

# Fintech reinvents the insurance industry

Life insurers are beginning to re-evaluate their business models as connected customers demand a more seamless experience and fintech introduces innovative technologies.



Bryan McLachlan, CEO of [Instant Life](#), a member of Absa, says: “To date, life insurers haven’t made it easy for customers to buy their product, expecting them to fill in endless forms and go for medical check-ups. They’ve lagged on the adoption of digital channels – such as the smartphone and the web – in some segments of the financial services industry.

“One consequence of this is the reality that the life insurance customer experience feels low-tech, inconvenient and impersonal compared to the on-demand experience customers get from mobile banking and other apps. Another is that the segment of the market where people need life cover – yet don’t have a broker – has been neglected.”

## The rise of the fintechs

According to a Bain & Company [study](#), only 8% of new life premiums worldwide flow through online or mobile sales channels today, and the number in South Africa is likely to be less.

“But, with the rise of digital competitors – such as emerging fintech companies – and the availability of big data analytics and digital back-office systems, this picture is likely to change soon,” says McLachlan.

He notes that Accenture's [research](#) estimates that global investment in insurtech – startup companies seeking to use digital tech to disrupt the traditional insurance industry – soared from \$800m in 2014 to \$2,6bn in 2015.

## Partnership between traditional and digital insurers

McLachlan says, “In future, partnerships between insurtechs and traditional financial services groups will be common.

Absa has done pioneering work in developing predictive underwriting technology that allows it to confidently offer life insurance to customers based on customer data and a few questions. The solution uses an algorithm based on banking behaviour that predicts whether a client will qualify for its life cover.

## Healthier lifestyles

“Indications are that people start to lead more healthy lifestyles as soon as they start monitoring these metrics,” says McLachlan.” But in future, this data will give life insurers data they can use to better personalise their offerings, help customers with lifestyle advice and develop ever-more accurate models for underwriting.”

Another benefit is that life insurers get to communicate with customers more often, when post-sales interactions are usually limited to debiting their premiums each month. In addition, life insurers can be expected to make wider use of social media and messaging platforms such as WhatsApp in the future.

“Thanks to big data and the cloud, we can now begin to underwrite life cover more cost-effectively and efficiently than ever before,” he says.

With digital channels such as the web and mobile we can distribute and service policies in a manner that is faster and more convenient for the consumer. These developments promise to bring life insurance right up to date with the experiences connected consumers already enjoy from other industries.

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