance industry, of this

£60bn
could be re-invested in a broader and greener range of assets

£16.6bn
would be generated in additional annual GDP in the UK by 2051, at no cost to the Government

£1.4bn
more could be received by the Exchequer in tax by 2030, as a result of the economic growth

Association of British Insurers 2021

While regulatory change is uppermost in firms' minds, a clearer glimpse of the road ahead has become more important than whether the new rules will be tougher or perhaps increasingly light-touch.

As a highly regulated business, reliant on what Aubert calls "having good readability" from the regulator, clarity has now become the top priority, he says, allowing firms to "see what the regulatory environment will be like as far into the future as possible and to adapt, prepare and maintain the quality of business operations and client experience".

While consolidation among large insurance houses, including Aon's proposed merger with Willis Towers Watson, continues throughout much of the sector, the independent broking industry has proved equally acquisitive.

"There's an arms race in the UK insurance broker business and despite the overall number of firms in the country dwindling to just 2,000, there's no sign that this trend will end soon," says Peter Blanc, group chief executive at Aston Lark.

Having geared up for Brexit by purchasing two brokerages in Ireland, both with London branch status, his own firm has well-advanced plans for further growth.

"Having made a decision to significantly expand our Irish business, we have invested in leadership and are now engaged in the diligence process around acquiring further brokers in the Irish market," he says. "What started out as a Brexit hedge has become a successful and long-term growth strategy for us."

With a recent KPMG report, commissioned by the ABI, suggesting that reforms of financial regulations could release £95 billion to help boost the UK economy and tackle climate change, modelling work around the management, reduction or transferring of large client firms' climate risk is inevitably gathering pace.

As part of a growth plan, Aviva has announced its intention to become a net-zero carbon emissions company by 2040, a move described by Weerasinghe as "the most demanding target of any major insurance company in the world today".

"The undertaking, which will inform every aspect of operations and investment decisions, is part of our strategy to be the UK's leading insurer, contributing to a sustainable economic recovery," he says. "We have big ambitions for Aviva."

For Willis Towers Watson, which names improvements in diversity and inclusion as a top priority for the business internally, staying ahead of the game over new attitudes to employment is also vital.

"The future of work is also an area that we put a lot of time and effort into," says Aubert, noting the "remarkable resilience and flexibility" shown by the firm's workforce during lockdown.

"This has been an important issue for many years, but particularly now as we reimagine the workplace of the future," he says.

While ABI assistant director Carol Hall, head of European and international affairs, shares Weerasinghe's view that autonomy over regulation could augur well for UK firms and consumers in the long term, she sees 2021 as primarily a bedding-in year for Brexit.

Continuing the flow of personal data between the EU and UK for six months was helpful, she says, and with a decision on the UK's "data adequacy" likely to happen within that time, cross-border claims are continuing to move without hold-ups.

As for the long-term prognosis, Hall is cautiously optimistic. "We are outside the club now and market access will not be the same, but things should settle down in time and it's clear our sector has not been as badly affected by Brexit as many other industries have."

Aston Lark's Blanc reads the situation differently. "My long-term prediction is that everyone will realise all the passporting and free movement arrangements were put in place because they made everyone's lives easier, and over time we'll end up reinstating these types of arrangements under different names and banners," he says.

"Bit by bit, new agreements will be reached to streamline processes and enable clients to be looked after, and eventually we'll get back to a sub-optimal version of what we had in place pre-Brexit."

Commercial feature

ROUNDTABLE

SME insurance gets personal

A virtual roundtable of six experts discusses how insurers and brokers could make their products more tailored for small and medium-sized enterprises, how to use data and the role of people in the coming years

Jason Chambers
Head of underwriting transformation, Aviva

Glen Clarke
Head of strategy and propositions, Allianz Insurance

Giovanni Giuliani
Head of strategy, innovation and business development, Zurich Insurance Group

Chris Kay
Head of sales UK, INSTANDA

Joe Thelwell
Chief executive, Towergate Insurance Brokers

Simon Welton
Market head property and casualty, UK and Ireland, Swiss Re

Becky Pritchard

Why do we still need personalisation in insurance?

JC As an industry, we love generic products and segments. But what we're looking to understand is intimate details about the business – what the customer is doing, how they're doing it, the way they're performing – because that way you can tailor and provide a solution that completely fits the customer and the price completely reflects what the customer is doing.

CK Consumers are increasingly expecting tailored, personalised, products that fit their needs. Large disruptive players and smaller niche players are leading the way on this, providing digitalised, personalised products through seamless customer journeys.

Do the needs of small and medium-sized businesses differ greatly?

GC When we talk about small and medium-sized enterprises (SMEs), that's a very, very broad church. We have quite a different situation from the micro sole-trader end of the market towards a larger SME that might have a couple of hundred employees and a multi-million-pound turnover. So this is a complex environment in which to make sure you get the customer experience right.

How do you personalise products given those huge differences?

JC Artificial intelligence, machine learning, data science, analytics: all these enable us to support the customer in the digital journey to make sure the choices they make, the value for money and the support they're getting is right for them. What we don't want to do is put our digital and automation ambitions at the centre of our distribution solely for efficiencies. It has to be the customer at the centre. Simplification is absolutely key.

GG We sell products that are very clear to us, but at times they may not be clear enough to the customer. So selling fewer, more simple and more meaningful products would be a step forward. However, simple doesn't mean we cannot offer targeted propositions. We can offer customised variations of a product through digitalisation and innovation. It's most important we offer a simple product, that is both easy to understand for the customer and easy to manage for the carrier.

CK Legacy systems can hold insurers back because older, product-focused platforms are unable to develop customer-first propositions. But new, usually no-code, platforms can. It means embracing newer digital-first solutions which put the customer first.

Isn't it counterintuitive to offer fewer, simpler products when you are trying to make products more personal?

GG Simpler doesn't mean less powerful or less sophisticated. Actually, I would argue simplicity is the most difficult thing to achieve in any area.

GC I agree. What a lot of SMEs, particularly at the smaller end, are looking for is reassurance. They don't necessarily want to be amazed by the complexity of your products, but they do want the reassurance they have the right cover for the things that are critical to their specific business.

Are firms collecting the right information to personalise products?

JT We shouldn't see this as customers buying a singular product in a moment. We should start seeing these as clients who need to be looked after for a longer period of time. So sometimes more open-ended, more qualitative questions should be asked, to understand what is appropriate.

SW Modern consumers are a lot more comfortable with sharing their data, so I don't think we need to be too shy of taking data from customers and using it. The industry has looked back for 300 years and trended data forward, but that isn't going to work for new and emerging risks. We have to go and get data from other sources.

GC Yes, obviously over the last few years we've seen an almost exponential explosion in the amount of data available in the market and it's not necessarily supplied directly by the client.

CK Currently, consumers are required to input a great deal of information and can still end up with an unpersonalised product. Rather than collecting more, firms need to focus on collecting the right information. They can only do that by embracing emerging technology, like data and artificial intelligence.

> Rather than collecting more, firms need to focus on collecting the right information. They can only do that by embracing emerging technology

So is the future all digital?

JT I think at the start of this pandemic, people believed it would be only a digital world that re-emerged. I believe clients want options, they want to have the digital choice, but also want a face-to-face choice.

CK Insurance is a human industry and that shouldn't disappear. Digital experiences can actually make things more human, by making the purchasing and claims processes more responsive and straightforward.

SW When I first started in the business, a boss said to me, "There's really only two things that matter, people and money, and you can't have a relationship with money". I'd say it has evolved a little bit now. Money and data can inform the decisions about risk, but you still need the people. You can automate a lot of the process, but people are still a very valuable part of this business because it's based on trust.

JT I think humans are the differentiator in the future and digital can complement human interaction. Insurance is probably the most complicated contract you will sign in your life without a solicitor present. So we need to make sure we give really appropriate advice and really tailor the product.

What role will your people play in the years to come?

GG Humans were not created to do repetitive tasks all day. It's boring, it's frustrating, it's also wasteful. Humans were created to nurture relationships through social interactions, to find creative solutions to complex problems, which machines are not able to do. But now we can deploy the right digital resources, I would say the human personalisation of the interaction with customers will be even more important and will be what differentiates us in the future.

JC The winners will be people who get that and it's a difficult recipe. We need to be ambitious about getting the perfect balance between data, technology and human intervention.

OPINION

Why partnerships are the future of insurance

As the world prepares for a post-COVID recovery, Insurtech Insights' **Kristoffer Lundberg** and **Bradley Collins** lay out their vision for the future of the industry

What's the future of insurance? A big question with multiple answers that we at Insurtech Insights constantly seek. While I'm no industry veteran, I have been speaking with global insurance leaders and innovators every day of the past couple of years and have picked up a few ideas of what to expect. The consensus among those who have shared their time with me is that collaboration will be a crucial component of the industry.

There are myriad reasons for this. A key issue is that great customer experience is still lacking. I'm far from the first person to say this and doubtless won't be the last. The insurance experience was already fairly frustrating for customers pre-pandemic. However, as consumers became more used to ordering Amazon packages from their sofas and Deliveroo dropping off groceries in under 30 minutes, their expectations have changed dramatically.

I've spoken with enough executives from the traditional carriers to know the desire to improve customer interactions is there in abundance. The question, however, is whether they can innovate quickly enough to offer products and services that keep up with the pace of change. Partnerships of all shapes and sizes will be key to enabling that great experience. But what does this look like?

Insurers will no longer be able to solely rely on their promise to pay out a claim. In fact, this is one of the biggest reasons the industry's reputation has suffered of late: the perceived failure to live up to those promises.

The insurance of the future will be very different. It will be more engaging, more interactive and more like a consultant as opposed to the current widespread model. In essence, insurers across all lines and sectors will have to follow a Vitality-style approach where customers actively benefit from their insurance.

Health insurers will have to find a way to make customers healthier, auto insurers will reduce the risk of crashes and so on. In short, we will move from the promise to pay to a promise to help, which is a seismic industry shift.

While there is huge appetite from incumbents to achieve this experience, they will still struggle to enable it with tech if they go about it on their own. This is where widespread collaboration will come in. Without the faster, more nimble, more innovative players, it will take insurers far longer to adopt new tools and engage with the customer of the future. By which time it may be too late.

> The insurance of the future will be more engaging, more interactive and more like a consultant
>
> **Bradley Collins**
> Chief commercial officer
> Insurtech Insights

Last month Zego, a commercial motor insurer, became the first British insurtech unicorn with a valuation of $1.1 billion in its latest funding round. Founded just five years ago, the rise of Zego is the latest example of why insurance has become one of the hottest sectors in venture capital.

As with every insurtech, Zego exists because its founders spotted a gap in the market, a problem that technology could overcome. Commercial motor insurance is prohibitively expensive for "gig economy" drivers who work part time. Insurtechs such as Zego and Cuvva solve this problem by offering affordable pay-as-you-go insurance, powered by sophisticated telematics that reduce the cost of underwriting and cover.

Innovative startups now exist in every type of insurance, making buying and claiming easier and opening up new markets in doing so.

In 2019 Zego acquired an insurance licence. Many insurtechs, however, exist as pure platform plays, choosing to maintain no actual insurance capacity, but instead partnering with established carriers. This allows them to bring disruptive propositions to market at speed and sidestep the cost and complexity of being a full-stack insurer.

These firms are the insurance equivalent of Airbnb; they develop products and manage customers, but hold no actual inventory. Some trade under their own brand, while others provide white-label services for partners.

Zego works with the likes of Uber, Just Eat and Deliveroo, with access to a vast pool of drivers who are potential customers. Skyscanner.co.uk and Booking.com customers can purchase COVID-19 travel-interruption insurance powered by Cover Genius underwritten by third-party carriers. "Embedded insurance" radically boosts insurers' reach and puts insurance in front of customers when they are most ready to buy.

> Whether you're a five-year-old unicorn or a long-established business, data-powered platforms and partnerships are providing fuel for immense innovation
>
> **Kristoffer Lundberg**
> Chief executive
> Insurtech Insights

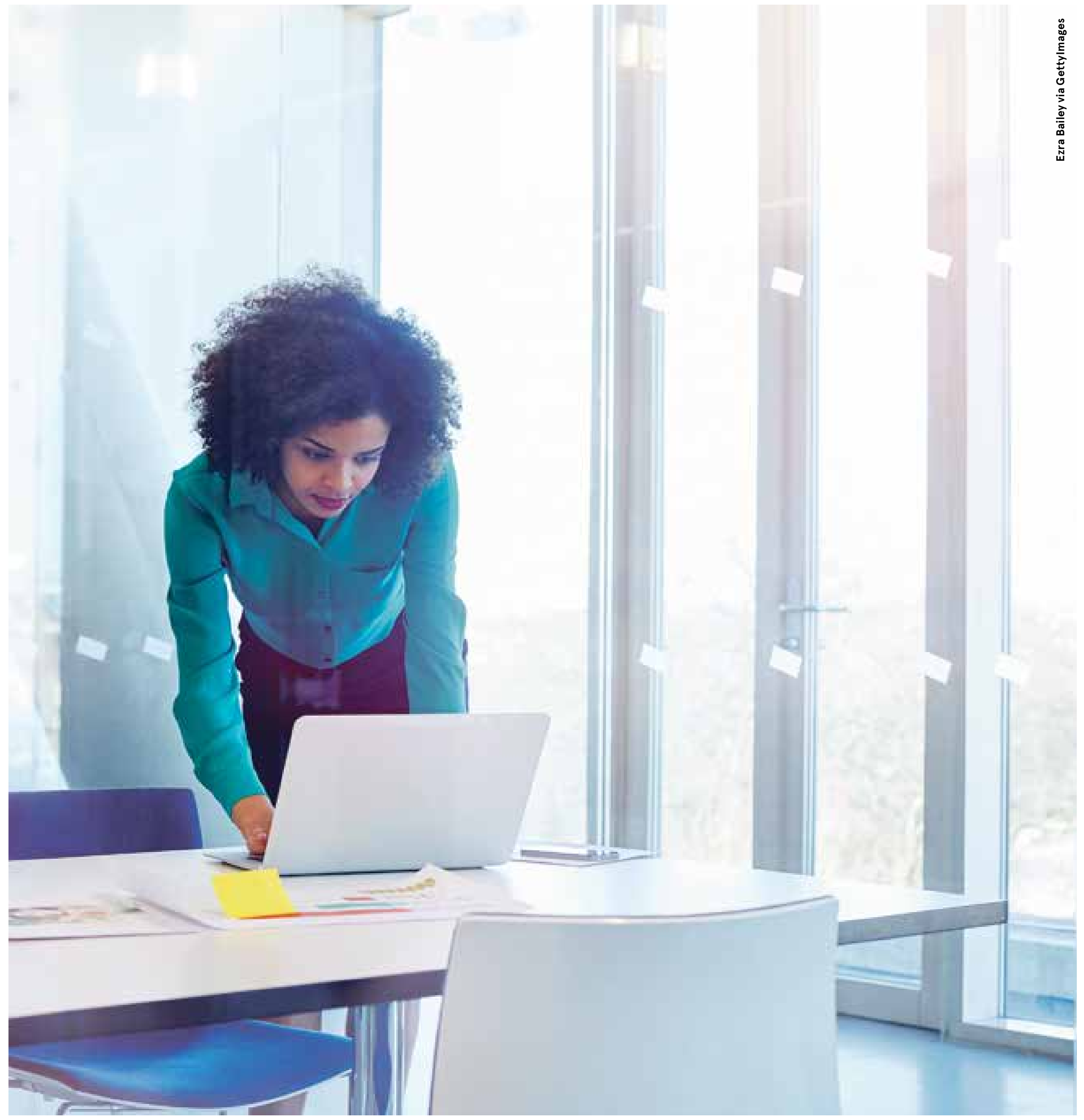
Established insurers are also getting in on the act. Bancassurance, insurance sold to banking customers, is enjoying a resurgence. Insurers large and small and across every line are looking to build ecosystems of partners that create value for themselves and for customers.

An Insurtech Insights survey of insurance professionals, published last October, revealed 66 per cent are already partnering with non-insurance businesses and a further 26 per cent are planning to do so. The top reasons for partnership are cross-selling opportunities (cited by 92 per cent of those surveyed) and access to new customers (90 per cent).

These are inspiring times in insurance. Whether you're a five-year-old unicorn or a long-established business, data-powered platforms and partnerships are unlocking growth opportunities and are providing the fuel for immense innovation. ●

MODERNISATION

Tackling the talent crisis in insurance


Ezra Bailey via Getty Images

The coronavirus pandemic has highlighted how insurance can operate in a new way and excel, and it must now capitalise on new opportunities or risk losing out on a generation of talent

Clare Bettelley

Insurers across the world are in the midst of a talent battle as the industry continues to modernise. Businesses are launching a range of initiatives, including apprenticeships and partnerships with schools, colleges and universities, to help attract and retain talent, with a particular focus on IT and data analytics. This is in response to customers' increasing demand for digital interactions with their insurers.

Danny Harmer, chief people officer at Aviva, says: "The challenge for us, and for all organisations, is identifying the products customers want and need, and how we respond to that.

"It's about staying connected to customers because at the moment they typically only have contact with insurers when they have to."

AXA has invested £800,000 in a data academy designed to upskill its workforce. The academy, which spans all divisions of insurance including claims, risk, human resources and finance, is currently offering 18-month data analytics training programmes to employees who would like to develop their performance.

Similarly, America's CSAA Insurance Group last year invested in a six-month pilot apprenticeship programme within its IT department, which it's now planning to roll out to other business areas. The insurer is also considering an apprenticeship scheme specifically for veterans.

Meanwhile, Aviva's data science practice, Quantum, has partnered with the University of Cambridge to research data science and identify ways in which data can be used to support the business.

Nevertheless, Deloitte's *2021 Insurance Outlook* survey, published last December, reveals 79 per cent of respondents believe the pandemic exposed shortcomings in their digital capabilities and transformation plans.

The industry's image remains a major stumbling block to modernisation efforts. "Insurance has this stigma that it's an old boys' club and it's still held back by that," says William Gallimore, UK managing director of specialist insurance recruiter HFG.

A number of insurers have pledged to diversify their workforce in response. CSAA is committed to increasing its proportion of female employees and recruits from diverse racial and ethnic backgrounds, which Bruce Baumgarten, its talent executive, believes will enhance the ability of the business to relate to, and support, its diverse customer base.

Baumgarten believes that a willingness by insurers to recruit individuals without an insurance background will further help to diversify the industry. "The typical insurance person is a white male and, if you keep saying insurance is a prerequisite to a job, you're going to keep getting white male candidates," he points out.

UK insurers are also working hard to promote diversity across their businesses. Aviva is a case in point after recruiting Harmer, former chief people officer at Metro Bank, and Amanda Blanc as its first female chief executive officer. Harmer says: "It's important as an industry that we look outside insurance; it's a healthy thing to do."

As well as a diversified workforce, applicants are demanding more flexible working practices, including more informal office attire and the ability to work from home.

This is one thing insurers are already delivering on, says Gallimore. "I think the pandemic has really helped, perversely. The Lloyd's of London underwriting floors were closed in March 2020 for the first time in the insurance market's 334-year history. So until then, every day people had to go into Lloyd's, they had to work in the City five days a week, nine to five, and they had to wear a tie, which I find bonkers. Insurance could never have worked at home, but it's been forced to and it works; it's had to work."

This has certainly been the case for AXA. Lucinda Charles-Jones, group human resources director, AXA UK and Ireland, says that the insurer has been forced to accelerate its efforts to adopt more of a hybrid way of working.

"For some employees this might mean more flexible hours, less time in our offices and only making the trip when there is a real purpose for doing so or for easier access to the tools needed to best serve our customers," she says.

But perhaps insurers' biggest challenge is in tackling prospective applicants' lack of understanding about the industry. Professor Brenda P. Wells, director of the risk management and insurance programme at East Carolina University, explains: "Part of the problem is people don't understand insurance and see what opportunities are there and the insurance industry is not doing a good enough job marketing those opportunities."

Christopher Parsons, professor of insurance at Cass Business School at the University of London, agrees. "Banking and accountancy are fairly attractive. Kids think of lots of money and manipulating big sums. When young people make a career choice or choose a degree, they are very young and their contact with insurance will be virtually zero. Insurance will just be something their parents complain about. It's always a grudge purchase," he says.

In the United States, a national programme called Invest aims to educate high school and college students about insurance, financial services and risk management. A number of insurers, including Aviva, RSA Insurance Group and CSAA, are also working with schools, colleges and universities to help students learn how the insurance industry works and explore the variety of roles on offer.

Clare Connor, professional development consultant (apprenticeships) at RSA, says: "People don't understand that you can come and be a cyberanalyst or go into sports insurance."

Insurers also need to tap into, and showcase, the meaningful work undertaken across the industry. As CSAA's Baumgarten says: "It's a really noble industry of people who just love to help people. Our very purpose is helping our customers prevent, prepare for and recover from life's uncertainties and I think that purpose really aligns great with what you hear millennials and Generation Z are looking for in a company."

Insurers' modernisation efforts are clearly underway, but by their own admission there's plenty of work still to do to drag the industry into the 21st century, and attract and develop the talent it needs. ●

> Insurance could never have worked at home, but it's been forced to and it works; it's had to work


goodluz/Shutterstock

RSA Insurance Group

RSA Insurance Group is considering launching a range of initiatives to attract new talent to the business. These currently included mulling the possibility of a graduate training programme, a returnship programme for people having had a career break and returning to employment, and a national work experience programme, while expanding its current internship programme. These would run alongside the insurer's 35 apprenticeship programmes, which were launched within every department in 2017.

Clare Connor, professional development consultant (apprenticeships) at RSA, says: "The perception of the industry among younger people is something that we obviously need to change. We put a massive emphasis on bringing in talent through our apprenticeship programmes, and I ask all our apprentices to go to their old schools and colleges and start telling their story, to get [students] to see that the perception [of the industry] is not what they might think."

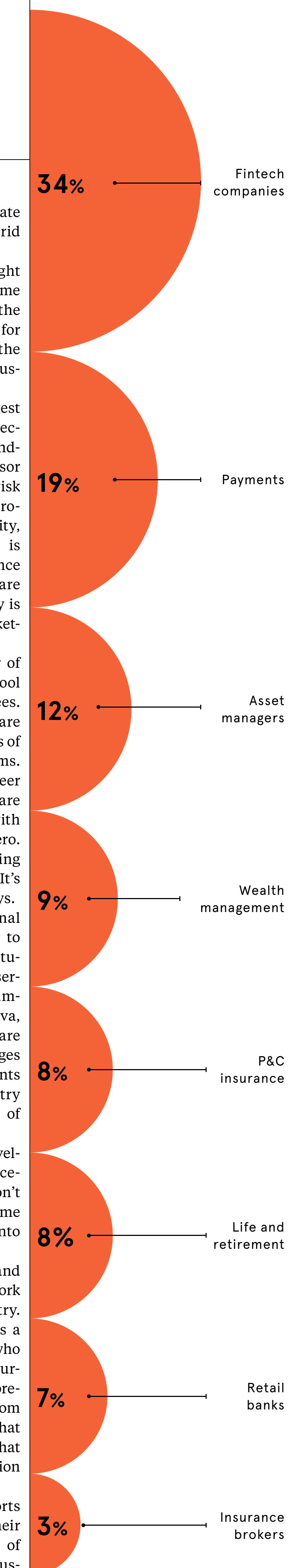
RSA uses the apprenticeship schemes to develop and retain its existing talent as well as to attract new talent to the business. There are currently 310 people, aged 18 to 62 years and combining external recruits and in-house talent, taking part in the schemes.

Connor explains: "We know that pay rises might not be as forthcoming as they once were. [Employees] are really looking for stability, for growth, to accelerate through the business and for professional qualifications that might give them the edge over other people.

"We try to get people to see there's longevity [in the business]".

INSURANCE LAGS IN DIGITAL TALENT

Distribution of digital talents across the financial services sector worldwide



McKinsey & Company 2020

Commercial feature

Time to hit the reset button

The insurance industry is uniquely placed to confront issues, such as climate change, rather than simply picking up the pieces from disaster

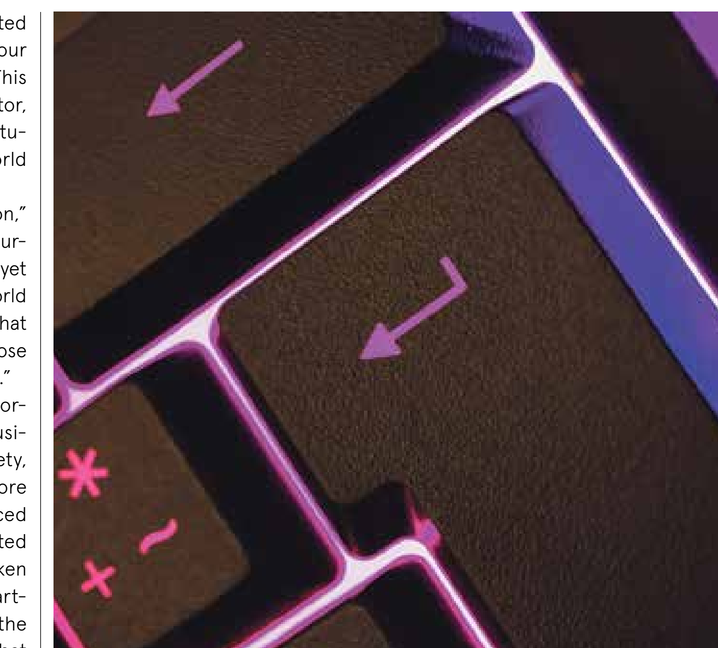
The past year has prompted many of us to re-evaluate our concerns and priorities. This applies equally to the insurance sector, which has a generational opportunity to reframe its relevance in a world shaken to its core.

"It's a chance to hit the reset button," says Simon Laird, global head of insurance at law firm RPC. "We don't yet know what the post-pandemic world will look like, but there's a real sense that this is a chance for insurers to choose a new role to play on the global stage."

The past year has triggered fight-or-flight responses among many businesses. There's increased anxiety, with customers yearning to feel more secure again, after having experienced such a sharp shock to the accepted norms. "The pandemic has shaken everything," says Peter Mansfield, partner at RPC. "What's coming up in the next decade isn't the same as what happened in the past decade."

The coronavirus pandemic has changed customers' priorities; 12 months ago most companies would have said bricks-and-mortar buildings were critical to their business. Now many are looking at the implications of a growth in home working. Will corporate data be safe on an employee's home computer? In a changed world, insurers have a choice. They can simply assess and cost the risks or they can help clients navigate those risks to the benefit of both insurer and insured.

Insurers have always played a role in risk prevention, after all some of the earliest fire brigades were set up by insurance corporations looking to limit the very event they had insured. Insurers may no longer look for fire badges on buildings, but that same mentality can be seen today. The use of big data translates into insurance that can provide real-time advice to



insureds by suggesting less risky places to fly a drone or alternative routes for cargo ships about to enter a war zone, for example.

"The question is whether, and to what extent, insurers should get involved with their clients' choices," says Mansfield. "Modern technology enables two-way communication. The insured's data comes one way and insurers respond with revised premium calculation; all instantaneously." The "pushmi-pullyu" discussion for insurers means a constant tension between responding to changing customer demand and producing innovative solutions and new products to respond to common problems.

This raises existential issues for insurers. "The pandemic is contributing to hard market conditions and rising premiums," says Laird. "That makes people question the role and purpose of insurance even more."

Global trends such as the desire for increased, visible environmental and social responsibilities have been accelerated by COVID and again the industry must choose how to respond. "Ultimately insurers are commercial beasts, but the 'purpose' of insurance is really important for attracting investors and recruiting the right talent," Laird believes. "Insurers have been learning a new language; no one talked about empathy 20 years ago, but it's part of the corporate lexicon now."

Insurers can also use their unique position to speak on global issues. "Insurers may well need different people with different skills," says Laird. "In addition to the data scientists already so much in demand, perhaps there is more need for, say, policy negotiators who can work with governments on big issues such as climate change."

The future role of insurance may be less to do with picking up the pieces from disasters than confronting policies and preventing corporate actions that contribute to such disasters. Certainly the sector has global muscle that could be turned into an active, powerful force for societal good, which might in turn bring financial prosperity in its wake.

"It's about insurers reasserting their place in this new world," says Laird. "Insurance is a powerhouse of innovation and progress and even small, incremental changes can make a big difference. This is the time for the insurance ecosystem to put itself front and centre, helping to lift us beyond the issues that have developed in the past year."

> Insurance is a powerhouse of innovation and progress and even small, incremental changes can make a big difference

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For more information please visit www.rpc.co.uk/expertise/insurance

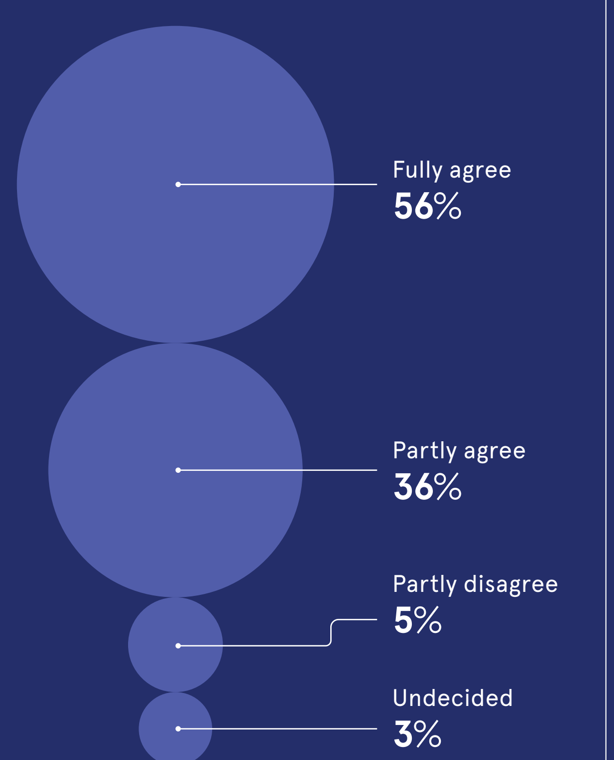
RPC

EMBRACING DIGITAL TRANSFORMATION

Around the world and across industry, the coronavirus pandemic has acted as a catalyst for digital transformation projects. In mere weeks, many organisations have accomplished transformations that they had projected to take years, shifting operations online and implementing new technologies at speed. The insurance industry is no exception, with 2020 proving to be a landmark year for this former digital laggard

COVID-19 SPURRING ON DIGITAL TRANSFORMATION

Share of insurance executives who agree with the statement "the crisis will accelerate innovation"

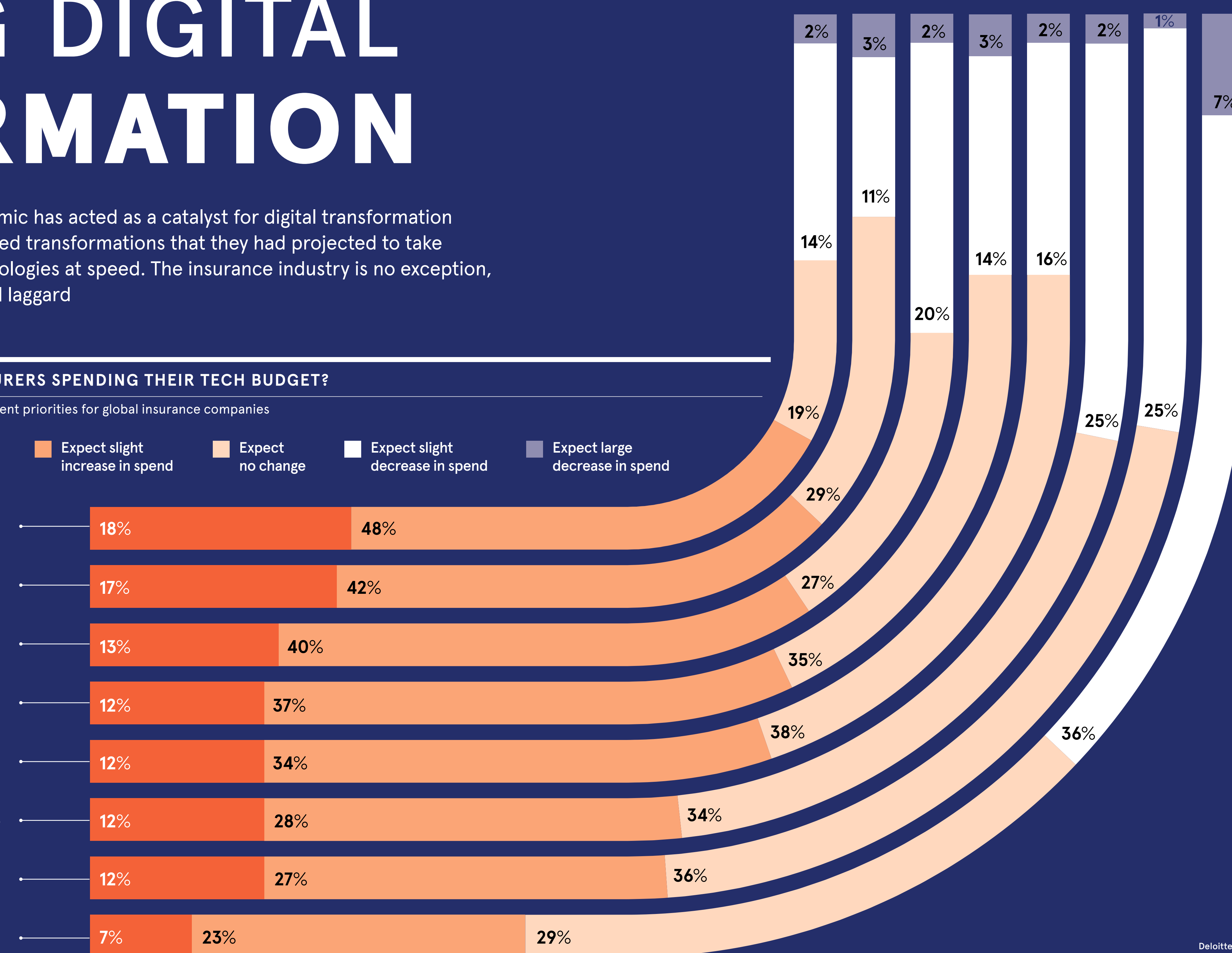


ISG 2020

WHERE ARE INSURERS SPENDING THEIR TECH BUDGET?

Top technology investment priorities for global insurance companies

Expect large increase in spend
Expect slight increase in spend
Expect no change
Expect slight decrease in spend
Expect large decrease in spend

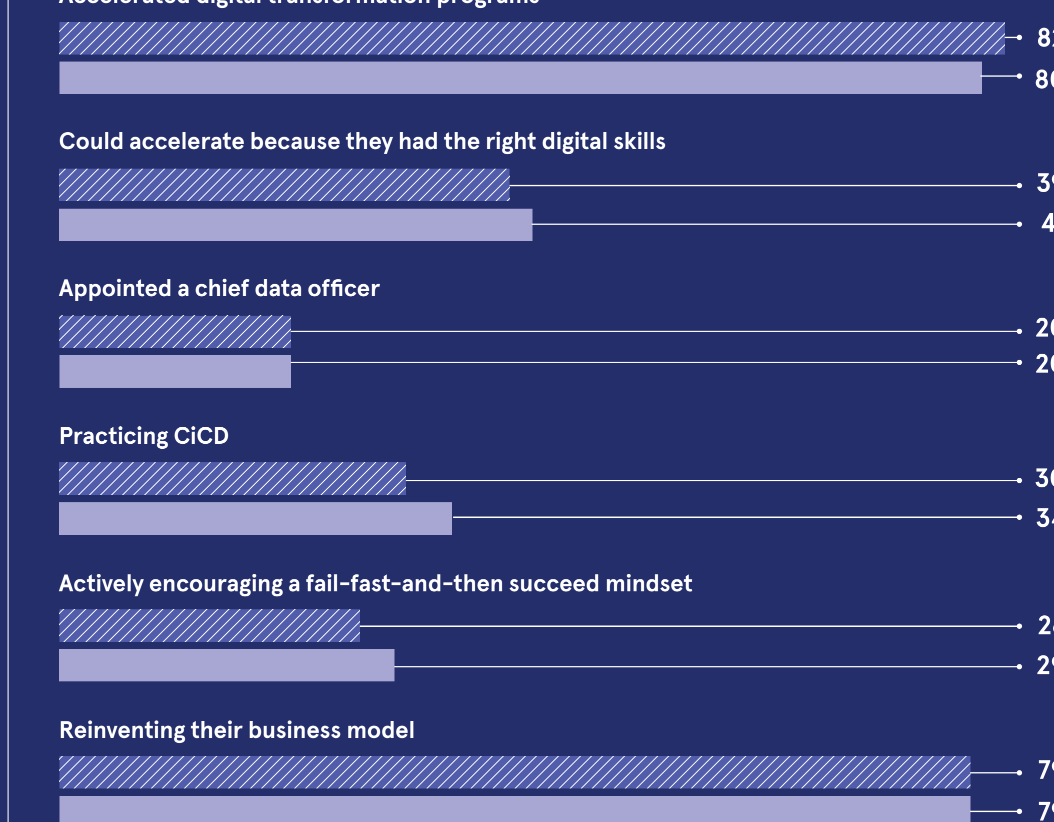


Deloitte 2021

WHERE INSURANCE IS EXCELLING

Percentage of global insurance companies who have taken the following steps in their digital transformation journey, compared with all other sectors worldwide

Insurance industry
Globally

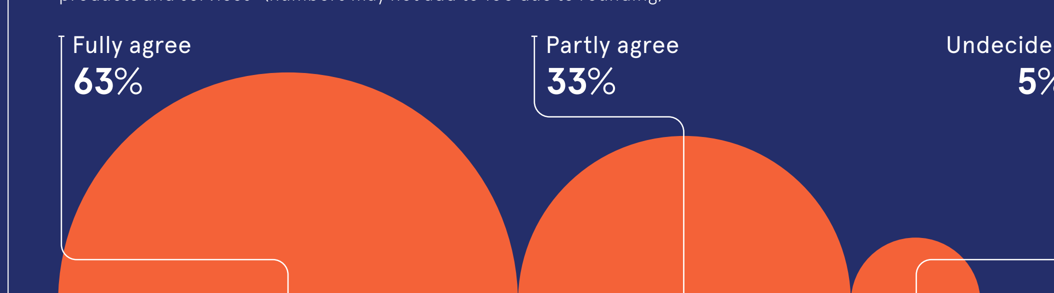


Dell 2020

CUSTOMERS READY FOR DIGITAL INSURANCE

ISG 2020

Share of insurance executives who agree with the statement "most customers welcome the introduction of digital products and services" (numbers may not add to 100 due to rounding)

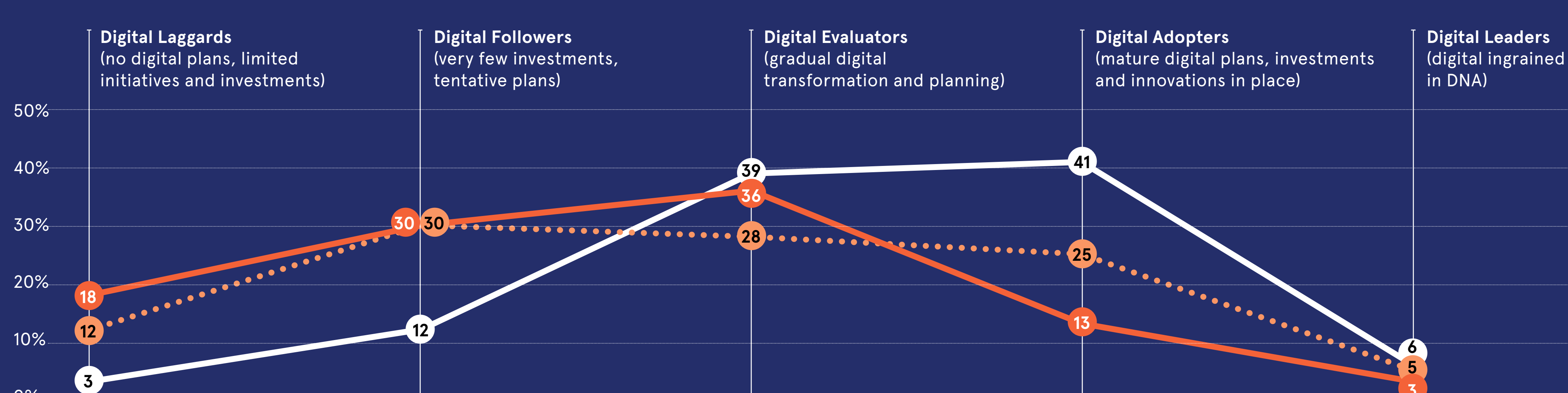


HOW INSURANCE'S DIGITAL TRANSFORMATION IS PROGRESSING

Dell 2020

Percentage of global insurance companies who fit the profiles at each stage of Dell's Digital Transformation index

2016
2018
2020



62% of c-suite insurance executives feel the industry is keeping pace with technological advancement

95% expect an increase in the use of advanced analytics over the next 3 years

51% feel cyber and data regulation is the top challenge in adjusting to digital disruption

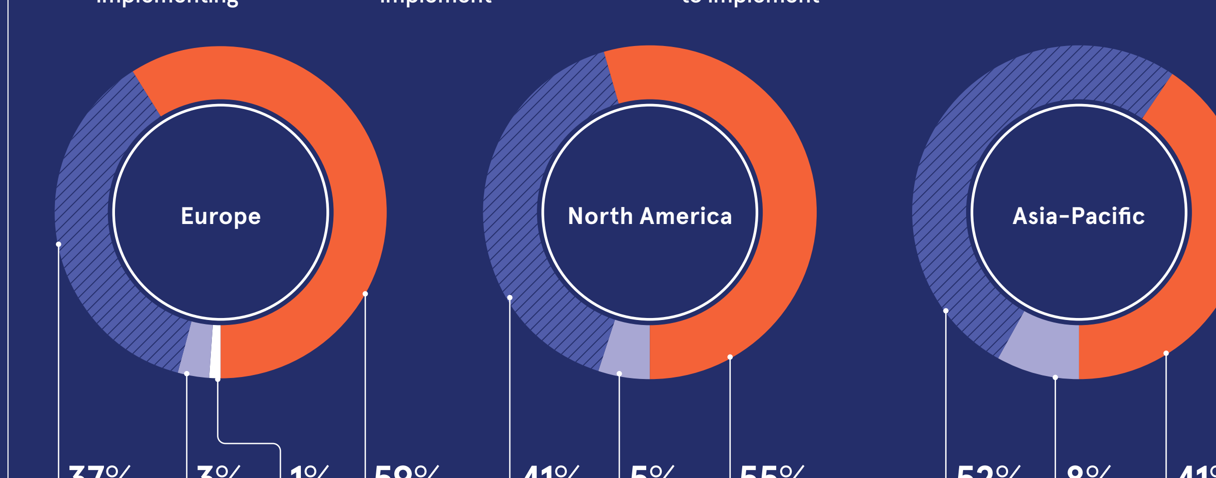
Deloitte 2021

EUROPE LEADING DIGITAL TRANSFORMATION

Deloitte 2021

Progress of global insurance companies who are planning to enhance their digital capabilities over the next 6-12 months to maintain resilience

Already implementing
Planning to implement
Do not have plans to implement
Do not know




AerialPerspective Images via GettyImages

BLOCKCHAIN

Three ways blockchain is improving insurance

Insurance may be infamously sluggish when it comes to adopting technology, but the manifold benefits of blockchain can no longer be ignored

Rosalyn Page

Blockchain adoption might have been slow to infiltrate the insurance industry, but now insurers are starting to realise some of the benefits of the distributed ledger technology. Blockchain has the potential to transform multiple processes involved in insurance, from streamlining claims and improving timing to enabling better transparency in contracts and securing data.

1 Streamlining third-party transactions

Across the industry, insurers, reinsurers and brokers are working to streamline internal processes and transactions. However, this doesn't generate returns at scale because challenging and diverse external conditions prevent current processes from being automated more widely.

Blockchain has the potential to enable the insurance industry to achieve full synchronisation of data and contracts, while protecting privacy and sovereignty, without needing to centralise the information among multiple parties.

The technology can automate the pre-administration of transactions to enable third parties to focus on the transaction itself, without the need to reconcile large amounts of data shared between the multiple parties in relation to an insurance transaction.

"All the parties in a contract can benefit from full synchronism and reconciliation at the source, removing the need for manual transactions," says Antonio Di Marzo, head of products at B3i, a global insurance industry consortium. "In reinsurance there is a huge opportunity to automate all the post-placement processes where large volumes of technical and financial accounting are exchanged and, currently, manually reconciled to settle a transaction."

Ultimately, market-wide inefficiencies can be reduced while still maintaining processing standards. "Traditional business processes require each party to autonomously ingest the data into their systems, carry out the processing, data analysis and then take a decision to transact. All these activities happen in isolation, requiring a significant amount of effort, potentially leading to errors," he says.

The advantage of using blockchain in insurance is that it builds trust between participants and links them in the same ledger. "This is especially relevant where information has to be put in manually. Blockchain eliminates this and avoids mistakes from operating manually. The main drivers for considering a blockchain solution are security, streamlining processes and eliminating repetitive manual actions," says Robert Nijhout executive director of the International Credit Insurance & Surety Association (ICISA).

2 Smart contracts and reinsurance

"Reinsurance contracts are the obvious use-case for blockchain; complex multi-party contracts that are quite formulaic in nature," says Robert Crozier, chief architect of customer platforms and head of global blockchain at Allianz.

Currently, each insurer, broker and reinsurer bears the cost related to processing, transforming and adjusting the contract information, and then digitalising it to facilitate the execution of their duties and obligations. Blockchain can eliminate the friction which, in insurance, is the risk related to the preparation and administrative processes required to execute contracts.

"These smart contracts will unlock more digitalisation at the core of insurance and enable more automation, streamlining settlement of claims. Shortening the time to return to normal for businesses and customers by settling claims quickly," says Crozier.

With reinsurance, where a single insurer interacts with multiple brokers and reinsurers, each party is responsible for maintaining, updating and reconciling the data to achieve a temporary alignment to execute a transaction; then the process starts again until the next reconciliation is achieved. "There is a considerable amount of manual effort being spent to arrive at a point where they can transact with confidence," says B3i's Di Marzo.

Smart contracts have the ability to self-execute, doing away with this process. "Today, insurance administration is driven by human decision-making, supported by analytics and machine learning, but manual actions are still required to trigger the execution of obligations. This implies that the execution of contracts is a probabilistic process," says Di Marzo.

Smart contracts are defined by digital parameters and programmed logic, and the contract can self-execute when the agreed conditions are met. This allows the execution to be deterministic and therefore predictable. "At present, processes are supported by technology. In the near future, there will be trust in mechanisms like smart contracts, which will enable processes to be executed by technology," he says.

3 Data management and security

Security is a fundamental benefit of blockchain because only certified parties in the network can transact. Blockchain ledgers are a common version of the truth that each party holds and acts upon. "In enterprise uses, the technology allows contracting parties who need to see the information see it and no one else," says Crozier at Allianz.

"Blockchain allows us to move away from transferring customer data via spreadsheet CSV files to only transferring the actual data needed to perform a transaction." This means less personal information is shared to achieve a certain outcome. "However, blockchain-enabled products are as secure as the people who build them and the systems on which they are deployed," Crozier notes.

Exchanging information within this infrastructure becomes easier and shortens the process of certifying the information. As the information is transported in digital form, it is held as structured information and incrementally improved in time. Any changes to the record are noted as incremental changes.

This unique, shared version of digital data prevents duplication and manual entry, without having to centralise the information. It guarantees ownership and privacy, but more importantly enables synchronicity between the authorised parties, who have access to the same data. "It removes the need for costly reconciliation and rekeying of data, ultimately improving contract certainty as decisions can be made from the same information across the board," says Di Marzo of B3i.

Being able to verify the authenticity of a customer, providing historical records of policies and transactions leads to better security, a more difficult process to corrupt files and greater prevention of fraud, although the law still has some catching up to do. "A challenge to the implementation of blockchain in the insurance sector is that the legal frameworks have become outdated and need to be adjusted to the new reality and circumstances," says ICISA's Nijhout.

OPINION

'If technology is changing the balance of power there will be consequences for the winners as well as the losers'

Recently we have seen a watershed in the march of new technology, if only in terms of the way we all conduct our day-to-day business.

From trying to mute and unmute on virtual calls, to trying to sign off on important new opportunities, no one will forget the phrase "next slide please" any time soon.

We have even seen two of the tech giants, Google and Facebook, squaring up to one another as forceful powerhouses of the modern digital world, with the recent new field of battle becoming the hearts and minds of Australians in relation to newsfeeds and who has ownership and ultimate control.

The stand-off between Australia, on the one hand, and Google and Facebook, on the other, was inconclusive. It is clear both sides would have lost heavily from a prolonged confrontation and that neither was in a position to deliver a knock-out punch.

What has come out of this quarrel, however, is the simple truth that behind the electronic networks powering technological progress lies a much more complex network of trust.

Technology needs the co-operation of many different players in society, not only through legal obligations, such as the General Data Protection Regulation, but also from the "court of public opinion".

This network of trust needs as much investment and maintenance as any electronic network.

Take, for example, something as simple as the transmission of medical records from doctors to insurance companies, something that is essential for the life insurance and critical illness markets.

The current, heavily paper-based system is slow, inefficient and prone to mistakes that can compromise both consumers' privacy and their ability to obtain the right kind of cover. It wastes the time of GPs as well as insurers and financial advisers.

But the range of stakeholders needed to make data sharing a reality is formidable, including thousands of GP practices, patient advocates such as the National Data Guardian, data regulators, financial services regulators, underwriters, financial advisers and, of course, the public itself.

The methods of building trust needed to bring stakeholders together are being developed, but they have not yet reached full maturity. One is real transparency, which means being peer reviewed through a rigorous governance process, not just setting out pages and pages of terms and conditions that everyone knows will never get read.

For insurers, this means building transparency around how they use data in their business model, product development and communications, and not seeing it simply as a compliance exercise.

Another is understanding the effect technological change has on society and, as professionals, engaging in debate about how to mitigate the negative impact of technology.

Facebook and Google may feel they should not be responsible for subsidising news networks whose traditional channels are less attractive to advertisers than social media or search engines. However, if technology is changing the balance of power in an economy, there will always be consequences for the winners as well as the losers.

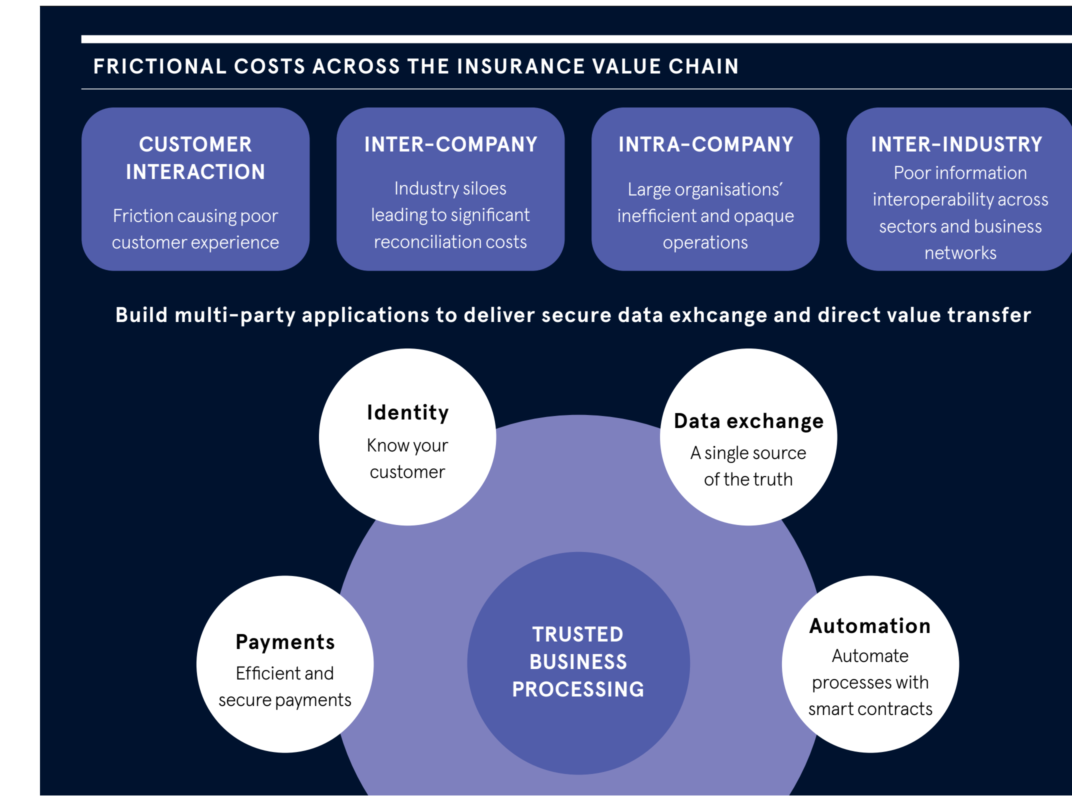
This means insurers have to understand the impact on those who may not gain from technological change, such as high-risk groups, who may find themselves excluded from insurance as risk evaluation becomes more sophisticated, and people who are less able to move from face-to-face to virtual channels.

If companies do not manage their trust networks as carefully as they manage their tech, they will find there are plenty of governments, regulators and non-governmental organisations that are willing to do it for them.

Even more seriously, without investment in our society's network of trust, the potential of technology to improve the lives of consumers will never be met.


Sian Fisher
Chief executive
Chartered Insurance Institute

Commercial feature



Smarter insurance automation

Shared facts to put trust and certainty at the heart of insurance automation

Trust is the cornerstone of all insurance transactions. You need to have trust in the party you are doing business with. You also need to trust that everyone involved in the transaction is acting on the same information. That includes the risks being insured, policy coverage or payment status. With increased trust in the underlying business transaction established, back-office processes can be automated through the execution of smart contracts and trusted payments to provide contract certainty.

Take, for example, parametric or usage-based insurance. Once the policy conditions have been agreed, the ongoing risk assessment, usage and premium billing can all be carried out automatically. That data can also be shared immediately with relevant parties and payments executed instantly, ensuring the whole process is more efficient and transparent.

Smart contracts have the potential to transform the way insurance is transacted throughout the underwriting and claims process. Essentially, smart contracts are a self-executing agreement between two parties written in computer code and managed on a distributed ledger. Take the example of a business interruption policy covering the vaccine supply chain. An insured event could automatically trigger a claims pay-out.

The main benefit of smart contracts is their ability to execute processes within the value chain automatically. By interacting seamlessly with external technology, such as the internet of things and sensors, they can speed up and streamline the flow of data needed at each step. Once a trusted thirty-party source has verified an event, for example exceeding certain rainfall or wind speeds limits, payment is automatically triggered.

The second component is the control of payments in the form of premiums or claims payouts. Advances in payment technologies bring efficiencies and certainty to the premium collection and claims payment processes, ensuring the right amount of money is transferred and received as agreed. This is key to avoid reconciliations and provide transparency. As well as improving traditional cash payments, it enables new value transfer methods such as digital currencies.

Here are the views of three experts:
Richard Phipps, senior project and delivery lead, property and specialty underwriting, Swiss Re, says: "There's an opportunity to create solutions using distributed ledger technology (DLT) to exchange data across the value chain in a trusted and secure manner. DLT offers the benefit of ensuring 'what I see is what you see', without needing to operate and keep the industry's data in a single centralised place. So it brings the benefits of centralised, but without the dangers of centralised."

Antonio Di Marzo, head of products at B3i, says: "Smart contracts have the capability to interpret clauses and other data into logic and conditions. It's this function within distributed ledgers, which are able to automate shared processes, significantly reducing the need to reconcile data and ultimately trigger the contract under a given set of conditions."

Peter McBurney, co-head of technology consulting, Norton Rose Fulbright, says: "Seeing the same data and the same shared facts means you can eliminate the task of data reconciliation. And the outcome enables a rich reimagination of business processes. We've seen this achieved across precious materials, energy, finance and insurance. In each case, DLT has kickstarted ecosystems to come together and completely rethink the way they do business."

However, while 80 per cent of the global insurance and reinsurance industry are using R3's Corda DLT platform, they are still only scratching the surface in terms of its application. The technology can be used throughout the insurance process from distribution, underwriting, administration and endorsement to claims, finance and treasury. Specific examples include proof of insurance, placement, policy adjustments, reinsurance, claims history and management, anti-money laundering and fraud prevention, and payments.

By using the latest distributed ledger and blockchain technology, Corda enables the entire insurance process to be quicker and more secure while also reducing administration costs. Importantly, the platform ensures the seamless transfer of assets across the value chain, and that contracts have legal validity and can be used for claims adjudication.

For more on this topic, read our industry roundtable write-up 'Foundations for Smarter Insurance' at info.r3.com/

ARTIFICIAL INTELLIGENCE

The rise of instant insurance

A new type of insurance is growing in popularity, with payouts being made in seconds as artificial intelligence eliminates the need for human intervention


Oscar Wong via Getty Images

Charles Orton-Jones

We all love a world record. Take Usain Bolt's 100-metre dash. Or Tanya Streeter's barely believable freedive to 160 metres below the surface of the ocean.

And the world record for an insurance payout? Three seconds, set by insurance company Lemonade in 2017. Someone called Brandon used the Lemonade iPhone app to claim for a lost coat priced $979. He spent 61 seconds explaining his claim into the camera. Hit send. And three seconds later his claim was verified.

Naturally, three seconds is too fast for human judgment. Brandon's claim was handled by AI Jim, Lemonade's in-house artificial intelligence claims bot. AI Jim reviews the claims history, the likelihood of fraud and the veracity of the claimant. If all looks good, it pays out. If there are doubts, a human handler is summoned.

"People told us they sometimes had to wait months before having their claims paid," says Lemonade co-founder Shai Wininger. "Not to mention the hassle and paperwork involved." By cutting payouts to seconds, Lemonade challenged the entire industry. It is now valued at $6.8 billion, not bad for a six-year-old company.

"People don't want to wait," says Matt Connolly, founder and chief executive of insurance market intelligence provider Sønr. "If your flight gets delayed, you might have to wait six months for an insurance payout. It's ridiculous. It erodes trust and confidence. So insurers are looking at ways to pay out instantly."

AI is at the heart of it. Algorithms can suck in data from every possible data pool, handling all aspects of insurance interactions. Quotes are instant. Onboarding is accelerated via pre-filled forms by bots that input all known user data.

The switch to instant is being fuelled by the looming arrival of names well versed in AI. "The biggest threat is from big tech companies like Amazon, Google and Facebook entering insurance," says Connolly.

In car insurance, the revolutionary entry is Tractable. Founded by three computer science graduates and incubated via the Entrepreneur First scheme, it uses AI to estimate the cost of car damage from photos taken by the owner, slashing the time for claims to be processed.

"When we founded Tractable people thought we were crazy," recalls chief executive Alex Dalyac. "Back in 2014, no one had talked about AI for years. It was a term associated with overblown promises." Now Tractable serves 21 of the 100 largest insurers in the world. And the AI engine is improving fast.

"We started checking other people's work and looking for inaccuracy," explains Dalyac. "As of today, 25 per cent of the entire insurance volume can be put through with no human touch. The remaining 75 per cent of cases still require a couple of edits by a human, which means it takes them three minutes rather than the usual 30 minutes. Our goal for the end of this year is to be at 75 per cent completely touchless. It'll be fantastic. The transformation will have happened."

Many insurers are struggling with the rise of instant. It's a trend led by startups and insurtechs. A big question is why incumbents struggle to innovate and rely on outsiders for technical solutions.

"When insurance companies build their own technology, the work is done by people who've worked there for 30 years," says Janthana Kaenprakhamroy, chief executive of Tapoly, an insurtech offering commercial insurance for smaller businesses. "It's more difficult for them to work out where the automation should be."

This means the race is being won by companies founded by entrepreneurs from other sectors. Kaenprakhamroy, for example, was an investment banker. "I was one of the internal audit directors at UBS covering equity business," she says. "It's a low-touch, highly electronic, fully automated kind of process. So I could see the impact of a product line with automated processes."

> "The biggest threat is from big tech companies like Amazon, Google and Facebook entering insurance


Oscar Wong via Getty Images

Four instant payout pioneers

1 Hippo
"Get a quote in 60 seconds" is the tagline of US home insurer Hippo. According to co-founder and chief executive Assaf Wand: "My team and I spent months refining our application process. We turned a traditionally lengthy process of applying for homeowners' insurance into a 60-second questionnaire that uses multiple trusted data sources to backfill information on homes and offer fast and accurate quotes. Then, we simplified the language in our online application so it's easy to understand." It's a pitch resonating with customers. Hippo is set to join Lemonade on the New York Stock Exchange with a $5-billion valuation.

2 Zego
The latest member of the unicorn club of startups valued at more than a billion dollars, Zego is the insurtech dominating the gig economy. It offers motor quotes online, but specialises in ultra-flexible coverage times, down to as little as a single hour. This is ideal for occasional drivers for Uber and Just Eat. Zego raised $150 million in a series-C round at a valuation of $1.1 billion. Investors include TransferWise founder Taavet Hinrikus and Balderton Capital.

3 Thimble
Drone insurance is a growing niche, as commercial operators use them for deliveries and recreational drones remain popular. Thimble is cornering the market in the United States with Verifly, on-demand liability insurance for drones of all sorts. The main selling point is clarity and speed. The app delivers quotes in seconds and documents are provided immediately. This means a drone operator who suddenly realises they lack coverage can acquire it, even as they stand in a field with the drone at their feet. The business attracted $28.5 million in series-A funding.

4 Cuvva
"Seriously fast and flexible cover," says Cuvva's marketing material. It was the first to offer motor cover for just one hour and extends to rolling monthly cover. At every stage it uses technology and automation to cut costs and deliver a livelier customer experience. Founder and chief executive Freddy Macnamara says: "You might only realise in the taxi on the way to the airport that you forgot to take out travel insurance or you might have to drive a friend or family member's car home, while out and about. The insurance-in-your-pocket nature of Cuvva allows you to get covered instantaneously." It's a sentiment that sums up the credo of instant insurance and won Cuvva £17 million in series-A capital.

Since entering insurance she's won a slew of awards, from Trailblazer of the Year to a gong at the Efma-Accenture Innovation in Insurance Awards. Her knowledge from a parallel industry seems to allow her to move faster than insurance incumbents.

Furthermore, insurers may want to develop instant services, but they are struggling to convince boards to pay for the research and development. Callum Rimmer, founder of By Miles, the UK's first pay-by-mile insurer, and By Bits, a tech platform for the motor insurance industry, says it's a chronic problem. "Insurers aren't investing enough. They aren't going after talent with the same gusto that investment banking has to give them the ability to adapt to the future. Banks historically have paid better rates."

Worse, some insurers are lackadaisical about the future. "They are almost universally happy to lag behind and just compete on price," says Rimmer. "They are still selling the same propositions they sold 30 years ago, only digitally."

In an industry which can settle claims in seconds, dawdling seems unwise. When Amazon, Google and Facebook aim their full firepower at the industry, laggards will be obsolete. Instant insurance will be the standard and customers won't wait. In the future, every microsecond will count.

Commercial feature

Think 24 year olds don't influence insurance? Think again

Insurance enabled by artificial intelligence is becoming a must-have, says Evan Davies, chief technology officer at Solera

The oldest members of Generation Z turn 24 this year. This generation is coming of age at a time when companies such as Amazon, Uber and Airbnb are using artificial intelligence (AI) to simplify purchasing, communicate directly with customers and apply analytics to their business.

Frankly, Gen Z may not remember services or products without voice activations, personalised buying suggestions and chatbots. As they become more influential as consumers, their expectations for services and interactions will include many AI-based offerings.

Add the purchasing power of the millennial generation with that of Gen Z and all businesses must evolve to meet these collective expectations for technology.

The insurance industry, like many others, is quickly adapting and integrating AI into business operations. In a recent report, McKinsey projected a potential annual value of up to $1.1 trillion in additional business revenue if AI is fully embraced in the insurance industry alone. However, it's not as simple as adding something like visual intelligence to the photo estimation process.

Computer vision and the technology enabling it need to include two fundamental elements: quality data and knowledge of vehicle repair. AI-based solutions must be trained and supported by the combination of these two elements to ensure consistency of results at every stage.

AI-based image recognition and processing

For those who have recently filed an insurance claim of any kind, you are probably familiar with the image capture and upload process. While image capture is not necessarily new, the technology evaluating and improving the process is relatively new and can be complex.

Automation tools improve the first notice of loss, or FNOL, and triage processes by speeding up review of damage photos, identification of total-loss vehicles and supports identification of the next best action for repairable vehicles. Decisions that affect claims outcomes for the insurer, repairer and insured are made at the beginning of the claims process.

There are a number of ways to approach AI photo-based estimating. One approach is to train AI models by learning from historical claims data and related damage photos. Another is to use a training dataset containing annotated or "labelled" photos.

Reliable, quicker repairs

In the absence of an AI-based estimating system, trained appraisers are required to produce repair estimates. However, with the use of an AI system, those skilled workers can be reassigned to more complex cases.

Providing an accurate estimate of the size, position and severity of the damage plays a crucial role in getting the repair cost correct. There are many variables that influence the cost, including material, geometry, accessibility and thickness. Modern vehicles are made of alternative materials, such as different types of steel, aluminum and carbon fibre. This is a lot to consider and, hence, why the repair science element of AI-based estimating is important.

Repair science plus data science

For every touchpoint served by AI, the algorithms that power these solutions must be trained and supported by the right set of data to ensure consistency of results at every stage. It's not just about adding AI to an existing workflow. Estimating with AI is about blending repair science technology with a database of historical claims and images gathered over years of servicing and supporting the industry that makes this evolution so powerful.

The combined approach of these two types of data enhances machine-learning algorithms to drive efficiency and accuracy. It provides an integrated approach to increase accuracy and performance, compared to simple AI image recognition point solutions.

Future-proofing for digital-native generations

Now, more than ever, with the increasing use of digital channels by all generations and younger people's expectations, AI is becoming trusted by service providers around the world, including those in the insurance industry. It's widely accepted that this is the future and, as with any new technology adoption, it doesn't come easy. It takes partners with the right background and expertise to help chart the path and expand adoption.

For more information please visit www.solera.com/qapter

Qapter

Justin Paget via GettyImages

PERSONALISATION

Is standardisation the key to building customer loyalty?

Coronavirus has turned a spotlight on the insurance industry's failings, now insurers must be bold to rehabilitate reputations and regain trust

Marianne Curphey

The coronavirus pandemic has highlighted existing problems and customer dissatisfaction with traditional insurers. Problems stem from a lack of transparency and personalisation, a clunky claims process and a damaging price war.

Could the answer be for the insurance industry to work towards standardising policies and offerings? The advantages of this are clear: greater transparency and ease of use for customers. However, it raises important questions about how insurers retain their competitive edge and differentiate themselves if their products are similar.

"Standardising policies is only possible to some degree because individual needs are becoming more specific," says René Schoenauer, director of product marketing, Europe, Middle East and Africa, at Guidewire Software.

"With factors such as hybrid working and the gig economy, risk profiles for individuals and businesses will change so frequently that flexible, customer-centric, on-demand and usage-based insurance cover will increasingly become more popular as a route to mitigate risk."

This could be key to rebuilding trust, creating products that are designed to meet customer needs, rather than off-the-shelf solutions.

"The industry has struggled to keep up with rapidly changing customer demands," says Will Wood, head of life and health at INSTANDA, a digital engagement platform for insurance.

"Customers are also demanding more transparency and complete clarity on policies they are taking out. If insurers want to regain trust, they need to start giving consumers what they need instead of trying to sell them products they don't."

He says this requires a shift from a product-focused attitude to a customer-focused approach and requires insurers to embrace new technologies.

"This could be a mobile app that tracks driving habits and recommends ways to increase driver safety, through to mental health services with professional life coaches to keep employees mentally fit for work," says Wood.

Customers now want swift, accurate insurance quotes based on their individual needs today, not for their life as it was at the start of 2020, says Jeffrey Skelton, Europe managing director for insurance at LexisNexis Risk Solutions.

"They will expect a claim to be handled quickly and sympathetically based on all the intelligence insurance providers should have at their disposal," he says.

Matt Connolly, chief executive of Sønr, a market intelligence platform designed specifically for insurance companies, says there is attrition at all stages in the relationship with insurers from acquisition to renewal to claims. For many customers, the only contact is the annual renewal letter. On a personal level, he has switched from a traditional insurer to a pay-by-miles motor insurer because his renewal premium rose by £400 this year.

"Incumbent insurers need to provide significantly better customer experiences across the entire customer journey, from clarity of policies through to paying out claims quickly and fairly," he says.

In the race to retain and increase market share, price has become all important and yet this can leave gaps in cover that could disadvantage consumers.

"The easiest way to grow rapidly in insurance is to be cheaper than your peers and to reduce prices, the temptation is to cut down on cover," says Peter Blanc, group chief executive of chartered insurance broker Aston Lark and deputy president of the Chartered Insurance Institute.

"Look at household insurance bought online," he says. "Most policies now don't include accidental damage as standard, whereas it used to be a completely standard cover."

Instead, insurers should aspire to put consumers first, says Keith Povey, head of marketing at review and customer insights platform Feefo.

"Consumers expect to receive a level of service and aren't afraid to make their voices heard," he says. "They see hyper-personalisation every time they buy a new car or new subscription service."

One solution is telematics, which is already established in the motor industry and is now being implemented in home insurance cover.

"Telematics-based policies encourage responsibility and positive customer behaviour that empowers the policyholder to take a much greater stake in their own cover in exchange for savings, while insurers mitigate risk more effectively," says Craig Foster, chief executive of internet of things-enabled water leak detector LeakBot.

A long-term economic downturn post-COVID will increase pressure on consumers and businesses to consider if they are getting the best value in insurance, chipping away at the normal inertia found at renewal time.

"Brands will need to earn their place on the consumer or business balance sheet more readily than ever in 2021," says DuBose Cole, head of strategy at Vaynermedia London.

Insurance brands such as Vitality Health already challenge convention with an emphasis on maximising health rather than curing illness. This means weekly or daily interactions with customers via wearables, rather than one single annual renewal letter.

"As people process their own experiences of the pandemic, they will think about which companies and brands impressed them," says Richard Exon, founder of Joint, a marketing strategy agency.

> If insurers want to regain trust, they need to start giving consumers what they need instead of trying to sell them products they don't

"Too many of the big banks struggle to make a compelling case for the role they play in people's lives. Instead, they have traded on apathy and inertia while offering relatively poor value for money. People are waking up to this and voting with their feet."

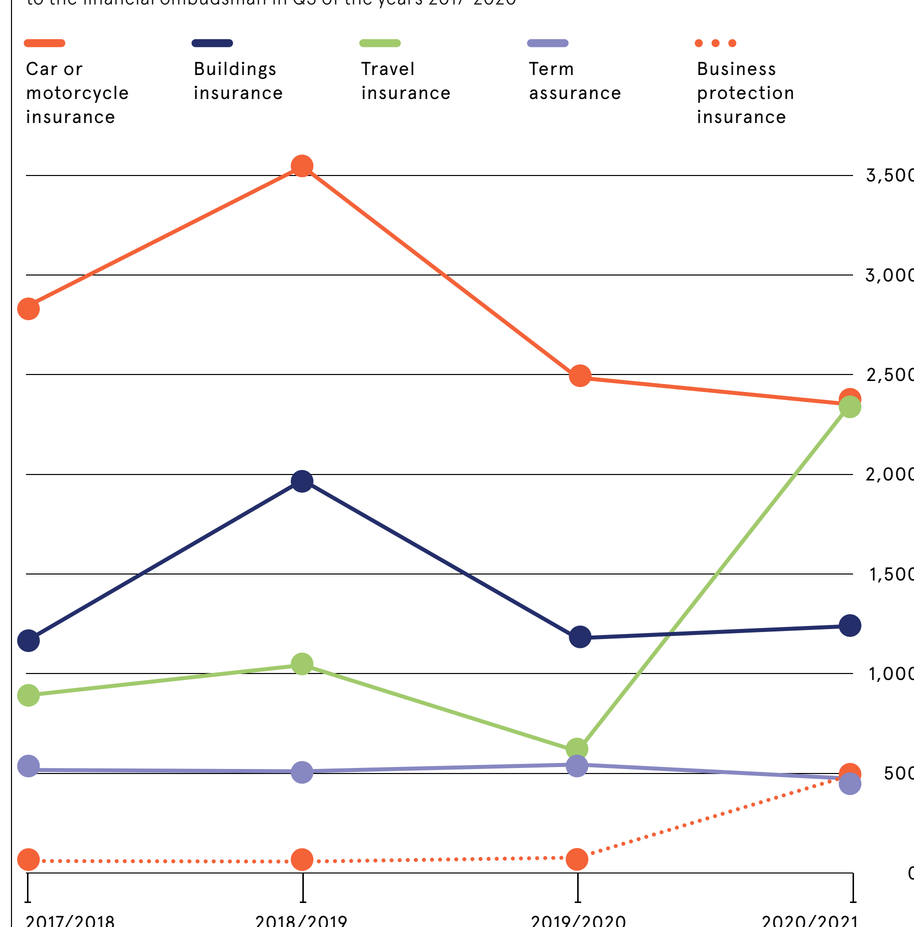
What's more, there is a growing openness to buying insurance from non-insurance providers, in particular Big Tech such as Apple, Facebook, Amazon and Google.

While insurance has often been seen as a traditional industry, a "millennial mindset" is becoming entrenched, with consumers increasingly confident in using digital challenger brands, rather than playing it safe with traditional market leaders, says Andi Dominguez, principal of global insurance at Quadient.

"This will be a win for the end-customer, who will have cheaper policies and excellent digital experiences offered to them," she concludes.

HOW COVID CHANGED CUSTOMER COMPLAINTS

New cases of complaints about different types of insurance brought to the financial ombudsman in Q3 of the years 2017-2020



Financial Ombudsman 2021

Commercial feature

Q&A

How to protect your good name

Willis Towers Watson has launched a revolutionary reputation monitoring service. It's prevention rather than cure, says head of the global markets property and casualty hub **Garret Gaughan**

Q What is this new service?

A It protects companies' greatest asset: their reputation. It is a complete risk management solution. Companies can identify the risks that are most likely to cause damage to their reputation. They can track, manage and repair their reputation as an event is happening. Our approach is completely new. At any moment, they can see conversations around their brand develop, in particular negative sentiment. This can then be nipped in the bud. Our solution then insures against any loss of profit from the reputational event. It's a comprehensive package including crisis communications, brand rehabilitation, with an interim claims payment. The insurance industry now has the answer.

Q Why is it necessary?

A Reputations are fragile. In 2018 a single celebrity tweet criticised Snapchat's redesign, wiping $1.5 billion off Snap Inc's share price. And that's a pretty mild case. The internet can be hostile. A flippant comment by a C-suite member can summon an angry mob. Campaign groups can mobilise their supporters in hours around an issue the company is blissfully unaware of. Our service protects, pre-emptively, to ward off negative publicity. And if the worst happens, our policy covers against lost profits.

> In 2018 a single celebrity tweet criticised Snapchat's redesign, wiping $1.5billion off Snap Inc's share price

Q Are companies ready for it?

A It's demand led. In the last decade we've seen a rising appreciation of the value of intangibles. Up to 85 per cent of a company's value can be made up of intangibles, with 30 to 40 per cent of that made up of brand and reputation. For the FTSE 350 alone that's £823 billion of intangible value left vulnerable. We recently published a *Global Reputational Risk Management Survey* and found 86 per cent of companies believe reputational damage would translate to loss of income and 62 per cent fear loss of talent. Yet 60 per cent lack any clear methodology for even measuring events, which is the most basic requirement. Until now insurers simply hadn't figured out how to offer protection. Willis Towers Watson has pioneered this solution.

Q How does the monitoring work?

A We've partnered with Polecat, the world's leading real-time reputation monitoring service with clients such as Diageo, DHL and Johnson & Johnson. Polecat scans social media and the internet to compile a real-time risk report. It's cutting-edge artificial intelligence, able to combine sentiment and impact analysis using algorithms to cut through the noise. A user can explore by topic, for example what regulators or NGOs are saying about an issue. If a negative view flares up around a brand, it's clear from the outset. Bad events can be identified before they reach critical mass, so the company can remedy the situation.

Q Does the approach deliver results?

A Polecat's long track record speaks for itself. We've had a lot of success with boards that were initially sceptical. We spoke to a global brand that told us they already had media monitoring covered inhouse. They had experienced a spike of negative impact around a tweet of an employee racially abusing a steward at a political rally. The tweet read, 'Would you really want to go to a place that employs people like that?'. A celebrity then retweeted it to his 1.8 million followers. We showed them the platform and they saw the value pretty quickly.

Q When does the policy pay out?

A A payout can be triggered by a small event. Even a single tweet. We're insuring a drop in gross monthly profit, looking at the impact on earnings after an event has occurred. There are nine perils covered, which can be purchased in combination or separately, covering a variety of scenarios, which may lead to negative publicity. For example, if a company is subject to accusations of discrimination or harassment in the workplace that can be devastating for any brand. The associated fall in gross profit is covered. We offer an interim payment to ensure business continuity, which companies really value.

Q Can I cover a single brand?

A Absolutely. We can cover a brand or a portfolio. It's also possible to benchmark against a competitor. You monitor the types of conversations around their brand versus yours. This is popular in fast-moving consumer goods and retail.

Q How hard is it to get started?

A We've kept everything simple. The policy is less than half the number of pages of traditional policies. We want to ensure the wording is comprehensible and transparent. And the technology side is straightforward too. The service is cloud hosted, so there is nothing to install. From first conversation to going live can take a couple of months, although this can be cut to a few weeks if needed.

Q Is this the future of reputation risk management?

A Right now there's a view that protecting a brand is somehow discretionary. It's not. It's critical. Reputation and brand are valuable and yet, also highly vulnerable. The way the internet works means the threats are multiplying. Yet companies are relying on pre-internet measures, such as paying public relations agencies that offer a monthly update on the brand. Boards need to protect their brand reputation and, when they take action, this will push others to catch up. This will lead to reputation crisis insurance becoming as mainstream as property insurance. Our mission is to protect the most valuable thing your business owns.

Garret Gaughan
Head of global markets property and casualty hub

Download Willis Towers Watson's Global Reputational Risk Management Survey report here: willistowerswatson.com/reputational-risk-management-survey

Willis Towers Watson

FRAUD

How to combat insurance fraudsters

With the coronavirus pandemic sparking a sudden rise in fraud, as criminals and opportunists exploit the crisis, insurers are finding evermore sophisticated and collaborative ways to fight back

Alex Wright

The coronavirus pandemic is the perfect storm for criminals. While businesses have become increasingly stretched trying to deal with the outbreak, they have dedicated less time and fewer resources to investigating and preventing fraud.

On top of this, people who have lost their jobs or become economically disadvantaged because of the pandemic are becoming increasingly desperate.

Enforced restrictions and delays in the criminal justice system, due to the virus, have merely compounded the problem, which is set to worsen once furlough and financial support schemes end.

"It's an accepted fact that recession leads to an increase in insurance fraud," says Catherine Burt, national head of counter fraud at DAC Beachcroft. "There is a very strong correlation between economic deprivation and crime, and fraud is no different."

So it's no surprise that global insurance fraud has almost doubled in 2020 as claims with an element of fraud leapt to 18 per cent, up from 10 per cent the previous year, according to FRISS, a fraud detection software provider.

In the UK alone, the Insurance Fraud Bureau has reported one insurance scam every minute during the pandemic. It's a similar story in America, where insurance fraud increased 100 per cent last year to $100 billion, with more than 75 per cent of companies reporting a rise in fraud, BAE Systems Applied Intelligence research shows.

With more staff working from home, employers have found it increasingly difficult to verify accident or injury claims. And because of social distancing measures, adjusters have also been significantly restricted in their investigations.

So what can the insurance industry do to stop this surging tide of fraud? And what new technologies can they deploy during and beyond the pandemic?

A good starting point is to carry out a full risk assessment, prioritising key areas to focus on and drawing up a plan to tackle them. Rather than cutting back at this time, companies need to invest in and allocate resources to fighting fraud.

Additionally, insurers need to collaborate more by sharing data and insights between different departments, competitors and crime-fighting agencies to look for patterns of fraud. A prime example is the UK's Insurance Fraud Intelligence Hub, launched in 2019, which enables members to view real-time data and compare it with their own intelligence, and the Insurance Fraud Register.

> There is a strong correlation between deprivation and crime, and fraud is no different

"The unprecedented nature of the COVID-19 pandemic means these are challenging times for insurers and their policyholders but, by working together and sharing intelligence, the insurance industry will guarantee it's even more challenging for fraudsters," says Allianz fraud manager James Burge. "Sharing intelligence will ensure we learn from each other and are able to close down any new rackets quickly and efficiently."

Insurance companies also need to work more closely with governments and authorities to develop new legislation targeting fraud. A recent example of this is the whiplash insurance claim reforms, which come into force at the end of May.

"The whiplash reforms will change the fraud landscape," says Aviva's head of fraud Tom Gardiner. "Taking the cash and incentive off the table, the disproportionate compensation and fees associated with whiplash claims will significantly strike at the heart of fraudulent claims."

Then there is publicly available data, such as on social media, which insurers can use to monitor a customer's activity and behaviour. Mining this data can uncover vital evidence, for example, finding links between the different parties involved in organised crime.

"By deploying the proper analytical tools, you can extract and interrogate the data, and use algorithms to highlight these links," says Zurich's head of claims fraud Scott Clayton. "By joining all the dots, you can soon identify persistent and prolific offenders."

Insurers are also increasingly adopting automated fraud detection technology to spot suspect claims. Artificial intelligence tools such as these can quickly adapt to new circumstances and constantly evolving and sophisticated fraud, as in the case of COVID-related scams.

"Machine learning helps to look at patterns of fraud in structured data," says Nigel Cannings, chief technology officer at Intelligent Voice. "Using instances of previously known fraud and other available data, such as inception date, claim value, location and so on, models can be trained to help predict whether a claim might be fraudulent."

Tracking devices and cameras are other crucial weapons in the fight against fraud. These enable insurers to gather invaluable data, for example telematics and dashcams in motor insurance. Drone technology and geospatial platforms, such as Google Earth, can also be used to assess flood damage where a property can't easily be accessed.

Prevention tools, such as secure two-factor authentication and voice, image and fingerprint recognition, have a big part to play too. Captured data can be checked against a database of previously submitted claims to make sure there aren't duplicate records.

"As we move towards the post-pandemic stage, we are seeing an increase in insurtech, with more innovation and startups than ever before," says Dennis Toomey, global director of counter-fraud analytics at BAE Systems Applied Intelligence. "Implementing an enterprise-level solution with an open architecture, application programming interface-friendly platform that allows for integration of standalone technology solutions is best practice to future-proof investment."

Education is another pivotal element. Insurers need to alert policyholders to the risks of fraud through awareness campaigns and hotlines to report offenders, while training their own staff to spot fraud and suspicious behaviour.

Similarly, as the first point of contact, brokers play a vital role in uncovering fraud. Along with claims handlers, they can look for tell-tale signs, for example if the policyholder is resistant to claims validation.

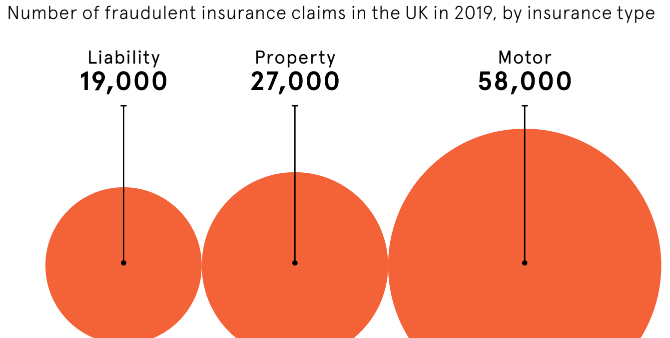
Insurers largely have a successful track record for prosecuting false claimants who perpetrate fraud. In December, two tricksters who sued a housing trust, alleging to have injured themselves by falling down an open manhole, were found guilty of contempt of court after the insurance company became suspicious and found neither man had suffered such injuries.

So, as the pandemic unfolds, the insurance industry must be on high alert to catch an increasing number of opportunists and practised fraudsters. ●

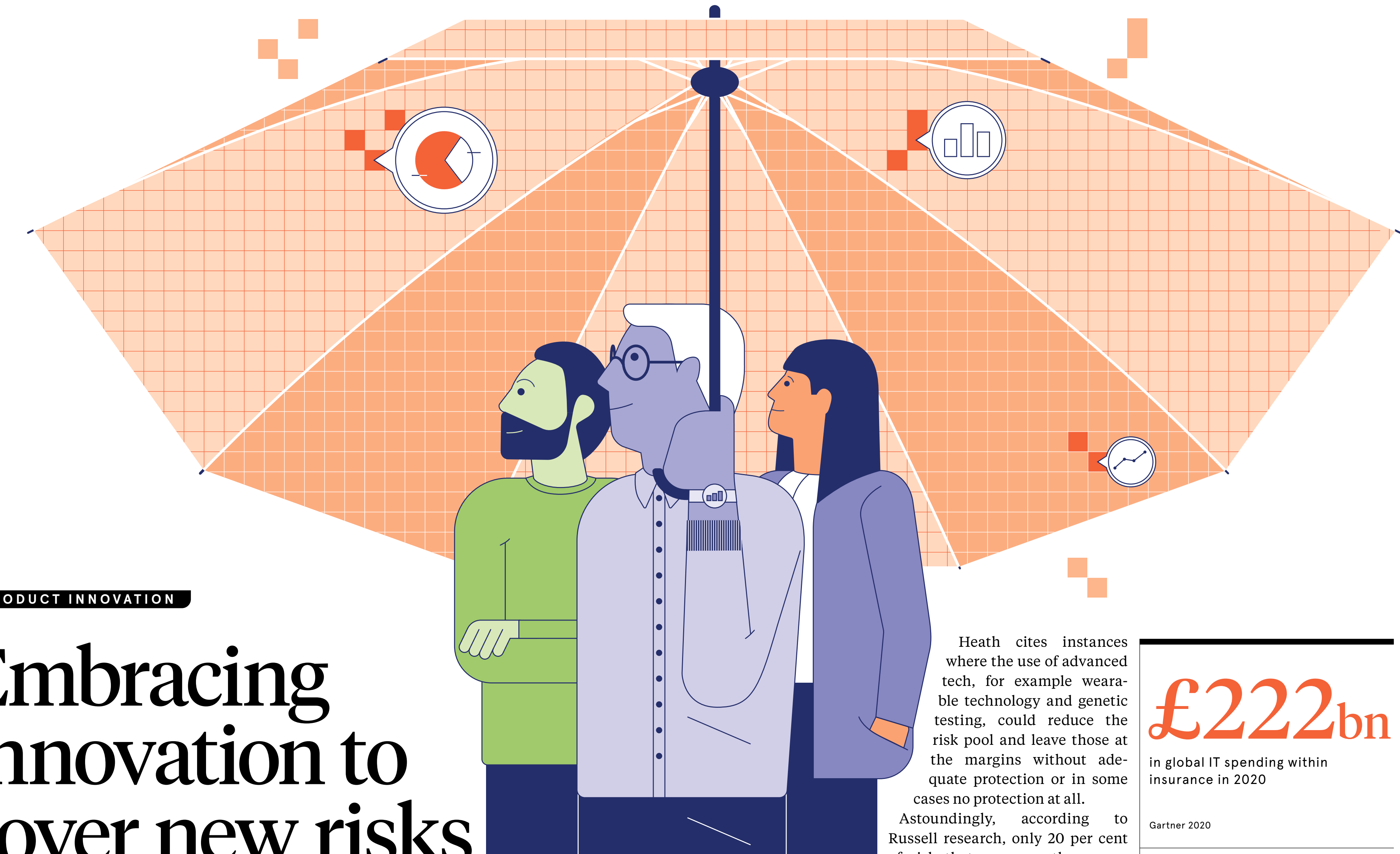
Alexander Spatari via Getty Images

WHICH INSURANCE TYPES ARE MOST PRONE TO FRAUD?

Number of fraudulent insurance claims in the UK in 2019, by insurance type



Association of British Insurers 2020



PRODUCT INNOVATION

Embracing innovation to cover new risks

When it comes to product innovation, insurers have a reputation for being innately risk-averse. But could making calculated bets on product innovation capture clients' imaginations and tap hidden budgets?

Richard Brown

Safe, trusted and well-received policies always appeal to underwriters. After all, why take unnecessary risks on unproven products?

And rather than parsing commercial underwriting prospects according to risk profile and insurability, industry insiders say buccaneering insurance firms must create original products first, then test them on an unsuspecting market.

Big data is, arguably, the most exciting digital-era innovation to affect the worldwide insurance industry, creating or extracting new value from insights.

There's significant investment behind the drive to innovate, too. Gartner thinks global IT spending within the insurance market reached $222 billion in 2020.

But despite the tantalising prospects of tech-driven progress, legacy system complexity combined with corporate inertia have conspired to its slow traction.

Simon McGinn, Allianz UK general manager for commercial and personal, urges digital development as crucial to enabling greater agility in key areas, such as the reorganisation of assets for specific channels and opportunities.

"The critical component is in the data space where valuable historic and new data sources can be better aggregated to enable this," he says. "The enhanced ability to interrogate data in a way that can provide understanding of risk pools or customer segments means we are able to meet differing customer needs with increased flexibility and precision."

David Broughton, head of insurable risk at Centrica, the international energy services company, thinks uninsured risks are a critical oversight for the insurance industry. He chairs a working group on the subject, convened by Russell, the risk management software and services firm.

Broughton claims intangible assets have overtaken the value of tangible assets in the corporate world, while large corporations are facing climate change and a variety of other risks to their future.

"At the same time, the insurance market has, on the whole, due to past issues and increased regulatory pressure, reduced their risk appetite for intangible assets, and have concentrated more on property and therefore natural perils, also personal lines, motor and small and medium-sized enterprises," he says.

This has left large corporate clients exposed and feeling the insurance industry is failing to respond to the increasing complexity of risk they wish to mitigate, Broughton adds.

The omission is echoed by David Heath, chair of the Institute and Faculty of Actuaries (IFoA) Policy and Public Affairs Board. The IFoA has a statutory role to provide actuarial opinions for managing agents at Lloyd's of London, the world's foremost insurance market.

> Siloed insurance products do not match ways corporates operate their businesses

Heath cites instances where the use of advanced tech, for example wearable technology and genetic testing, could reduce the risk pool and leave those at the margins without adequate protection or in some cases no protection at all.

Astoundingly, according to Russell research, only 20 per cent of risk that concerns the corporate C-suite is currently insured. "Much of the balance is increasingly intangible and associated with the extended enterprise as a result of interconnectivity and digitalisation. Siloed insurance products do not match ways corporates operate their businesses," says Russell Group managing director Suki Basi.

To address this, risk transfer needs to be risk-based not peril-based, while the transfer of risk frees up the corporate balance sheet which, in turn, leads to opportunity.

Risk and insurance managers from major corporates have long been talking about this issue, but have had little response from the traditional insurance market. "As a result, they [corporates] are being driven to make increased use of captives, and therefore the wider reinsurance market, especially in the use of structured long-term multi-class covers," says Basi.

Despite this, new products and services are developed and launched every day within the insurance industry, by companies of all sizes and distributors, according to McGinn at Allianz.

"A lot of what is often considered innovation is in insurtech, and is usually distribution innovation, and often needs the support of established 'big-ticket' insurers who have the data and experience to underwrite the risks," he says. "The actual risk being insured is often not new, but existing risk types repackaged to meet more finely segmented customer needs."

While there tends not to be an "iPhone" moment, a game-changer, in risk-carrying products, adds McGinn, there is a huge amount of innovation at individual policyholder level for commercial customers when it comes to tailoring of coverage, risk engineering and policy wording development as a result of the hugely competitive UK market.

"There is a great deal of this, but as it is behind the scenes and customer specific, it's just not that sexy," he says.

One such novel development is Tictrac, a health and lifestyle tracker that integrates data across an app linked to devices such as Garmin, Fitbit, Apple Health and Strava.

Tictrac received funding from Aviva Ventures, the insurer's venture capital fund set up in 2015 to make investments in early-stage, high-growth-potential businesses, with the aim of bringing new opportunities, ideas and insight to Aviva. Tictrac aims to build customer engagement with Aviva and reduce preventable health conditions in users.

Aviva's chief innovation officer Ben Luckett emphasises up-to-date insights on emerging global trends are critical to inform strategic discussions and decision-making.

Ultimately, to truly stimulate disruptive techniques and products, the mindset of adhering doggedly to predictable core revenue streams must be ditched. Time must be freed up for product innovators to experiment without fear of failure.

As McGinn attests, the biggest challenge is not ideas, but the ability to identify innovations that are sustainable, provide real value for the customer and make a reasonable return for the risk carrier. ●

£222bn

in global IT spending within insurance in 2020

Gartner 2020