People visit the stand of Ant Financial, the fintech affiliate of e-commerce giant Alibaba, during an exhibition in Southwest China's Chongqing, on Aug 23. Alipay, the mobile payment platform of Ant Financial, has 870 million users, including 600 million in China alone. IMAGINECHINA

INSURANCE:

Insurtech, AI to help firms stay relevant in changing sector

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At the moment, insurers are only allowed to use up to 30 percent of their assets to make equity investments — in other insurance companies, noninsurance financial companies, or businesses that are related to the insurance sector.

The latest considerations are to provide capital support to private enterprises, help with capital flows in the real economy, and mitigate liquidity risks.

Even as insurance companies are allowed to invest in other industries, they might want to take a closer look at some innovations closer to home.

Scott Walchek, founder, CEO and chairman of on-demand insurance platform Trov, has likened the current state of the insurance industry to the Greek god of transition, Janus. Janus had two faces, one looking back and one looking forward.

"The insurance industry is having its Janus moment right now. There is immense investment in a lot of digitization of the backend for efficiency," said Walchek, during a panel discussion at the Hong Kong FinTech Week event, which took place from Oct 29 to Nov 2.

"The other face is looking forward at disruption," said Walchek, who foresees that a significant amount of partnering and investment will happen in this area.

Trov considers itself a disruptor. It helps individuals catalog their belongings onto a cloud database platform. It then offers insurance policies for specific items at specific durations. Walchek called his service "the Tinder of insurance", referring to the popular dating app.

"Like Tinder, you can just swipe to find the right coverage. We give people discreet control over things they care about, insurance on demand and the ability to track things," said Walchek.

With a presence in Western regions, Trov is currently in discussions for further distribution by integrating its services with existing insurance companies. Walchek predicts on-demand insurance could be the future of the industry.

Another trend Walchek observed is a brain drain from Wall Street to Silicon Valley. And he anticipates the same will happen to insurance, with capital and talent heading to disruptors.

Alan Lau, chairman and CEO of WeChat's internet insurance platform WeSure, voiced similar sentiments.

"There will be more capital coming in and more partnerships in the industry. Insurtech is giving the market more capability to design products," said Lau.

WeSure helps WeChat users find insurance, which Lau deems "one of the most complicated financial products out there".

"There are a lot of youngsters who have never bought an insurance policy before. We need to appeal to them by being affordable, fun to use and relatable. We no longer have the luxury of 30 minutes to explain things face to face, so we need to use fintech to keep it simple and relatable," said Lau.

"Insurance needs to feel more like a service. The market in China has a decade-long experience of shopping online, they expect things to be immediate and easy. So, presenting insurance at the right point to a potential client is critical. Packaging insurance to make it useful is where the opportunity is."

A prime example would be travel insurance. Lau suggested that insurance companies create relevant travel information services and offer that along with insurance options once a plane ticket is bought.

Cindy Deng, Asia-Pacific managing director for app analytics company App Annie, also foresees on-demand insurance being a rising trend.

"With the features offered by fintech, we are going to see more of on-demand insurance. Consumers driving the car of a friend tomorrow would be able to buy insurance for it on the day," said Deng.

"In the region, Indonesia is the market to watch. It's got high growth potential and is relatively open in terms of competition," she added.

Insurance companies will also want to tap the benefits offered by sensors connected to the internet of things.

"Insurers will want to get more data, with user permission of course. We will likely see more gamification of data tracking to understand driving patterns or health-related activities," said Deng.

Lau highlighted the advantages of using the social connection of a platform like WeChat — whose parent company is the tech giant Tencent.

"Insurance is a complicated financial product and hard to experience and explain. That's why friend referrals are very important in building trust. People who were referred by a friend are three times more likely to purchase a policy than the average."

Meanwhile, the insurance industry's backend is being revamped too, by artificial intelligence (AI). Though Lau does not think AI will replace the human touch anytime soon, he feels the faster claims-processing it offers, and its utilization in fraud detection, will benefit everyone involved.

Some, however, view the pace of innovation in insurance as not fast enough.

"Insurance has been behind the curve in tech — there is quite a lot of catching up to be done," said Charles Hung, CEO of Blue, Hong Kong's first digital life insurer.

Raymond Tam, executive director, policy and development, at Hong Kong's Insurance Authority, said: "The insurance industry in Hong Kong has been slow in adopting insurtech. When we look at the market landscape, one out of every 30 working persons here is selling insurance. Understandably, they don't want to change, but the world is changing. We need to keep up or risk being overtaken."

Tam said the Insurance Authority has introduced an insurtech sandbox to encourage cooperation between startups and insurance companies.

"Startups have the idea but no data, which the insurance companies have. We need to get them to work side by side," said Tam.

Also, the Insurance Authority has given fast-track application for innovative companies like ZhongAn, the first completely digital insurance company in China.

Blue's Hung believes companies should start with focusing the use of tech to meet modern expectations of customer service.

"Today's consumer expects things instantly at their fingertips. There is a natural driver to empower them," said Hung.

"The most unexpected change to come is in how insurance companies utilize data to make the impossible possible. Consumers can then get a proposal that fits their needs without giving too much info," he said.

Tam, with 40 years in the insurance business, said: "In the past four decades, changes have been gradual. Now with insurtech and AI, tremendous change is happening to a 300-year-old industry."

Tam cautions major insurance companies against being too attached to legacy systems.

"The mind-set of old paradigms and agencies are a challenge. They won't be able to appeal to Gen Z that way, so we are encouraging them to change their mind-sets," he said.

Hung strongly agrees. He said the core value — and key to relevance — for insurance companies is to offer simple and flexible solutions to customers.

"Tech offers companies better risk management tools and strategies. As it develops, they should flag issues and work closely with regulators. We are on the same mission, to do what's best for the customer."