

# How **FinTech** can Benefits Financial Services for The Insurance Sector



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## Introduction

**FinTech** or financial technology plays a pivotal role in making online payment prevalent across the world. The term has evolved from a buzzword to a growing trend in recent years, as people have switched from traditional to digital payment.

These days, more people from various communities and companies have started using customized **FinTech** applications and leverage their benefits. **FinTech** apps can quickly adopt futuristic technologies like the IoT, AI (Artificial Intelligence), and Data Science for offering excellent user experience. The multimillion-dollar **FinTech** industry has got a new boost from the apps like Apple Pay and ALIPAY.

While the digital had reshaped our world, the insurance industry moves very slow comparing to other domains. **InsurTech** is the future of insurance industry, it seen as a subdivision of **FinTech** s; it refers to a wide range of technology that will be introduced to insurers operations to save streamline processes and costs. Indeed, as banking institutions began changing the customer behavior through the combination of technology and finance, to provide self-functionality, which demonstrates the necessity of implementing technology in insurance sector, to enhance the consumers' expectations, and to go paper-less.

## Top Technology Trends in the Insurance Sector

Technology is evolving fast and many insurance organizations are challenged to keep up the pace. The top priority of an insurance company today is profitable & sustainable growth and to enable this, leading insurance carriers are taking all possible measures to deploy innovative practices & latest technology for improving the business processes and streamlining legacy applications.

“Digital Natives” is and will continue to dominate the workplace, which has huge implications for agents and brokers looking to engage with customers and grow their businesses. As the millennial generation matures and enters its peak, buying power, digital and more-automated ways of doing business will become a fundamental part of day-to-day workflows.

While 63% of insurance businesses report that they are ready to move towards more digital practices, only 23% of these businesses are ready, reports a joint Forrester and Accenture study.

To accelerate the insurance businesses process to move towards more digital practices and ensure successful transition to digital workflows, there are a few key trends insurers are and should be embracing:

- ❖ **Modernizing legacy systems for operational efficiencies** – With operations spread across geographies, spanning over decades, insurance companies are inhibited with legacy systems, outdated technologies resulting in high maintenance costs. The proliferation of modern technologies like mobile and cloud computing has changed

the way organizations do business. Rather than being left behind, it's time for insurance companies to embrace the latest technologies, and modernize their legacy platforms for operational efficiencies while considering the flexibility of consumers.

- ❖ **Embracing a cloud-based and on-premise infrastructure** – IT teams in the insurance sector struggled with what information is allowed by regulators to be stored on cloud vs. on-premise. Many insurance entities are running 40-years old administration technology designed to manage the claims process, says a recent Trust Marque report, which is hindering innovation. Also, insurance agents are far from instantaneously replacing such mainframe technology.

As the insurance sector adopts a more streamlined workflow, we can expect a significant increase in the use of technology that can be operated via hybrid cloud and on-premise, ensuring ultimate flexibility for customers and clients and strong adherence to the ever-changing government regulations within the insurance environment.

- ❖ **Artificial Intelligence** – Artificial Intelligence (AI) is helping insurance companies develop systems that can perform tasks that previously required human intelligence and manual processing. With the advent of AI in the insurance industry, insurance agents can now count on sophisticated systems for precision, efficiency, and flawless automation of existing customer-facing, underwriting and claims processes. In coming days, Artificial Intelligence will be more disruptive and will be used to identify and assess emerging risks.
- ❖ **Blockchain** – The insurance sector is also focusing on Blockchain technology to empower the future. Through its distributed ledger, smart contracts and non-repudiation capabilities it can act as a shared infrastructure that can transform multiple processes across the insurance value chain. Not only will it simplify paper work and improve auditability, besides helping the insurance industry to cut expenses significantly. It will also reduce fraud related instances of valuables. Some major life insurance players have already taken steps to experiment with blockchain-based solutions across the value chain. John Hancock, for example, is evaluating a proof of concept for employee rewards.
- ❖ **Predictive Analytics with Machine Learning (ML)** – Using predictive analytics with ML, the insurance companies can unleash the power of intelligence, to process complex data source variables into relevant data for actionable insights. This would help them predict what could happen next and what the best decision should be. As far as the insurance industry is concerned, predictive consulting is offered to customers to facilitate 24-hour customer service.
- ❖ **Heavy reliance on IoT and Big Data** – The insurance sector is a data-driven industry that generates countless data- both structured and unstructured. Thus, insurance companies are counting on Internet of Things to accumulate more and more data pertaining to the behavior of their customers.

Big data analytics help insurers take crucial decisions based on the analysis of the accumulated data. For example, data accumulated from wearable health devices enable insurers to monitor the activity of the customers to offer discounts for the customers' healthy activities.

- ❖ **Going mobile to offer on-the-go services** – With increasing usage of smartphones in both developed and emerging economies, the insurance industry is steadily implementing mobility as part of their business strategy. Through the mobile apps, customers can easily request a policy quote, locate an insurance agent, calculate premium or retirement income, and store the policy data. Insurers just cannot ignore the benefits that the mobile applications offer in building the brand. With the growing internet consumption via mobiles, customers can be engaged through social networking and different other modes of communications.
- ❖ **Offering innovative and personalized services through digital touch points** – The customers in the insurance industry are driven by various policies and their premiums, and the attrition rate is high as they have several options to choose from. To retain their customers and build deep customer relationships, the insurance companies are investing in customer engagement activities using various digital touchpoints say the web, mobile, social media, email, etc.
- ❖ **Improving the customer experience with InsurTech** – Financial service companies can get to know the value of the mobile app solution. **FinTech** recent survey revealed that there will be significant growth in customers using mobile apps and there will be a drastic increase of **FinTech** focus on the customers.

By partnering with **InsurTech** enterprises, insurers can offer:

- ❖ **Enriched Connectivity: Artificial Intelligence Solutions** can avoid friction at many touch points in the customer journey. Chatbots will be able to understand and act on customer query at any time. With deep learning, chatbot solutions can understand interpret sentiment to identify when to introduce a human agent.
- ❖ **Personalized Product Offerings: Artificial Intelligence** is the **best mobile app development technology** helps **InsurTech** that offers targeted products to the customers. As today's customers want the flexibility to purchase very specific insurance and they want the ability to decide when they can purchase and how often.
- ❖ **End-to-End Automation:** Customers are ready to leave the manual claims processing behind. It allows the user to report car insurance claims to their providers in real-time and leave the accident site immediately providing there is little damage to the vehicles.

Enhanced data collection from cars, wearables and smartphones will further enable claims automation. If accidents occur, diagnostics from these devices will automatically contact insurance providers, process claims immediately, and even withdraw payment from the designated bank account.

## Use Cases from the Insurance Sector

Here are three of the **InsurTech** companies that implemented and leveraged emerging financial technologies like AI, Blockchain, APIs, etc.:

## 1. Coalition Insurance

Combines cybersecurity insurance with proactive monitoring tools to help small and medium-sized businesses manage cyber risk. Backed by large insurers like Swiss Re and Lloyd's of London, it provides up to \$15 million of cyber insurance coverage in every U.S. state. With cyber-attacks a growing concern, Coalition's annual premium revenue jumped to \$315 million in 2021, up from \$56 million in 2020.

Headquarters: San Francisco, California

## 2. Newfront Insurance

Five-year-old brokerage uses proprietary technology (along with human agents) to more efficiently sell and service business insurance and employee benefits, with revenue coming from traditional brokerage commissions. Its software allows application forms from multiple carriers to be automatically filled in with one set of answers. In August 2021, it merged with ABD, a 400-person insurance and financial services broker based in Northern California.

Headquarters: San Francisco, California

## 3. Next Insurance

Provides industry-tailored small business insurance policies (liability, auto, workers comp, etc.) online using artificial intelligence to process applications in 10 minutes and to offer 24/7 access to certificates of insurance and in-house claims support. Premium revenue reached \$650 million in 2021, triple the level in 2020.

Headquarters: Palo Alto, California

## Conclusion

Insurance companies are already got ready for transformation, to support new business operations and also to maximize efficiency. To make progress, insurance companies will have to look to **InsurTechs** for inspiration and partnerships. While **InsurTech** is posthaste transforming the industry, it never aims to overtake traditional insurance, rather it is unlocking the doors for both counterparts to increase the power chain and increase mobility overall.

Insurance agents not only feel pressured to digitize their workflow, but also must streamline business processes to make the cost of doing business more efficient and in-line with these regulations.

## Finally

CFTE playing a significant role in the financial technology and digital finance by:

- **CFTE** owns the World's First **FinTech** Online Learning Platform named **THINK**, helping individuals and corporates create the digital world of financial services to empower people in the finance industry and equip them with the skills and knowledge needed to create the financial world of the future.
- strives to help new-age professionals reimagine the role of technology through education, by offering courses that reflect the changes occurring in the industry including **FinTech** megatrends such as blockchain, machine learning, API's and Big Data.

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