

# MAKING SENSE OF INSURTECH

Truman Esmond | Vice President  
AAIS Solutions and Partnerships

*In this and subsequent “Making Sense...” articles you’ll find on AAISonline.com, Truman breaks down the major technologies driving the Insurtech revolution, and provides some ideas about how they might impact your business. Our goal is to help members see around corners and find the opportunity in the next technology that crosses their path.*

Insurance and technology have been linked together since the papyrus and quill. While the technology has changed, from paper to electronic, from documents to apps to web-enabled experiences, the functionality provided by technology has always supported the business – and not the other way around. While the latest technology is being marketed as “transformational” and “disruptive” to insurance, what is often lost is HOW that might take place. And without that, there’s little value in that transformational technology.

Many emerging technology companies are limited in their understanding of insurance, making it difficult for them to tell their story and relate their benefit to industry participants. Understanding how insurance really works financially, or how it is regulated, automated and executed, is critical to getting to articulating the value of new technology. It can be a difficult story to tell in the diverse universe of P/C insurance, so let’s break it down.

Insurtech startups are basically driven by three major areas of emerging technology, including: Blockchain, Internet of Things (IoT)/Connected Data and Artificial Intelligence (AI). These technologies and applications will advance dramatically as new visualization and interaction methods become more accessible. Let’s define, in non-technical terms, the three “big technologies” and the key drivers behind them:

- Artificial Intelligence/Machine Learning: Smart software applications that increasingly replace the need for human interaction or reasoning, with the ability to respond effectively to changing circumstances and improve over time – hopefully towards human-centric objectives and not the Matrix or Skynet.
- Blockchain: An immutable, distributed ledger of data created and accessed by participants through smart contracts, enabling individual control and selective sharing and transaction support of owned data.
- Internet of Things (IoT) and Connected Data: Connecting all the new places where data is being created, like vehicles, wearables, smart homes/offices/devices, multitudes of wireless-connected sensors on boxes, pipes and plants, along with newly-accessible data from connected sources, like public authorities, blockchains, business/social media, browsing history and secured or pay-for access like business and personal financial information or weather and stock predictions.

**AAIS Advisors Robin Westcott and Truman Esmond hosted a webinar for the AICP entitled “BLOCKCHAIN...Links to the Future of Insurance” focusing on the fundamentals of blockchain. Watch a replay of the webinar at: [bit.ly/Insurance-Blockchain](http://bit.ly/Insurance-Blockchain)**

These technologies have the potential to affect virtually every insurance operation. In many cases, they already are having an impact.

Just a few examples:

- Business/Program lifecycle (startup, roll-off/sell-off, etc.)
- Delivery Channels (lead gen to policy servicing)
- Underwriting lifecycle (uw/quote/bind/issue)
- Claim lifecycle (FNOL to payment to reporting)
- Financial lifecycle (investment to loss control to reinsurance)
- Policy/Customer Management (core systems, portals/self-service/apps, CRM)
- Operational management (ERM, financial, payroll, benefits etc.)

For insurers today, these new technologies and any efficiencies or new capabilities they offer must materialize in the form of policyholder value. Carriers may extract value in a number of ways, such as:

- Additional services around the product
  - Allows higher price and more opportunities; deeper relationship
- Loss controls or mitigation
  - Premium service, lower loss ratios, deeper relationship
- Faster/better claim response and service
  - Customer satisfaction, PR value, reduced claim time and cost
- Operational efficiencies that allow better pricing and competition
  - Reduced expenses
- More specific, bespoke or “community” products and coverages
  - Premium service/price, speed to market, more opportunities, deeper relationship

**The key to success is determining the right technologies to apply to your business and strategy.**

The next-generation infrastructure in processing and communications will enable the “big technologies” to scale and be more widely understood, applied, proven and trusted by business and society over time. In future articles, we’ll dig into each technology in more detail and explore their potential impact on the industry, and your business

**Insurance**