Insurance POST

Blog: Insurtechs won't eat your lunch, but they will pull up a seat at the table

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Increased collaboration means insurers no longer need to worry about insurtechs taking their market share but Laura Drabik, chief evangelist at Guidewire Software, explains this integration must be done correctly or the market will face unhappy customers and potential vulnerabilities to cyber attacks.

The growth of the **insurtech** market continued at a furious pace in 2019 and does not look like it is slowing down. Figures from **Deloitte** suggested it will be the fourth highest year for investment recorded. Moreover, much of this investment is now being channelled into more mature, later stage offerings.

Which begs the question, is 2020 going to be the year that insurers finally get upended by more agile, digitally native rivals? The answer, it would seem, is no.

That does not mean it is time for insurers to celebrate, however. The reason insurtechs pose less of a threat now than they did previously is because of the level of collaboration between the two. As the market has developed, the propensity of insurers and insurtechs to work together, or for insurers to invest in insurtechs, has been higher than some may have expected.

Cooperation makes sense. If you look at the high-profile insurtech failures of the last year or so, many of them have a common theme: scale. This is something that is not an issue, on the whole, for insurers. Yet insurers find themselves plagued by the problems of building and spinning up new services and offerings to meet customer expectations in a digitally mature world. In this regard, insurtechs offer digital first customer experiences and capabilities that are not hampered by legacy systems.

So, what is to be expected from the integration of insurers and insurtechs? The continued development of real time messaging will be one key area. Miscommunication is still a major issue in the claims process. Real time communication between the insured, agents and adjusters could help keep customers connected to their claim details, updates and transactions.

The forthcoming explosion in Internet of Things devices is another major opportunity for insurtechs looking to partner with insurers. By the end of 2020, **forecasts suggest** there could be over 40 billion devices in use globally. While insurers have only flirted with the IoT opportunity so far, 2020 ought to be a year of advancement as now these devices are supported by the high-speed networks — 5G and wi-fi 6 — that they need to reliably carry data. The big opportunity here is for insurers and insurtechs that can leverage IoT to create entirely new services and revenue streams that go beyond risk coverage and move to proactive risk prevention. It is always better to know about the leaking pipe before it bursts and the industry needs to tackle this head on.

The integration of insurers and insurtechs marks an exciting era for insurance as it sets out to tackle some of the major challenges facing it. But focusing on integration is key. For insurers working with insurtechs, maintaining application program interfaces integrations between insurtech offerings and their core systems is crucial. Get it wrong and it will be disaster; no benefit from the partnership, scores of unhappy customers, and worse still, potential vulnerabilities in their systems that could be exploited in a **cyber attack** – a guaranteed reputational and financial nightmare for any insurer.

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