

Insuretech – opportunities and challenges

The insurance industry is being transformed by new technology. Business models are being re-written as key elements of the distribution and reporting chain - including processing, products and customer experience – are improved with the use of digital solutions. Will Lanyon reports on the latest developments from the front line.



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The insurance industry is in a state of flux, as new entrants transform all aspects of the sector through the use of digital technology. New entrants are often at the forefront of this innovation, prompting significant investment into the sector (and tech-enabled companies, in particular), with the UK market receiving its fair share of new funding over the past couple of years. This influx of start-ups has created a number of emerging trends, tensions and challenges, including the following:

Start-ups vs incumbents

Start-ups are generally acting as MGAs, using a delegated authority model to obtain capacity from incumbent insurance intermediaries. Healthy relationships and good Terms of Business Agreements (see our article on TOBAs on page 2 of this publication) are therefore vital in allowing the new entrants to actually provide insurance.

Challenges: How can incumbents get new products to market while retaining a business model that continues to rely on old style relationships and contracts?

New technology vs old technology

Whilst the insurance market is no stranger to new technology, many of the systems that are currently prevalent are to a certain extent behind the times and not always easy to use. Companies are looking to update and find new ways to process and provide information to allow them to get a competitive edge, as well as to provide better customer service.

Challenges: Integrating your new processes with legacy systems used by insurers.

Tech entrepreneur's vs regulation

Whether you act as an appointed representative of an insurance broker or become regulated yourself, there are certain rules and procedures that can affect what you can do. From making sure that you follow client money rules to meeting the minimum solvency requirements, keeping away from the sharp end of regulatory scrutiny will enable you to run the business efficiently.

Challenges: Making sure that your company is structured properly to allow debt to be brought into the group and still meet the solvency requirements.

Fast growth vs governance

New companies often want to grow rapidly - and this may require ambitious staff to develop new products or launch in new markets on a punishing schedule. This can lead to issues especially where staff are more focussed on sales or technology to the detriment of the back office services required to run the company (including legal and regulatory issues).

Challenges: How might important stakeholders, such as regulators and insurers, look at your product? What does good governance look like in the sector and which systems/procedures work best?

We understand the issues that insuretech businesses face and can provide a range of services to help those companies. Please get in touch to discuss your specific requirements.