

Connected, cool and no longer a tech laggard



Digitalisation of insurance has just got started and not much real change has been achieved. Is talk of digital insurance just another passing fad that will soon be forgotten? eBaoTech's Dr Woody Mo asks, is the insurance industry destined to be a tech laggard, with a justification that the industry is just different from all others?

Two main drivers are pushing change in the insurance industry today. Customer demand, the urgent need to connect insurance to numerous ecosystems, and the tech arms race, the urgent need to adopt numerous new technologies to stay relevant and competitive.

Connected or embedded insurance

Insurance is a supporting industry to facilitate other businesses. In the past, all industries were slow and not automated and thus interactions with insurance were also manual, slow and unconnected. As a result, the IT systems of insurance companies mainly focused on internal users.

Now, the digital revolutions of almost all these other industries have moved ahead of insurance and real-time interaction based on connected parties has become the normal state. The pressure for the insurance industry to get connected is becoming significant.

Other industries will not wait patiently for the insurance industry to change. They are increasingly making moves to take over more parts of the insurance value chain, whether by outright owning a licensed insurer, or working with insurers who are more open minded, oftentimes with help of the focused InsurTech innovators.

Thus, to stay relevant and to survive, insurance must move aggressively to connect to all these ecosystems such as mobility, travel/hospitality, health, housing, retailing and business services.

Race to adopt new technologies

Since the first computer application in insurance more than 60 years ago, IT has been moving deeper into insurance. At the beginning, insurance IT was only for record keeping, a pure storage system; then it added automation for calculating premium, claim amount, and others; then it added some workflow to support internal staff; then, with birth of the internet, IT enabled externalisation for customers and channel partners. But overall, the tech gaps among different insurers are not that big and the impact is not fatal.

We see a forced race for insurance to adopt the latest technologies. The arms race in tech adoption in insurance will increasingly determine the winners and losers.

Challenges ahead

Both drivers are creating a huge challenge to almost all insurers. The core systems of almost all insurance companies are set up for internal operations. These were never meant for connected insurance and never meant to see big changes in a short timeframe. As a result, most of the digital drive in the insurance industry over the last few years has been big in hype but small in generating real benefits.

To overcome this challenge, we believe the industry needs to change the way it adopts technology. It needs to abandon the focus of the last 60 years on the core systems that have been getting bigger and more complex. It needs to embrace an industry platform or operating system that can enable fast development of numerous scenario-driven apps and power connectivity dynamically.

Both business ecosystems and new technologies are numerous and changing fast. Thus, there is no way to forecast what specific applications and what specific connectivity is needed. Thus, the most important capabilities are a set of 'basic elements of insurance' that can be assembled into 'molecules' to address specific problems.

We believe that the industry needs an insurance middleware, or operating system, or platform as a service that will provide a large number of basic API or microservices of insurance, plus a numerous and ever-growing list of APIs from other technologies such as AI, big data, IoT and blockchain. This platform would enable easy development or targeted modernisation of numerous apps and power the connectivity to numerous ecosystems.

Dr Woody Mo is president and CEO of eBaoTech.