Role of InsurTech in overcoming challenges in microinsurance

International Microinsurance Conference
Lima, Peru
8 November 2017
Agenda

- What is InsurTech?
- Trends in InsurTech
- InsurTech applied to microinsurance challenges
What is InsurTech?

• “FinTech covers a broad array of technical innovations that are finding their way into the financial industry. InsurTech is the insurance-specific branch of FinTech that refers to the variety of emerging technologies and innovative business models that have the potential to transform the insurance business.”

• “InsurTech will have a significant impact on insurers’ business models. Regulation, together with firm-level supervision, will need to evolve to ensure the right balance between maintaining policyholder protection without inadvertently stifling innovation”.

Source: IAIS, 2017
InsurTech for Development
Review of 157 initiatives in the emerging world

Source: InsurTech for Development, 2017
# Introduction to trends in InsurTech

<table>
<thead>
<tr>
<th>New data and analytics</th>
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<td>Digital data generation, communication and analytics are used to inform insurers about customer needs and behaviour patterns in the form of new data and analytics.</td>
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<th>Peer-to-peer</th>
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<td>Peer groups, such as owners of houses, cars and household items, team up to absorb each other’s risks, with everyone contributing money to insure the group members’ losses.</td>
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<th>Index-based</th>
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<td>Index-based insurance (IBI) is used to protect against shared rather than individual risks, such as weather fluctuations, disease outbreaks or price loss.</td>
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<th>Technology-enabled partnerships</th>
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<td>Insurance providers, MNO or other aggregators and TSPs enter into strategic technology-enabled partnerships to take advantage of marketing, client acquisition and premium payments through an established brand.</td>
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<th>Digital platforms</th>
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<tr>
<td>Insurers or third-party service providers use digital technology to offer insurance products or services online on digital platforms that take face-to-face or pen-to-paper elements out of the insurance provision and bring down delivery costs.</td>
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<th>Demand-based</th>
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<td>Demand-based insurance is triggered by an action of the consumer and relies on sophisticated risk-modelling technology. It covers asset insurance products, which would not be possible to cover individually under traditional microinsurance approaches.</td>
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</table>
Overview of trends in InsurTech

New data and analytics: 24
Digital platforms: 55
Technology-enabled partnerships: 56
Index-based: 15
Peer-to-peer: 4
Demand-based: 3

Source: InsurTech for Development, 2017
Challenges in microinsurance

1. Lack of information on consumers
2. Inadequate access to consumers
3. Different and new consumer needs
4. Consumers inexperienced with formal financial services
5. Constrained business models
How are InsurTech trends addressing challenges in microinsurance?

- **Lack of information on consumers**: 42
- **Inadequate access to consumers**: 88
- **Different & new consumer needs**: 16
- **Consumers inexperienced with formal financial services**: 14
- **Constrained business models**: 64

**Graphical Representation**

- **New data and analytics**
  - Lack of information on consumers: 15
  - Inadequate access to consumers: 56
  - Different & new consumer needs: 4
  - Consumers inexperienced with formal financial services: 2
  - Constrained business models: 15

- **Digital platforms**
  - Lack of information on consumers: 3
  - Inadequate access to consumers: 28
  - Different & new consumer needs: 4
  - Consumers inexperienced with formal financial services: 11
  - Constrained business models: 4

- **Tech partnerships**
  - Lack of information on consumers: 4
  - Inadequate access to consumers: 5
  - Different & new consumer needs: 7
  - Consumers inexperienced with formal financial services: 4
  - Constrained business models: 4

- **P2P**
  - Lack of information on consumers: 20
  - Inadequate access to consumers: 4
  - Different & new consumer needs: 1
  - Consumers inexperienced with formal financial services: 1
  - Constrained business models: 1

- **Demand-based**
  - Lack of information on consumers: 3
  - Inadequate access to consumers: 4
  - Different & new consumer needs: 4
  - Consumers inexperienced with formal financial services: 4
  - Constrained business models: 4

- **Index-based**
  - Lack of information on consumers: 4
  - Inadequate access to consumers: 4
  - Different & new consumer needs: 4
  - Consumers inexperienced with formal financial services: 4
  - Constrained business models: 4

Source: InsurTech for Development, 2017
Key takeaways

1. Partnerships with MNOs have successfully addressed challenges in accessing consumers.

2. Newer technologies such as AI and P2P are still largely untested.

3. New business models have allowed for product innovation.

4. Technology applications that bridge experience levels are still limited.

5. Many initiatives are focusing on reducing the costs of doing business.

6. The lack of data analytics applications is a key barrier to further advancements in InsurTech for development.
Thank you

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About Cenfri
The Centre for Financial Regulation & Inclusion (Cenfri) is a global think tank and non-profit enterprise that bridges the gap between insights and impact in the financial sector. Cenfri’s people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors seeking to unlock development outcomes through inclusive financial services and the financial sector more broadly.

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