WEDAPT
INSURANCE NEWSLETTER

December’23

Some interesting Facts

- In recent innovation in Motor Insurance, Customers can now pay premium basis the kilometres driven by them.

- In a recent one-of-a kind offering, a health insurance company is offering premium discounts and other benefits to policyholders who are engaged in active and health lifestyle like walking 10000 steps in a day.

The insurance industry’s digital transformation

In the world of insurance, everything is going digital! From creating policies and assessing risks to handling claims, technology is changing the way operations are carried out in an insurance company. The shift has streamlined operations and has also enhanced customer experiences, fostering efficiency and agility within the insurance ecosystem.

The Indian government has been promoting digitisation of several sectors including the insurance sector through its Digital India initiative. The Insurance Regulatory and Development Authority of India (IRDAI) supports this by implementing regulations to encourage the adoption of digital technologies in the insurance industry. These include:

(a) The introduction of e-insurance account, enabling policyholders to store all their insurance policies electronically in one place. This allows convenient access from any location, eliminating the need for physical policy documents.

(b) Permission for the use of e-signatures and electronic KYC processes, making customer onboarding and policy issuance quicker and more cost effective.

This paper explores the big changes brought about by digital technology in insurance, looking at what it means for everyone involved and the new possibilities it brings.

Immediate changes in Insurance Operations

Policy issuance, traditionally a time-consuming task, now happens with a few clicks. The digitisation of insurance processes has significantly expedited policy issuance while improving accuracy and customer experience.

Parallel to this, accelerated **underwriting** is being used in contrast to traditional underwriting, which used to take longer and necessitates extensive medical exams and lab testing. Accelerated underwriting allows you to avoid lab tests and medical exams. It uses algorithms and data tools to anticipate prospective customer’s risk based on specific behaviours.

With advanced data analytics and machine learning algorithms, underwriting, the process of assessing risks associated with a policy has become easier. This not only improves the customer experience but also ensures that underwriting data is current and accurate.

Emergence of Insurtech Companies

More and more Insurtech companies are appearing where in 2021 alone, 22 new Insurtech unicorns had emerged globally. This surge has further propelled the expansion of digitization, with a specific focus on leveraging digital technology to bring about advancements and improvements in various aspects of the insurance industry. Some of the Insurtech examples are given below:

Applied Systems:

- Makes process and workflow software for the insurance space.
- Its in-house brands include Tarmika, a commercial quoting software that automates insurance quotes, and Applied Pay, an insurance payments processing platform.

Lemonade:

- American Insurance and a certified B-corp whose mission is to make a social impact.
- Uses machine learning for underwriting risks and managing claims.

Gramcover:

- Mobile-based platform to enable seamless customer onboarding in rural India, through village level entrepreneurs, social impact organisations, financial inclusion agencies and foundations.

Toffee Insurance:

- Bajaj Allianz partnered with Toffee Insurance and launch mosquito insurance, to tackle diseases caused by the insect such as malaria and dengue.

Hippo:

- Insurtech firm specialises in homeowners' insurance and uses smart home devices, to provide personalised insurance coverage and pricing.
- It integrates with smart home devices like water leak detectors, smoke alarms, and security systems. This not only allows homeowners to monitor and protect their properties but also provides data that can help prevent or mitigate potential risks.

The new technologies

Internet of Things (IoT)

The internet of things, or IoT, is a network of interrelated devices that connect and exchange data with other IoT devices and the cloud. IoT devices are typically embedded with technology such as sensors and software and can include mechanical and digital machines and consumer objects. Increasingly, insurers have started to use IoT to operate more efficiently, deliver enhanced customer service, improve decision-making and increase the value of the business.

IoT sensors and an array of data-capture technologies, such as drones, will largely going to replace traditional, manual methods of first notice of loss. Claims triage and repair services are often triggered automatically upon loss. Vehicles with autonomous features that sustain minor damage direct themselves to repair shops for service while another car with autonomous features is dispatched in the interim. In the home, IoT devices will be increasingly used to proactively monitor water levels, temperature, and other key risk factors and will proactively alert both tenants and insurers of issues before they arise.

Blockchain

Similarly, the workforce and processing of the insurance sector is now getting enriched with blockchain technology. Deploying blockchain in insurance helps set up a digitized platform with complete transparency, privacy, accuracy and ultimate security. Besides aiding the insurers with effective & regulated processes, blockchain also benefits customers by saving their time and money.

Blockchain technology can revolutionize claims processing. In a traditional setting, the process involves the submission of medical documents, verification by multiple parties, and can be susceptible to errors or delays. Now, envision a blockchain-based health insurance system. When a medical service is provided, details such as diagnosis, treatment, and associated costs are securely recorded in a block within the blockchain. Each subsequent medical event adds a new block, creating an immutable and transparent chain of the patient's health history.

Smart contracts, inherent in the blockchain, automatically execute predefined rules, verifying the legitimacy of the medical expenses. Once validated, the smart contract triggers the release of reimbursement directly to the healthcare provider. This streamlined process reduces administrative overhead, minimises the risk of errors, and provides a secure, transparent and efficient method for handling health insurance claims.

Risk and Challenges

While the digitization of the insurance market brings about numerous advantages, it also poses unique challenges, such as cybersecurity concerns and the need for adaptability.

The financial sector has been hit by hackers relatively more often than other sectors, especially after the 2019 covid era. It is evident that the finance and insurance industries accounted for 25.3% of all cyberattacks that happened in 2019-20. While this has not yet led to significant disruptions or a systemic impact, there are substantial risks from cyber attacks for financial institutions, their staff and their customers going forward.

Cybersecurity risks such as data breaching, phishing, cyber crimes loom as customer data goes online, risking potential breaches and trust issues. Relying on digital systems makes us more vulnerable to disruptions, and staying compliant with rules is important.

There are certain steps which are being considered while navigating through the risks in the digital age of insurance:

- Around the world, countries are transitioning their insurance markets to more risk-based capital (RBC) regimes to ensure that insurers have sound financial positions and hold adequate levels of capital.
- As more employees work from home and rely on virtual private networks (VPNs), the companies are providing cybersecurity training and resources to help individuals recognize and respond to phishing attempts.
- Promote security measures such as antivirus software and regular software updates.
- Educating employees on secure remote work practices, including the use of VPNs and encryption and training them on the usage of new-age technology.

So Will AI/ Robots take my job?

Researchers from AI Impacts and the Future of Humanity Institute estimate a 50% chance that, within 120 years, all occupations will be fully automatable. Significant job reductions could occur even more quickly. A more recent study which utilizes similar methodology increases the estimate to 52%.

So the answer, perhaps, is a nuanced one. Automation and AI clearly change some tasks, but they also open up new avenues for specialisation and career advancement. Automation could free up human expertise to engage in more intricate, strategic and empathetic facets of the industry.

The key lies in embracing the digital transformation, not as a threat, but as a catalyst for progress. Insurers and professionals who proactively acquire digital literacy and leverage AI as a tool to enhance their capabilities will find themselves at the forefront of innovation. The future of insurance is not a battle between humans and machines, but a synergy that maximises the strengths of both, ultimately delivering superior value to the clients.

Latest Industry Updates

IRDAI tells insurers to provide simplified policy information document starting 2024

Insurers need to ensure policyholders understand the terms of their policy. The document is sometimes complicated with legal terms. The IRDAI has proposed this initiative to simplify customer information sheets (CIS) for health insurance policyholders. The new CIS format will be effective from January 1, 2024.The initiative aims to make these sheets easier to understand as they sometimes contain complex legal jargon.

India will sell 50-year bonds for the first time

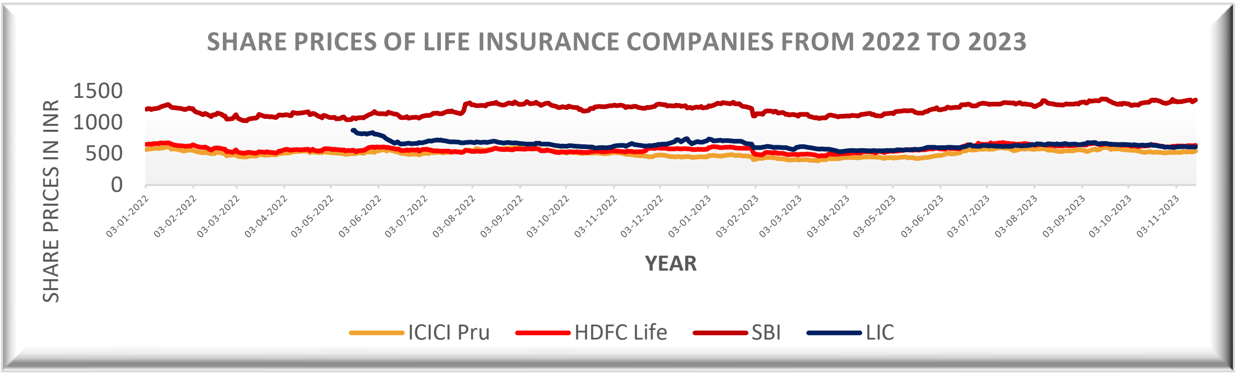
India will sell 50-year bonds for the first time, introducing ultra-long maturity debt to cater to the growing demand from insurance and pension funds. The new bond adds to the 30-year and 40-year tenor debt sold, extending the nation's yield curve, according to a borrowing plan released by the Reserve Bank of India. The government will sell 300 billion rupees ($3.6 billion) of the 50-year bond in the October to February period, which accounts for almost 5% of its total borrowings.

IRDAI directed general insurers to offer mandatory motor insurance coverage to employees travelling in their employer's vehicles.

The new directive was issued after the Madras High Court asked to make India Motor Tariff-29 compulsory as an in-built coverage for employees while issuing a private car policy for such vehicles. The regulator added no additional premium should be charged until further directions. IRDAI has also said that the compulsory cover of IMT-29 should be provided as an in-built coverage under the Compulsory Motor Third Party Liability Section of Private Car Package/ Bundled Policies and under standalone policies insuring Compulsory Motor Third Party Liability.

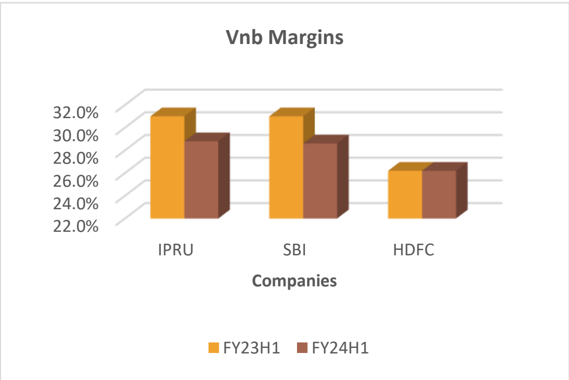
Listed Companies Key Performance Indicators

Movement in Share Prices of Listed Companies

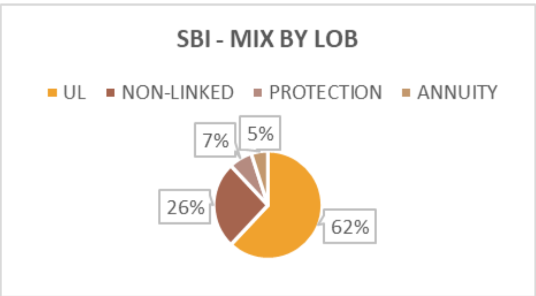


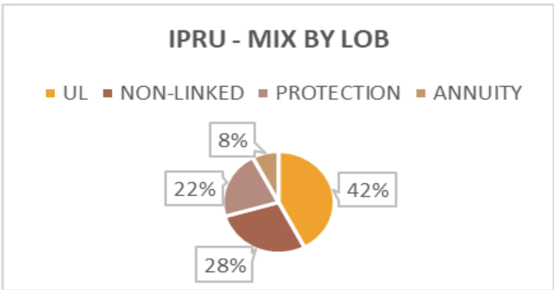
Embedded Value and VNB Margins

The embedded value for the private sector increased by ~15% in the last financial year. The VNB Margins hav been around 30% across the companies.

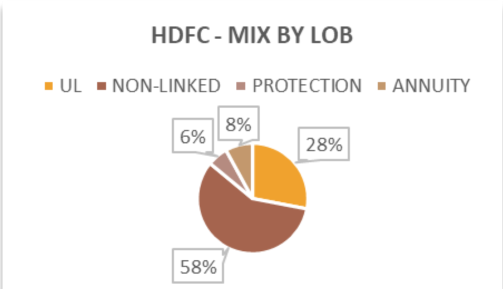


Embedded Value (in billions)	H1-FY23	H1- FY24
IPRU	326.48	385.29
SBI	424.1	512.6
MAX	147.04	179.11
LIC	5442.91	6626.05
HDFC	360.16	429.08





- ***For Mix by LOB, data pertains to Individual business only***



About WeDapt

WeDapt as a firm has always focussed upon a client centric approach wherein we look to assist the clients in adapting to the ever changing dynamic business environment. We aim to use our rich practical experience and technical expertise to bring effective & efficient solutions for our client. Find out more about us at www.wedapt.in / https://www.linkedin.com/company/wedapt

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