

A VIEW ON INSURTECH

BY **ALBERTO MINALI**

If we consider the insurance sector and the experience made by our clients, we need to improve the customer journey and the overall level of product satisfaction enjoyed by them. Insurance managers have debated a lot about the quality of the industry service. Most of the surveys highlight that the customer experience is poor, if compared it with the one of other industries, because products are inadequate, opaque, difficult to understand and service is slow and cumbersome.

For this reason, if the insurance industry does want to prosper, it needs to quickly reconsider its relationship with clients and need to put the customer at the center of the stage. Essentially we – as managers of this industry – should understand that the quality of service and the customer satisfaction are key for the long-lasting success of our business. No industry has survived without them!

Technology can help in this journey. Being an insurance entrepreneur, I have seen how technology – if well thought and brought about - can bring innovation both in terms of processes and products which ultimately become ‘customer satisfaction’. These two kinds of innovation are deeply connected to each other. In order to improve the customer journey and to create adequate products, standardisation of covers seems to be not the right answer, maybe the cheapest one but only for the short term. While in the retail business we can enrich a standard cover with additional guarantees/services (for example by introducing assistance rider in a motor cover or by using black boxes for pricing purposes or IoT for claim management), in the corporate and commercial business the challenge is the ‘*industrial creation of tailor-made insurance solutions*’ matching the clients’ needs. This is achievable only via scalable, flexible, natively digital and cloud-based operating platforms that can use vast mass of data and information efficiently.

The advent of technology in the insurance industry has never been a fast process; it requires vision, commitment and ultimately disruptive choices. The industry still enjoys good returns on risk-adjusted capital and an overall performance that is not correlated with the quality of the service rendered to the customers. This deep pool of profitability will eventually attract newcomers, start-ups and other players.

Insurtech could become an important, perhaps essential, component of any modernization/digitalisation programme for an insurance company but we run the risk of just scrapping the surface if we don’t adopt a tech mindset. While most insurance companies use it to make their processes more efficient and more digital, very few are natively digital and featured by an insurtech mindset; even less are born techinsurance. >

The adoption of technology solutions in the industry will progressively increase the sophistication of products, improve the efficiency of distribution and enhance the capability of using data. Let us think for example at the impact of the Natural Language Processing for the cognitive underwriting leading to fast quoting of risks submitted by intermediaries; let us consider the use of cloud-based technology to scale up the business size by transforming fixed costs into variable ones; let us imagine the use of data and information for profiling the customers which will lead to the offering of tailor-made products; let us look at the possibility of a flexible operational platform that can create products by combining insurance guarantees. All these dimensions are possible only thanks to the technology and to its wise use/ impact on the IT/operational infrastructure.

‘Industrial creation of tailor-made solutions’ seems an oxymoron, but it is not according to my current experience!

In terms of investments, according to the Italian Insurtech Association (IIA) the 2021 investments in insurtech by European insurance companies reached about 5bn Euro. Italy is not particularly well positioned in this ranking, if we consider that is the last-but-one, just before Spain but very distant

from France and Germany. During 2021 Italy invested in insurtech about 280M Euro versus 50M Euro of 2020: we are on the move.

From a financial angle Italy is lagging behind in terms of insurtech companies’ access to private funding roundings (none of the top in 2021) as well as to the public IPO market. According to Equita Special Report on Fintech¹ the P/E of insurtech companies was 24.9X in 2022, with a projected CAGR 2021-2024 of 23.3% and EPS CAGR 2021-2024 in excess of 15%.

All these positive figures refer to the insurtech subset of the market. To make them true for the rest, we need investments in insurtech, ability to execute ambitious plan and commitment by top management and shareholders for changing the landscape we are working in. <

ALBERTO MINALI,
CFA is Founder
and CEO of REVO



¹ Fintech Conference
by Equita, Milan,
April 2022
