

GOING DIGITAL

Winning the InsurTech game

The way in which insurers engage with InsurTech startups will be a major factor separating the winners from the losers in the onslaught from disruptive technologies and

changing customer needs, said speakers at *Asia Insurance Review's* first InsurTech Summit.



By Ann Toh



Engaging the InsurTech startups the right way is a crucial factor in playing a winning game as the industry continues to be on the receiving end of disruptive technologies. This was a key message from speakers at *Asia Insurance Review's* first InsurTech Summit, which was attended by a capacity crowd of some 170 insurers, startups and venture capitalists.

In Gartner's view, there are six strategies in which insurers can engage with startups, segregated by the level of risk and potential return, said Mr Juergen Weiss, its Managing Vice President, Global Insurance Industry Research. (See Figure 1).



Mr Juergen Weiss

At the lowest end of the risk-return tradeoff is partnership, which Mr Weiss said 60% of insurance companies whom it surveyed are looking to do. The highest-risk, highest-return strategy of engaging with startups is investing in them, such as in the case of Allianz, which recently made a strategic investment in Lemonade.

Support InsurTech startups in their early stages

Mr George Kesselman, Founder of InsurTech Asia, urged the insurance

industry to support InsurTech startups in their early stages, as they will stand to benefit from a long-term relationship. He cited the example of Aon Risk Solutions, which came to Uber's rescue during its early years, and is today its preferred insurance broking partner.



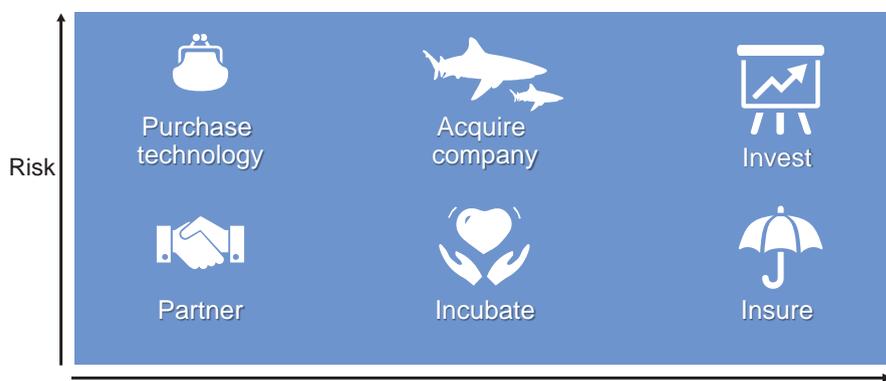
Mr George Kesselman

With more than 700 startups and with new ones sprouting up monthly in Gartner's database, Mr Weiss said insurers need to first assess the extent of potential disruption a startup can pose – encapsulated in Gartner's "Disruptive Index" (See Figure 2).

The Index measures how transformative and potentially aggressive these startups are to an insurance company's value chain, which is calculated based on characteristics of the startups such as how unique their business models are, what target markets they compete with insurers in, how they are funded and how many aspects of the insurers' value chain they affect.

Mr Weiss reminded the audience that with everyone calling themselves an InsurTech, the latter has to be technology companies in their "early stages of operation". Only those that drive specific innovation across the insurance value chain by "leveraging new technologies, user interfaces, business processes or business models" qualify.

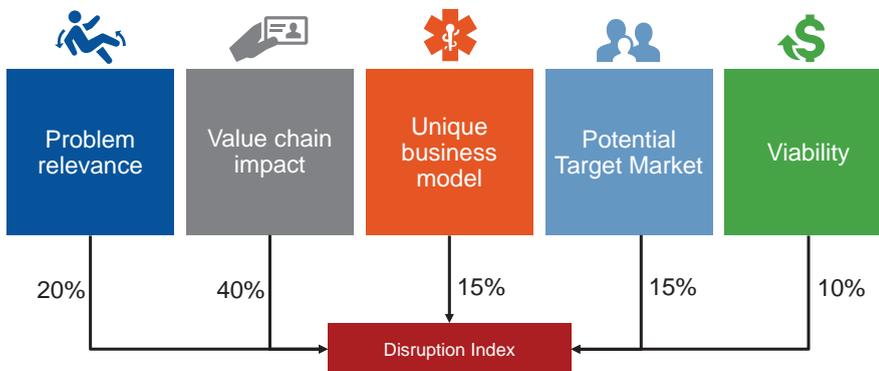
Figure 1: Insurance CIOs Have Six Primary Collaboration Options



Source: Gartner

Return

Figure 2: Gartner's Disruptive Index



Source: Gartner

Of course, InsurTechs leverage different forms of funding, including, but not limited to, venture capital.

Engage, engage, engage

Mr Zach Piester, Chief Development Officer at Intrepid Ventures, which helps founders scale their blockchain startups, said what startups need from insurers are the latter's customers, capital and brand name.



Mr Zach Piester

"Don't come to a startup and ask them for their next big idea. You should already know the future of your business. Give them a specific case that you've tried but could not solve, and we will tell you if the problem can be solved with our set of technologies," he told insurers. "Even if there isn't a real opportunity to embed the (blockchain) technology in your customer links, startups will work with you regardless, if it's an interesting problem to solve."

Mr Mike Eksteen, Vice President and Chief Digital Officer of Asia Pacific at Chubb, said there is a need to close the "massive gap" that now exists between insurers and InsurTech startups.



Mr Mike Eksteen

Insurers are not doing enough to reach out to the Insurtech space through, say, nurturing relevant businesses cases/cases studies, or sufficiently communicating their needs and pain points to the start-up community, he said.

Meanwhile, he told startups to loosen up and have "normal conversations" instead of "full-on pitches" when

they present their value proposition to insurers, as beyond the technology, it is the "magic moment" insurers are looking for to assess if the both parties have the culture and rapport to work together in a close-knit environment

Innovate, innovate, innovate

The strides made by Munich Re in working with InsurTech startups, through joint ventures and investments in these companies, have not gone unnoticed. It is also well-known for redefining the reinsurance business as the disruptive technologies deal the industry "a punch in the face".

But Dr Till Böhmer, CEO of Southeast Asia P&C and Regional COO of Munich Re Singapore, said that in a business where mitigating and controlling risk is a major influencer of business culture, introducing a culture of innovation, has been "the most difficult". Rolling with the punches required attracting and assembling talent with diverse profiles who could come up with creative solutions, and working with partners who have the luxury of looking at the industry from the outside, he said.

While casting a critical eye on the "crazy" insurance innovations in China, such as insuring against the moon's no-show or your relationship with your girlfriend, Dr Woody Mo, President & CEO of eBaoTech Corporation, said that out of these innovations, many will become viable, prove useful to



Dr Till Böhmer



Dr Woody Mo

Highlights

- The right way of engaging with InsurTech startups is a crucial factor to play a winning game;
- Innovation is not a good-to-have but a must-have in the war against disruption; and
- Reimagine your customers' perspective and partner with InsurTechs to effect the changes in different parts of your value chain.

society and then become mainstream products, although some will be cut.

"Because if you don't try, you'll never know," he said. His company provides shared middleware for insurance APIs that help insurers rapidly connect with other channels and partners.

MetLife's 70-20-10 rule

Mr Zia Zaman, Chief Innovation Officer, MetLife Asia, asked insurers to adopt a "two-speed" strategy of dual transformation. "The first is to transform who you are today – your "Being" – by continuing to work on your core business. The second is to make yourself "Become" the future – where you need to be."



Mr Zia Zaman

He shared with the audience that lumenlab was started because MetLife recognised that it was not sufficient to just "incrementally innovate", but that it had to look at innovation from a "disruptive point of view".

"70% of the portfolio of innovation in a large corporation should be about being incremental in what you do today – just doing it better. 20% should be about differentiating, and 10% should be about discovering new business models. However, the value gained is inversely 10%, 20% and 70%, respectively," he said, making a very strong case for companies to redefine problems and reinvent business models.

MetLife has reimagined insurance and the perspective of the customer, by identifying "a lot of change" that has to happen in 150 different parts of its value chain, with each InsurTech tackling two or three points of friction. 

(With additional reporting by Dawn Sit and Ahmad Zaki.)