

Explained: How technology can help make buying insurance easier

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Digital technology can help insurance companies to underwrite risk effectively by using Big Data collected from customers from multiple sources.

Wearables can not only track your health and fitness, but can also play a crucial role in deciding your health and life insurance premium. Similarly, telematics can not only provide real-time navigation and vehicle tracking, but can also help lower your car insurance premium if you drive carefully and drive during off-peak hours. And even Internet of Things (IoT) devices and Artificial Intelligence (AI) can give early signals in fraud detection cases.

Digital technology can help insurance companies to underwrite risk effectively by using Big Data collected from customers from multiple sources. The working group of Insurance Regulatory and Development Authority of India (Irdai) set up to examine innovations in insurance involving wearable/portable devices in its report has underlined that the use of technology has an impact on product design and the efficacy of inclusive insurance delivery. Product and benefit offering could be directly linked to the performance and progress of the individual's health score.

Technology in insurance

In life insurance, health information forms a critical part of risk assessment. A person's health indicators, such as heart rate, exercise habits, blood pressure and other information obtained from wearable devices can be used to determine the health and fitness of the insured. These metrics can greatly aid in the assessment of life insurance risk. "Insurers could develop framework/models using wearable data throughout the life cycle of the insured to not only build attractive product propositions but also to monitor experience throughout the policy term," the report underlines.

Moreover, digital technology can extend the reach of life, annuities and pension coverage into largely untapped areas such as the younger and lower income segments by reducing costs. Behavioural analytics can help insurers gain a deeper understanding of behavioural trends, customary aspects and habits of individuals. This can help in customised solutions and better real-time and fast-track customer services.

In health insurance, the usage of wearables data can be critical. At present, insurers have access to a point-in-time data through medical tests or self-disclosures, which are often not adequate for risk assessment on an ongoing basis. The lack of electronic

health records or any other common repository of health data makes the process of risk assessment challenging. Product and benefit offering could be directly linked to the performance and progress of the individual's health score. Pricing could also be based on the consistency of the health score during the term of the policy based on pre-fixed health metric.

Hassle-free insurance

From purchasing a policy to raising a claim, the process is time-consuming and paper-intensive. Technology can address these concerns and make the customer experience very smooth and hassle-free. IoT and AI will help detect fraudulent claims and triggers indicating frauds can be identified. This, the report explains, would reduce the liability of the insurer and the benefit can be passed on to the customers through lower premiums.

For instance, past claims data for all vehicles and flagging of total loss/theft of vehicles is available with Insurance Information Bureau. "It may become possible to acquire this data through a web integration in order to identify fraud proposals which come for underwriting, in terms of wrong non-claim bonus declaration or proposal for a vehicle which has previously been claimed for total loss," the report says.

Risks and regulatory framework

The trends in technology have many potential benefits that align with supervisory objectives. While digital distribution can help make insurance more affordable, there are some risks, too. For instance, risk pool may shrink as advanced analytics may render some segments of the markets commercially uninsurable. This could give rise to price discrimination and could impact low-income customers.

Reliance on AI, according to the report, may reduce the transparency of some decisions and limit the depth to which even the executive management grasps how the business operates. Regulators will need to consider the standards of the devices and