

ARTICLE

TOP 5

TRENDS IMPACTING THE INSURANCE INDUSTRY

A WNS PERSPECTIVE

A woman with shoulder-length hair is sitting at a desk, working on a laptop. The image is in grayscale. Overlaid on the scene are several glowing white icons in circular frames, representing various insurance concepts: a shield with a checkmark, a cloud, a group of people, a speech bubble, and a hand holding a document. A vibrant, multi-colored wavy graphic in shades of orange and red curves across the bottom of the image.

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The Growing Popularity of Parametric Insurance



Innovation in Risk Management



The Rise of Insurance Ecosystems



Blockchain is Rapidly Moving Towards Mass Implementation



Strategic Funding Gains Momentum

TOP 5 TRENDS IMPACTING THE INSURANCE INDUSTRY

A WNS Perspective

Xiang Hu Bao, a healthcare platform from a leading FinTech company in China, has acquired over 100 million customers in its first year. It is credited with making health coverage accessible to rural and lower-income populations in China, with low contributions, and no upfront or admission fees. As of November 2019, more than 10,000 people received pay-outs to cover their medical expenses, contributed by other participants on the platform.¹

Xiang Hu Bao does not collect premiums, has no re-insurance contracts to cover claims, and uses blockchain technology to drive claims processing, prevent fraud and facilitate shared pay-outs in a cost-effective manner. Xiang Hu Bao is an example of a growing cohort of InsurTech platforms that are using data, Artificial Intelligence (AI) and automation-led technology to re-imagine the end-to-end insurance value chain.

In such a context, let's look at five trends in insurance that are shaping the sector.

¹<https://www.businesswire.com/news/home/20191126005952/en/Alipay%E2%80%99s-Xiang-Hu-Bao-Online-Mutual-Aid>



THE GROWING POPULARITY OF PARAMETRIC INSURANCE

Parametric insurance has been around for several years, offering pay-outs when a specific event exceeds an agreed upon threshold, unlike traditional policies that pay on actual incurrence of loss. Previously used only for natural catastrophic covers offered to countries and large corporations, parametric insurance is seeing a resurgence today. Advances in sensor technology, data analytics and Artificial Intelligence (AI) are enabling the creation of broader information indexes on a variety of phenomena, opening up parametric risk applications in interesting ways.

Recently, a re-insurance company launched a parametric water-level insurance product to protect companies from the financial impact of high or low water levels in rivers. The program references measured water levels at defined river gauges and agrees to pay out a fixed amount for each day the index remains below the defined threshold value. Other new-generation parametric solutions include protection for cities and airports when in the face of terrorism, cover for retailers when transit strikes lead to reduced pedestrian traffic, and economic help for hotels during outbreaks.²

The main benefits of parametric insurance include efficient delivery and avoiding lengthy claims investigations. Also, with lesser uncertainty than traditional insurance, premiums can be significantly low in parametric products. When it comes to technology, parametric insurance lends itself most naturally to blockchain technology, with smart contracts executing automated pay-outs once the specified parameter thresholds are triggered.



INNOVATION IN RISK MANAGEMENT

Machine learning is re-shaping the risk transfer marketplace, making way for automated decisioning systems that will reduce friction in pricing. By delivering a variety of predictive risk variables and the analysis of their interactions, machine- and deep learning-led underwriting systems are evaluating and expediting the underwriting process. McKinsey estimates that by 2030, manual underwriting will cease to exist for most personal and small-business products across life and property, and casualty insurance.³

RYSKEX, a provider of blockchain-based ecosystem for innovative risk transfers, helps re-insurers overcome inefficiencies of information silos and lengthy processes. Blockchain enables tamper-proof, secure sharing of information and payments between contracting parties, whereas the AI assists in premium calculation and evaluation of occurrence loss.⁴

An important corollary to this trend is the emergence of independent data aggregators who bring together diverse, relevant external data sources into a 'one-stop-shop' for insurers, enabling real-time integration with insurer pricing and underwriting systems. InsurTech HazardHub aggregates property-level data and layers them with scorecards regarding natural and man-made risks in the U.S. This gives insurers a comprehensive, property-level overview of the potential hazards, in a ready-to-use format for risk pricing.⁵

Another example is telematic exchanges, which collect driver and vehicle data from connected devices, normalize the information, and make it available to insurers for underwriting, marketing and claims purposes.

²<http://www.rmmagazine.com/2019/04/01/the-evolution-of-parametric-insurance/>

³<https://www.mckinsey.com/industries/financial-services/our-insights/insurance-2030-the-impact-of-ai-on-the-future-of-insurance>

⁴<https://www.disruptordaily.com/blockchain-insurance-use-case-ryskex/>

⁵<https://www.willistowerswatson.com/-/media/WTW/Insights/2019/05/quarterly-insurtech-briefing-q1-2019.pdf>

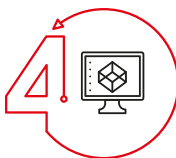


THE RISE OF INSURANCE ECOSYSTEMS

According to McKinsey, ecosystems will account for 30 percent of global revenues by 2025.⁶ In a rapidly growing universe of data sources and with the increasing adoption of a data-driven culture, many insurers will soon be able to plug and leverage data from different organizations with complementary strategies. Progressively, these relationships extend beyond data sharing and we are seeing ecosystems evolve to include traditional insurers as well as technology companies.

A European insurance company collaborated with a smart-home technology provider to enhance its home insurance policy. The latter's technology solution can detect risks such as smoke and carbon monoxide, and alert customers to prevent losses.

A global venture of one of the leading re-insurance companies is nurturing an ecosystem that promotes the development of InsurTech start-ups and digital distributors.



BLOCKCHAIN IS RAPIDLY MOVING TOWARDS MASS IMPLEMENTATION

According to PwC, blockchain represents USD 5 to 10 Billion cost-saving opportunity for re-insurers through faster and more efficient placements, claims settlements and compliance checks.⁷

We are witnessing the rapid mainstreaming of blockchain in insurance, which is enabling greater transparency and interoperability. VeriChain⁸, a blockchain-based risk syndication

solution, addresses complexities and challenges in the syndicated insurance market. It leverages a decentralized ledger to help specialty insurers drive secure transactions in a multi-stakeholder ecosystem.

Insurwave, the world's first blockchain platform for marine insurance, backed by consulting, technology, insurance and maritime businesses, was launched recently. The Insurwave platform integrates and secures the streams of disparate data sources involved in insuring shipments around the globe. Enabling trust, transparency and automation, the platform will allow insurers to track their risk exposures in near real-time, with premiums priced in seconds and claims to be paid out in hours.



STRATEGIC FUNDING GAINS MOMENTUM

Insurers have long been aware of the need to collaborate, not compete, with InsurTech disruptors, and strategic investments and tie-ups are not a new trend by any means. But the pace and strategy of the game are changing, and tracking the trends in InsurTech investments can help insurers anticipate the next wave in the industry. Global funding in InsurTechs rose to USD 6.37 Billion in 2019.⁹ Funding in 2019 also led to the creation of five new unicorns in InsurTech.

Insurers are stepping up their strategic investments in InsurTechs to create their own ecosystems in a bid to drive growth and create competitive barriers. In 2019, a German insurance giant increased the size of its corporate venture capital arm to more than double its initial size.

A Chinese insurer invested strategically to become a single source for financial, health and

⁶<https://www.mckinsey.com/industries/financial-services/our-insights/insurance-beyond-digital-the-rise-of-ecosystems-and-platforms>

⁷<https://www.pwc.com/gx/en/financial-services/publications/assets/blockchain-for-reinsurers.pdf>

⁸https://www.wns.com/Portals/0/FSx/Documents/WNS-VeriChain-for-Insurance_Brochure.pdf?elqTrackId=e5d849a601674c4484c0e76a7c691c59&elqaid=246&elqat=2

⁹<https://www.insurancebusinessmag.com/asia/news/technology/insurtech-investment-surges-to-alltime-high--willis-towers-watson-212118.aspx>

life services. A majority share in an online car sales market allows it to mine valuable data and establish a foothold in the autonomous vehicle sector. Similarly, its property sales and investment ecosystem has dozens of real estate developers and more than 12 million participating consumers. The insurer leverages this network to distribute its mortgages, wealth management and other related products. Finally, its healthcare platform connects a vast network of hospitals and doctors, many of whom are dedicated to providing 24x7 free online consultations to millions of patients.

The insurance industry is heading towards a future where differentiation and innovation will be driven by becoming more integrated with external ecosystems. But this will require insurers to get the technology right within their own organizations first. An integrated approach to leveraging and mainstreaming technologies such as advanced analytics, AI, automation, Internet of Things and blockchain will help insurers navigate a new distributed and connected landscape.



About WNS

WNS (Holdings) Limited (NYSE: WNS) is a leading Business Process Management (BPM) company. We combine our deep industry knowledge with technology, analytics and process expertise to co-create innovative, digitally led transformational solutions with over 400 clients across various industries. The industries include banking and financial services, consulting and professional services, healthcare, insurance, manufacturing, media and entertainment, retail and consumer packaged goods, telecommunications and diversified businesses, shipping and logistics, travel and leisure, and utilities and energy. We deliver an entire spectrum of BPM solutions including industry-specific offerings, customer interaction services, finance and accounting, human resources, procurement, and research and analytics to re-imagine the digital future of businesses. We have delivery centers worldwide including in China, Costa Rica, India, the Philippines, Poland, Romania, South Africa, Spain, Sri Lanka, Turkey, the United Kingdom and the United States.

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Insurance

A. General Questions

Proposed Insured's Name:
(Please use capital letters)

Birth Date: 01 January 2016

Gender: Male

Address:

Phone Number:

ID Number:

Status: Single Married Divorced Others

Occupation:

Email Address:

Social Security Number:

Are you a retiree? Yes No

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OUTPERFORM

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