Insurtech Startups Are Coming for Your Customers. Data and Digitization Are Your Best Defense.

While some insurtech companies seek to aid traditional insurance processes, others want to replace them completely. Here’s what carriers need to know about the insurtech landscape today.

“Insurtech” is a word that gets bandied about in many industry conversations, but there is no clear definition of the term, and no consensus on just how drastic a disruptor it may be. What technically qualifies a piece of technology as insurtech, and what does that really mean for the future of insurance?

“Loosely defined,” said Roosevelt Mosley, Principal and Consulting Actuary with Pinnacle Actuarial Resources, Inc., “insurtech is any technology that can be applicable to the insurance value chain. When you think about the insurance transaction from start to finish, many areas across that spectrum can benefit from more current technology.”

According to Mosley, insurtech can be categorized into three buckets: data providers, technology solution providers, and actual insurers. The first two of these groups are already making an impact on the way traditional carriers conduct business, and hold potential to further boost efficiency and improve the customer experience.

The third group, startup insurers, have the advantage of being born in the digital era. Unlike legacy carriers that need time to implement more advanced tools and systems, insurtech insurers already have technology and digitization built into their DNA.

That makes them a threat — but only if carriers wait too long to incorporate the data and technology solutions already available.

Here’s how insurtech stands to both help and hurt the traditional insurance industry, and what carriers can do about it.

Data Providers Drive Informed Decision Making

The class of insurtech companies likely making the greatest impact on the industry right now are the data providers.

“Theyir goal is to curate and maintain valuable raw data that carriers can tap into to either feed their processes (marketing, underwriting, rating, claims, etc.) or to gain a sense of their competitive position in the market,” Mosley said. “That information helps insurers do what they do better.”
Agents and brokers, for example, collect a trove of information from their clients and submit it to carriers to get a quote. All of that risk data gets stored in the back end of the agency system, along with the quoted rates for particular risks.

“Data providers collect and package that information and feed it back to insurance companies in a way that helps them gain insight into their competitive position. They can see how others are pricing risk,” Mosley said.

Access to detailed, organized data can also help insurers manage claims more efficiently.

One company, for example, wanted coverage for its property contents. Collecting information about those property items informed what level of coverage was needed, but keeping it stored and organized efficiently also came in handy after a loss.

“The company was collecting a lot of very specific, very detailed information on the contents. On the backend, that really helped itemize what was lost and what the value of the claim should be,” Mosley said. “On straightforward claims, clear and complete data can indicate that perhaps that particular loss doesn’t require adjuster involvement. The loss value can be determined quickly and the claim can be paid more rapidly when the data is there at the start.”

Optimizing adjusters’ time and resources translates into an improved customer experience and cost savings for carriers.

**Technology Providers Enable Efficiency**

Other insurtech companies focus on the software side of the house, building the apps, systems and solutions that carriers can incorporate to digitize certain functions. The evaluation of new business has been one area to benefit from solutions that reduce some manual tasks and streamline workflow.

“In the traditional underwriting process, an agent submits an application and an actual person would have to physically look at each individual application. They’d order several reports, depending on the line of business, and then ultimately they would have to give their stamp of approval before the agent could actually buy coverage,” Mosley said. “It was not a fast process.”

Advanced algorithms can analyze new submissions and automate some steps of that process.

On less complex risks, analytics programs can pull submission data electronically and evaluate it against preset parameters to automatically determine whether the submission can go straight to binding, or if it first requires an underwriter’s review.

“On smaller or simpler submissions, insurers can realistically have 70 to 80 percent go straight through, which has a significant impact on their ability to write business quickly, to have a better customer experience and to maximize their underwriting resources on the business that requires more careful evaluation,” Mosley said.

**Startup Insurers Are Ready to Steal Market Share**

While these first two categories have focused on the “tech” side of insurtech, other companies are looking to completely disrupt the way insurance is traditionally experienced by and delivered to the customer. Plenty of examples abound: Lemonade, Root, Hippo and Trōv are just some companies providing on-demand personal lines coverage via a few taps on your smartphone screen.

“Rather than providing something to traditional insurance companies, they’re launching out on their own, and I think the traditional companies need to be aware of them,” Mosley said.

Customer expectations are changing. Thanks to what’s been dubbed “the Amazon effect,” people have come to expect every transaction to be made fast and easy with the aid of technology. When it comes to building and implementing the technology to make that happen, large commercial carriers working with legacy systems have a steeper mountain to climb than young startups.

“Insurtech companies have been born in this digital era, so their use of data and technology is ingrained in who they are,” Mosley said. “But a lot of the traditional companies grew up in a different time and space, and they built their processes for that time and space. They really have to think deliberately about how to fit all of this data and technology into their traditional processes.”
Though insurtech startups remain a long way from providing the complex commercial coverage that businesses often need, Mosley cautioned that traditional carriers who lag in adopting new technology could find themselves struggling to catch up as insurtech companies inevitably grow and evolve.

“The contrast between working with a digitally-savvy insurtech startup and a traditional insurance company will become more apparent to consumers,” he said.

Customer Experience is Key for Traditional Carriers

The point of true disruption for the insurance industry may come when the coverage and customer spheres of insurtech startups and traditional carriers converge. The impact to traditional insurers will be determined by the agility and speed with which they adopt new technology, and by their ability to deliver customer experience on par with modern expectations.

“A few things will become vitally important. One is being able to create experiences for the customer that are consistent with the reality of the experiences they have when they’re not dealing with insurance,” Mosley said. “That involves having that electronic experience, be it an app or website, that doesn’t frustrate customers.”

That means being able to take in a lot of information, analyze it, process it and then provide a near-instantaneous answer while still maintaining the discipline of underwriting.

“That’s certainly an area where Pinnacle can help,” Mosley said. “We work with our customers to set up a process that enables them to collect a lot of data, do a swift analysis and use the results to make quick decisions. We make sure our clients are confident that the backend decision isn’t going to cost them in the future.”

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