

Distribution disrupted



With evolving customer preferences and advancing technology, insurers and brokers are adapting and re-tooling themselves to capitalise on the opportunities that come with change. What proactive steps should they take to stay relevant in an evolving insurance distribution landscape?

By Cynthia Ang

E-commerce is gaining immense popularity in the Middle East, in particular the GCC, as more and more people appreciate the convenience of online shopping thanks to robust internet and mobile penetration across the region. In addition, a growing generation of young, tech-savvy population, coupled with high disposable income, is also pushing up online sales.

A combination of these factors is feeding into the overall growth of e-commerce market. Data published by market research company eMarketer shows that the Middle East eCommerce market is expected to expand to US\$10 billion by 2018, compared to around \$4.9 billion in 2016. Another report by global consulting firm AT Kearney paints a rosier picture, forecasting the e-commerce market in the GCC alone to grow to \$20 billion by 2020 from \$5.3 billion in 2015.

These statistics are important for both insurers and intermediaries marketing insurance products, showing there is an apparent shift in customer behaviour and preferences towards embracing digital channels.

Catering to today's customers

Technology would help to future-proof insurance processes, particularly the

buy and sales cycle of insurance products in the Middle East, said Mr Arun Baid, Global Delivery Head, Insurance, Cognizant.

“Online sales are currently ranked third in the region by industry studies and most of the growth is enabled by consumerisation trends among young, internet savvy population and reduced channel costs, he said.

Today's consumers are naturally omni-channel, researching products online, recommending and talking about them with friends and contacts on social media, and then buying them via mobile apps or at brick-and-mortar retail locations, said Mr Sanjay Jain, MENA Insurance Advisory Leader, EY. “Basically, they want a wide range of options – text, email, web chat, phone and sometimes in-person. A better omni-channel environment may also enable insurers to place new products in front of potential customers sooner and more directly than in the past,” he added.



Mr Arun Baid



Mr Sanjay Jain

There is an opportunity for insurers to deliver best-in-class customer experience and benefit their bottom line by cutting costs and lowering inefficiencies, said Mr David Harris, RSA's Director – Distribution, UAE & Bahrain. As smartphones, iPads and other such versatile mobile devices proliferate, they will also demand the ability to conduct business when they want, from wherever they want, and on the channel of their choice.



Mr David Harris

Data is king, given how interconnected the region, especially in the UAE, is. As such, it is crucial to deliver offerings that match international standards which customers are used to when banking on mobile, shopping for clothes or even ordering food, said Mr Harris. "Technology enables us to provide real time accessibility to our customers directly or through our partners."

The use of technology today has caused a major change in customer expectations, said Mrs Yolla El Khoury, Executive Group Vice President at ACE Holding. In addition to looking for speed and savings in business transaction, "customers also want greater transparency, allowing them to compare products, flexibility in their products that adapt to their changing needs and control over the ability to be able to change their mind if not satisfied", she said.



Mrs Yolla El Khoury

When implementing new technology, she said it is important to bear in mind the large volume of data and analyse them carefully.

Mr Jain said analytics that "listen to customer inputs" and "recognise patterns" can identify opportunities for new products that can be launched quickly to seize market openings. "Deep analysis of the customer base may make clear which distribution channels (including individual agents and brokers) are the best fit for certain types of leads, leading to increased sales productivity," he added.

Taking pro-active approach

Amidst evolving customer preferences and technology, industry stakeholders are stepping up efforts to establish digital ecosystems that can mitigate the disruptive risk of losing customer relationships to adjacent players while bolstering their technological capabilities.

New technologies are altering business processes, and "these developments provide opportunities to evolve by innovating the way we modify and change in our approach to the business", said Mrs El Khoury. "Our inability to recognise and act upon various emerging technological opportunities would affect the way insurers and reinsurers will do business in the future."

She added that "it is critical that we identify the areas where we have to improve and make changes to our business processes and implement advances in technology through the right investments and therefore eventually become much more useful to our customers".

Mr Harris said: "We take a proactive approach rather than following a 'wait and see' approach as we know that technology is disrupting the industry at a rapid pace. As such, we focus on leveraging cutting-edge technologies to enhance existing products and develop innovative new ones – all while putting customers' needs at the centre. We invest in tools that help our business anticipate change and the needs of our customers whether they be in terms of product need, service speed and quality, or ease of access."

With digital technologies becoming more mainstream and businesses adopting them at scale, Mr Baid said the potential impact of these technologies is quite significant and is redefining the market by enhancing the brand presence of insurers. "This is in addition to the traditional channels – as in the case of motor insurance – and is thus helping insurers penetrate into newer demographic such as millennials," he said.

The increasing adoption of analytics is helping insurers trim acquisition costs and time, enhance conversion rates and upsell products, said Mr Baid. Technologies such as IoT, telematics and microservices are enabling insurers to identify selling opportunities and customise products. For instance,

one large insurance company in the Middle East has launched an innovative usage-based insurance (UBI) product to positively impact driving habits by offering attractive discounts to safe drivers.

Furthermore, governments in the region have also started to realise the potential of InsurTechs and are encouraging investments in the area, Mr Baid said.

With a highly tech-savvy population and government support for FinTech and innovation, "it's only a matter of time before the way that insurance products are presented and sold changes. It is clear that insurers like us who realise this early on will remain competitive moving forward," Mr Harris said.

Redefining the relationships

As technology continues to disrupt the distribution landscape, how will it affect the relationship between insurers, brokers and other stakeholders?

It all depends on whether the insurers are building a product that competes against brokers or supports them, said Mr Harris. Nonetheless, the advancements in technology in insurance aim to ease the experience for customers so that they are perfectly capable of running purchases all on their own, in other words, "eliminating any third party in the transaction", he noted.

He added: "The majority of stakeholders do welcome the advancement of technology to the distribution landscape as it becomes easier for firms to trade cross-border, introduces a smoother service among all participants, and strengthens policyholder protection."

By harmonising the digital and physical touchpoints, insurers will be able to transform themselves into trusted partners, while brokers will evolve as extensions of the digital value chain and will be equipped with tools to enhance collaboration and deepen customer engagements, said Mr Baid.

"It is quite likely that the relationship between intermediaries and insurers will become more strategic and innovative. For example, intermediaries may help insurers customise products across specific channels based on their insights of the consumer market, or leverage collaboration tools to seamlessly enable and drive operation-

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al efficiencies across the value chain,” Mr Baid said. In addition, disruptors such as InsurTechs, particularly online aggregators, will play a vital role in enabling the insurance ecosystem to evolve further.

Mrs El Khoury said brokers are now learning to adapt and implement the most advanced technologies to suit their clients and therefore provide risk management consulting accordingly. “Client satisfaction is key, and clients should be provided with tailored solutions that fit their risk profiles, which probably means harnessing advanced analytical technology to deeply understand the clients’ businesses.”

As risks evolve, “so must we and we must understand the modern risk landscape and learn to assess it with confidence. Then we can adapt our business models and the products to deliver the right tailor-made benefits”, she suggested.

Evolving role of brokers

Currently insurance brokers form a significant part in the Middle East distribution landscape, where they play an important role in guiding customers through the entire insurance process – from exploring insurance policies and comparing quotes, to the subsequent purchasing process, followed by maintaining coverage over time.

In addition, brokers work with insurers and clients to ensure claims are processed fairly.

However, the impact of rising demands from a new generation of customers, coupled with the entrance of new digital players and emergence

of new products and pricing, is driving brokers to re-think the existing operating model to remain competitive in the future, Mr Harris noted.

According to Mr Jain, the advent of blockchain technology is also expected to re-define the role of brokers, “the way how we know and see it currently”. The upcoming challenges mean re-configuration of their contribution and value addition. Brokers would need to identify the lines of business where they can add most value (eg, employee benefits), while looking carefully into the business lines where their role might become less relevant going forward (eg, marine or motor retail), he noted.

The broker channel will remain fundamental to the insurance industry and technology will increasingly expand opportunities in the sector rather than replace the broker channel entirely, said Mr Harris. Experience shows that customers still prefer the human touch versus a full-automated and technology-led process, he said. According to global data published by Accenture, two thirds of general insurance holders consider switching their broker if they can find a more personalised service elsewhere.

Brokers will continue to play a critical role within the commercial lines side of insurance with many organisations preferring to route and transact insurance businesses through them, said Mr Harris.

Agreeing, Mrs El Khoury said that “strategic advice, risk management and negotiations on larger accounts cannot be controlled by technology or codes and algorithms, they instead

depend on human and social qualities and cannot be replaced by technology”.

Preparing for the future

Without doubt, the digital era has already set certain must-have expectations for customers in terms of the ease and convenience of digital transactions.

The ongoing disruption in the insurance industry is not restricted to any particular line of business. Motor, health, life, and P&C lines – all are being impacted to some degree, said Mr Jain.

Similarly, it is not restricted to any specific component or function within the insurance value chain. “Seeking professional help from global specialists and subject matter experts can help overcome these challenges in a timely fashion,” he said.

Given the sizable presence of foreign insurers, Mr Baid said leading global insurers operating in the region have the potential to leverage their experience and use technology disruptively based on their extensive exposure, which in turn will lead to more innovative offerings and superior buyer experience.

In an age when the demand for insurance remains low and market remains competitive, it is vital that insurers and intermediaries ensure they are aware of where the industry is headed next. Naturally, distribution will play a key role in the industry’s future, and businesses that respond to the challenges quickly, innovatively and decisively shall be the ones that will emerge as the new industry leaders. ■



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