INSURANCE THOUGHT LEADERSHIP

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5 Topics to Add to Your List for 2017

Summary:

Insurers have unbelievably broad data -- but that won't matter unless we embrace an entirely new field of knowledge.

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As an industry, we are knowledgeable. In fact, I think one could say that insurers may know more about the way the world works than most other industries. We hold the keys to risk management and the answers to statistical probability. We underpin people, businesses and economies world-wide. We have centuries of real-world experience and decades of real-world data dealing with individuals, groups, businesses, property, life, investments and health. Yet, in 2017, none of that experience will matter unless we are willing to embrace an entirely new field of knowledge. The convergence of technology with digital, mobile, social, new data sources like the Internet of Things (IoT) and new lifestyle trends will make insurers better, smarter and more successful IF we are willing to ?go back to school? and audit the class on modern, innovative insurance models, generational shifts in needs and expectations and disruptive technologies. This class is largely self-taught. Between you, Google, traditional and new media (think Coverager, Insurance Thought Leadership and InsurTech News), social networks and a few hours each week, you can expand your horizon toward the future to become a knowledgeable participant in 21st century insurance. It will help, however, if you know what to search for. In this blog, I?m going to give you five high-level areas to keep tabs on in the coming months. These are the places where technology and market shifts are going to create massive competitive energy in the coming year. **Insurtech, Greenfields and Startups** As of this writing, AngelList (a startup serving startups,) lists 1,069 insurance-related startups. Many of these are new solution technology companies. Others are new insurance companies or MGAs focusing on new market segments, new products and new business models. The influx of capital from venture capital firms, reinsurers and insurers has advanced the proliferation of startups and greenfields based on new tech capabilities. Business model disruption will continue to be mind-boggling, exciting and scary all at the same time ? bringing insurtech into the mainstream and powering the industry-wide wave of innovation. Whether you are sifting through ideas to improve your competitive position, launch a new insurance startup or greenfield, seek partners actively engaged in insurtech or invest or acquire a new technology startup, insurtech companies and their growing numbers are to be watched. Reading through these types of lists will give you a feel for the expansive nature of insurance. You?ll see how marketing minds are turning traditional insurance concepts into relevant products and solutions that fit today?s and tomorrow?s lifestyles. Be inspired to engage in insurtech in 2017, because time is of the essence. For background, start by reading *Seed Planting in the Greenfields of Insurance*. ***10 Predictions for Insurtech in 2017*** **Artificial Intelligence and Cognitive Computing** AI and cognitive computing technologies like IBM?s Watson have been touted as the link between data and human-like analysis. Because insurance requires so much human interaction and analysis regarding everything from underwriting through claims, cognitive computing may be insurance?s next solution to better analyze, price and understand risks using new data sources and add an engaging and personalized advisory interface to their services to achieve efficiency and improvements in effectiveness as well as competitive differentiation. Cognitive computing?s speed makes it a great candidate for underwriting, claims and customer service applications and any task requiring near-instant answers. IBM and Majesco recently announced a partnership to match insurance-specific functionality with cloud and cognitive capabilities. This will be an area to watch throughout 2017. **On-Demand, Peer-to-Peer and Connected Insurance Trov** allows individuals to insure the things they own, only for the periods during which they need to insure them. **Cuvva** is betting that people will want to have insurance on their friend?s cars during the time in which they borrow them. **Slice** launched on-demand home-share insurance to hosts using homeshare platforms like Airbnb, HomeAway, OneFineStay and FlipKey. **Verifly** offers on-demand drone insurance. Insurance startups are filled with companies that are providing insurance to the new spaces, places, behaviors and lifestyles where insurance is needed. Other startups are using social networks and the Internet of Things to bring parity to insurance, often lowering premiums. Peer-to-peer insurers like **Friendsurance** and **Lemonade** put customers into groups where the group?s members pool their premiums, payment for claims come from the pool and, in the case of Lemonade, leftover premium is contributed to social causes. **Metromile** uses real usage data to provide fair auto insurance premiums. Here is a space where insurers must keep their eyes open for opportunities. How can P&C insurers cover those who don?t own a car, but who still drive periodically? How will group health insurers help employers lower their rate of medical claims? How will life insurers promote wellness and reduce premiums? Many of the answers will be found in digital connections, social knowledge, IoT data and an ability to provide timely, instant and on-demand coverage. For more insight, start reading 2016?s Future Trends: A Seismic Shift Underway and the soon-to-be-released update. **The Revival of Life Insurance** One area that will receive a much-needed insurtech stimulus will be life insurance. The life insurance industry ranks last as noted in the recent research, The Rise of the New Insurance Customer: Shifting Views and Expectations; Is Your Business Ready for Them?, which is likely reflected in the decline of life insurance purchases over the past 50 years. The 2010 *LIMRA Trends in Life Insurance Ownership* report notes that U.S. individual life insurance ownership had dropped to the lowest rate in 50 years, with the ownership rate at just 44%. As new simplified products are introduced, new data streams proliferate and real-time connections improve, life products are poised to change. Already, new life insurers and traditional life insurers are positioning to use connected health data as a factor in setting premiums. John Hancock?s **Vitality** is perhaps the best current example, but other players are entering the mix ? many simply claiming to have a better methodology for selling and servicing life policies. **Haven Life**, owned by Mass Mutual, and companies such as **Ladder** , in California, are reinventing term insurance ? from simplifying the product to creating an

?Amazon-like? experience in buying in rapid time. Ladder, in particular, uses a MadLibs-type underwriting form that?s not only relevant but fun to use. The life insurance industry is hampered by decades-old legacy systems and the cost of conversion and transformation is taking too long and costing too much. As a result, look for existing insurers to begin to launch new brands or new businesses with modern, cloud core platforms to rapidly innovate and bring new products to market for a new generation of customers, millennials and Gen Z. As we saw in 2016, most new entrants are aimed at term products that will sell easily and quickly to the underserved Gen Z and millennial markets. New life players and products, as well as existing life insurers, reinsurers and even P&C insurers seeking to capture this opportunity will be interesting to watch in 2017. ***See also:*** ***What?s Next for Life Insurance Industry?*** **Cloud and Pay-As-You-Use** If your company is underusing or not using cloud computing with pay-as-you-use models, 2017 should be a year for assessment. Though cloud use isn?t new, its business case is picking up steam. Search ?cloud computing and insurance? and you?ll find that the reasons companies are seeking cloud solutions are evolving. The case for core system platform in the cloud reached the tipping point in 2016 ? from nice to consider to a must have, and it will be the option of choice in 2017. The logic has grown as capabilities have improved, cost pressures have increased and now the demand for speed to value and effective use of capital on the business rather than infrastructure is gaining priority. Incubating and market testing new products in a fail-fast approach allows insurers to see quick success and capitalize on pre-built functionality with none of the multi-year implementation timeframes. Increasingly, many insurers are taking advantage of the same pay-as-you-use principles of cloud as consumers themselves. They are paying as they grow, with agreements that allow them to pay-per-policy or pay based on premiums. They are using data-on-demand relationships for everything from medical evidence to geographic data and credit scoring. They use technology partners and consultants in an effort to not waste downtime, capital, resources and budgets. They are rapidly moving to a pay-as-they-use world, building pay-as-they-need insurance enterprises. This is especially true for greenfields and startups, where a large part of the economic equation is an elegant, pay-as-you-grow technology framework. They can turn that framework into a safe testing ground for innovative concepts without the fear of tremendous loss, while having the ability grow if the concepts are wildly successful. Major insurance research firms advocate cloud as a smart approach to modernizing infrastructure and building new business models. Keeping cloud on your company?s radar is crucial and good place to start is reading The Insurance Renaissance: InsureTech?s Pay-As-You-Go Promise. These are just a few of the areas we should all be watching throughout 2017, but the vital step is to take your new knowledge and apply your ?actionable insights? throughout your organization, powering a renaissance of insurance. Make 2017 your company?s Year of Insurance Renaissance and Transformation!

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