

THE END OF INSURANCE AS WE KNOW IT

Rob Galbraith, CPCU, CLU, ChFC

Author & Insurance Futurist

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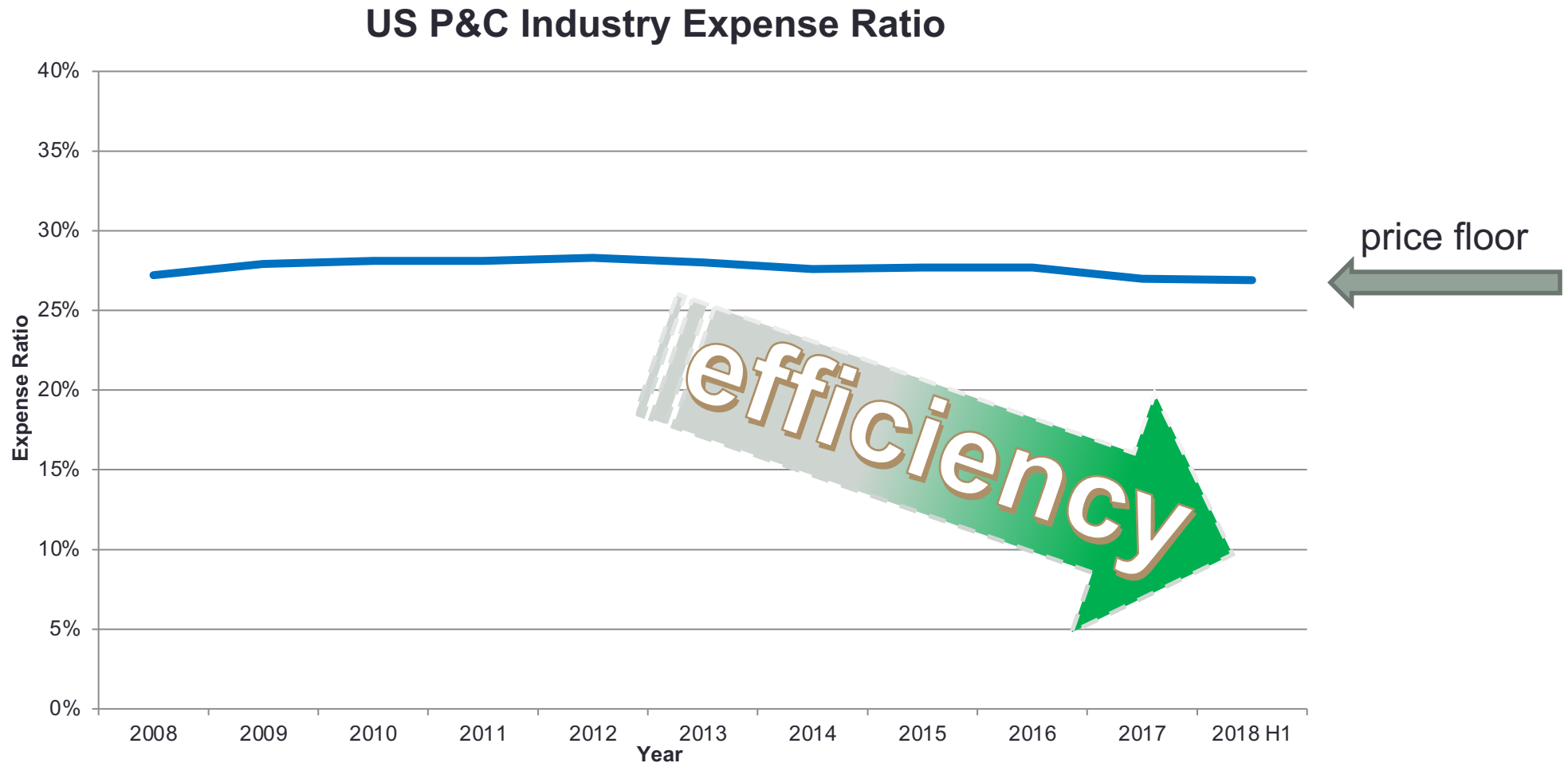
Agenda

1. Thoughts on digital transformation in the insurance industry
2. Challenges and opportunities in the insurance industry
3. Insurance agents and insurtech: friends or foes?
4. Insurance industry's rivals in the following decade

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"Massive, unloved and unspoiled by innovation"



Source: National Association of Insurance Commissioners (NAIC)

The gate agent problem



Technological changes: think SCALED

Steaming data from sensors

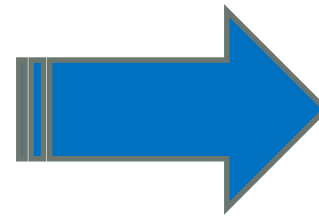
Cloud computing

Algorithms and AI

Localized knowledge

Efficiencies in operations

Digital distribution and assets



Agility

The only constant is change, so agility must be #1 priority

New technologies are solving old problems



- Telematics
- Internet of Things (IoT)
- Remote sensing, aerial imagery & smart phones
- Artificial intelligence (AI)



- Platforms & ecosystems
- Parametric solutions
- Blockchain / DLT
- User reviews



- Digital marketing
- Chatbots
- Embedded insurance

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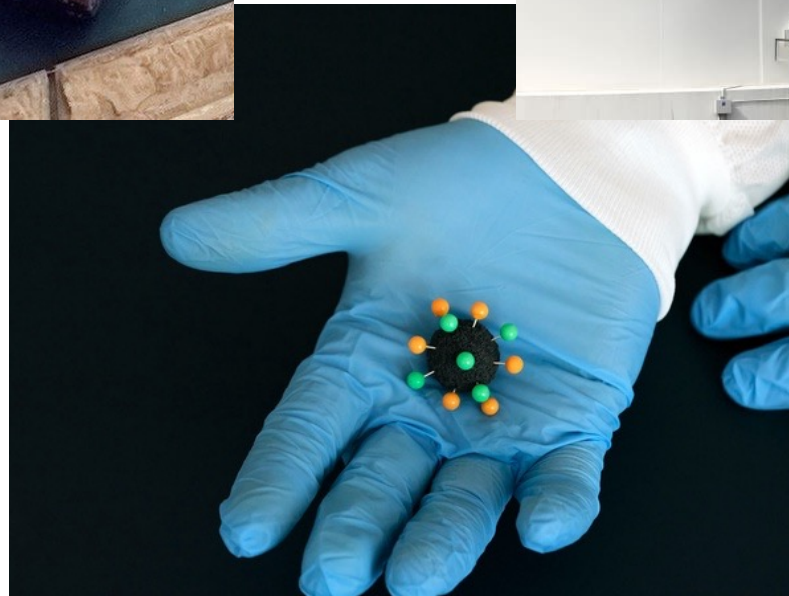
What's not changing: the demand for insurance



Credit: Maxxar Technologies



Credit: Luke Sharrett | Bloomberg | Getty Images



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The 7 fatal flaws of insurance

1. Too expensive
2. Too confusing
3. Too easy to game the system
4. Cash drain
5. Doesn't cover all causes of loss
6. Doesn't cover everything
7. Doesn't cover everyone

What are the barriers to innovation?

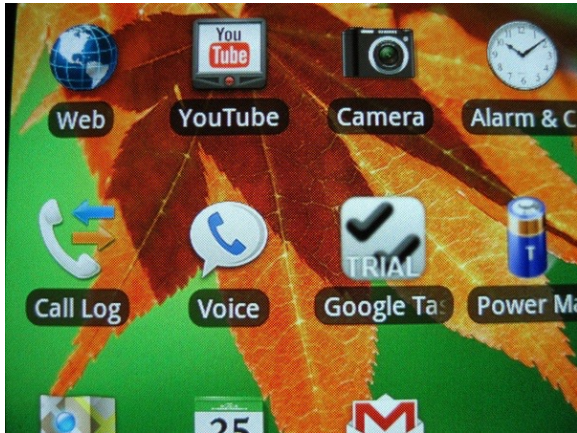
Short answer: insurance is **complicated!**

- *Insurance is a financial instrument and legal contract all rolled into one*
- *Carriers do not know “true” cost of goods sold until after product is sold*

Common reasons cited based on survey of experts:

- Complexity
- Capital requirements
- Regulation / regulatory environment
- Low return on equity
- Insurance consumers
- Need for trust

The 4 most common mistakes in innovation



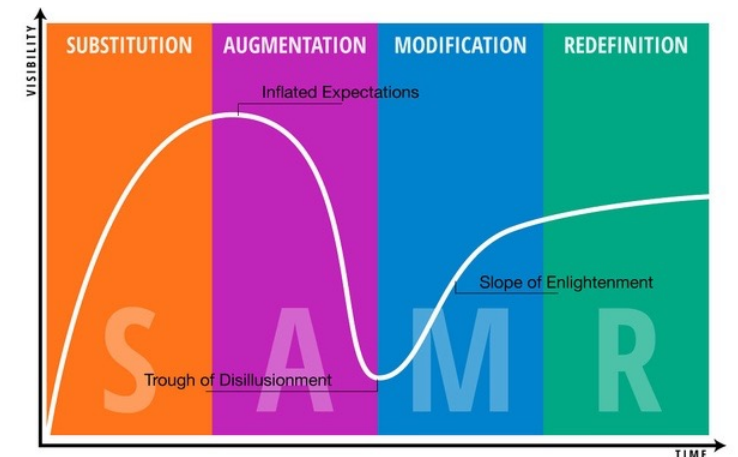
Fear Of Missing Out



Sprinkle Strategy



Pet Projects



Hype Cycle

Offensive vs. defensive innovation

Offensive innovation

- Potentially “game changing”
- Provides competitive advantage
- Stretches your organization
- Requires vision & dedication
- Makes people uncomfortable
- High risk vs. high rewards
- Needs disciplined process with focus on experimentation

Defensive innovation

- Incremental / adjacent possible
- Avoid falling behind
- Less risky & reward is clearer
- Ideally should be “quick wins”
- Led by subject matter experts
- Look to reap benefits that can “fund” riskier initiatives
- Allows you to “earn your keep”

Top-down vs. bottom-up innovation

Top-down innovation

- Use for “Henry Ford” innovation
- Involves more C-suite direction
- Must haves:
 - Clear learning objectives
 - Accountability
 - Protection of resources
 - Safety to speak up
 - Cognitive diversity
- Target small success, then scale

Bottom-up innovation

Support for “intrapreneurship”
Solicit ideas from everyone
Product and process focus
Encourage business challenges
Set up “feedback as a feature”
Foster “ownership mentality”
Hold hack-a-thons & other events
Provide tangible rewards

Talent recruitment & retention



The race to hire millennial talent is on, and the insurance industry needs to participate

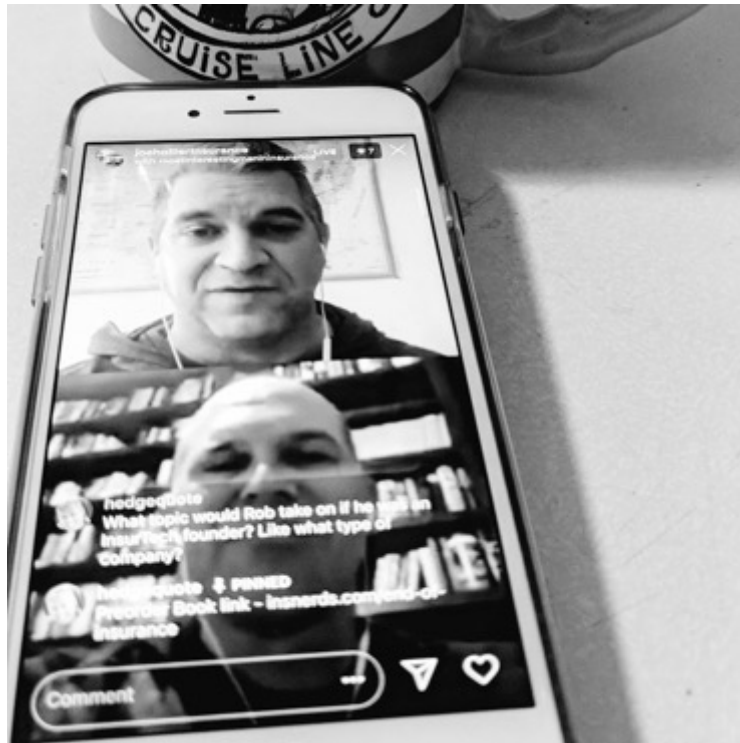
What is your experience working with young people?

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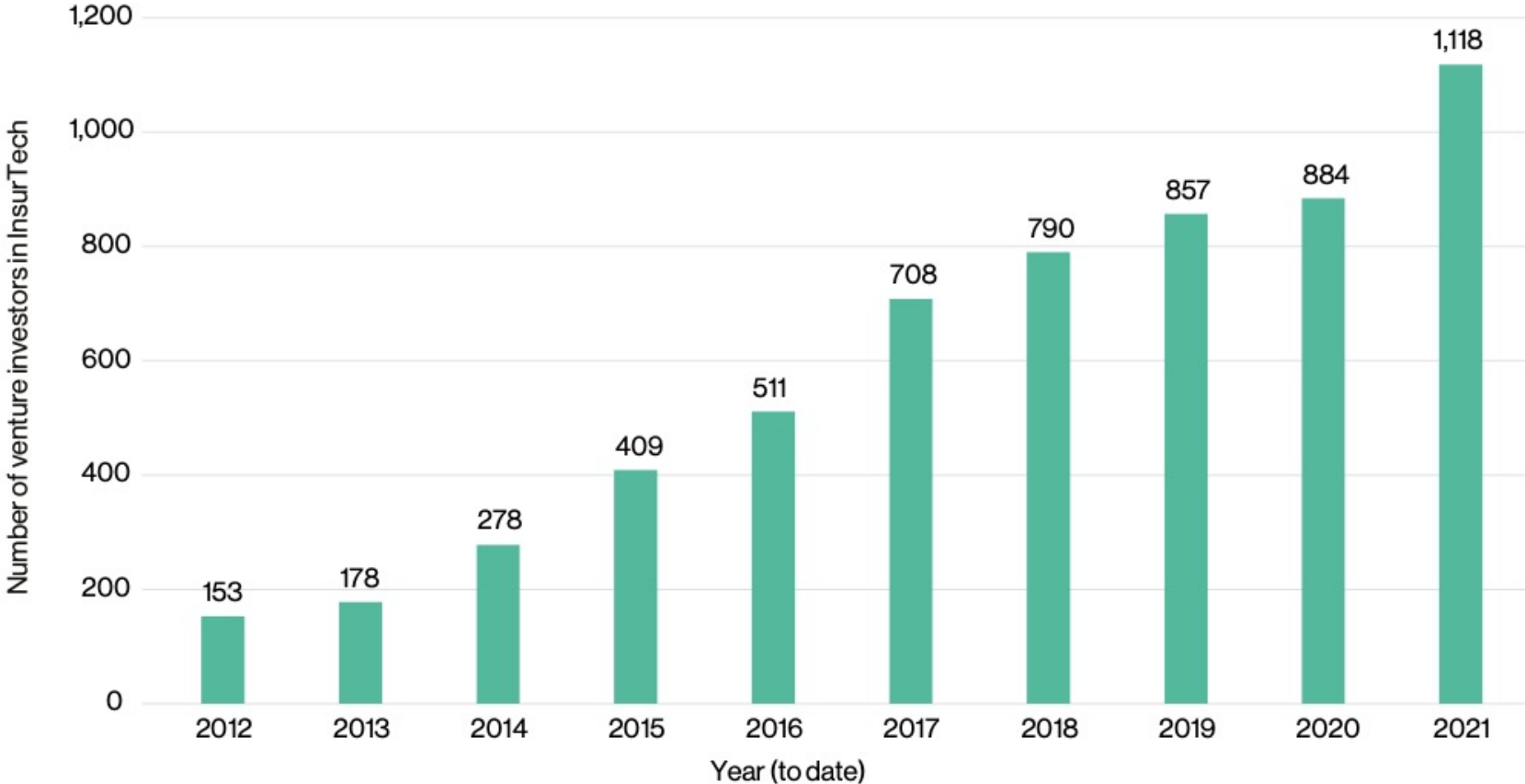
Why is insurtech happening now?

Unparalleled convergence of emerging tech, youthful talent & investment capital



Growth in insurtech investors

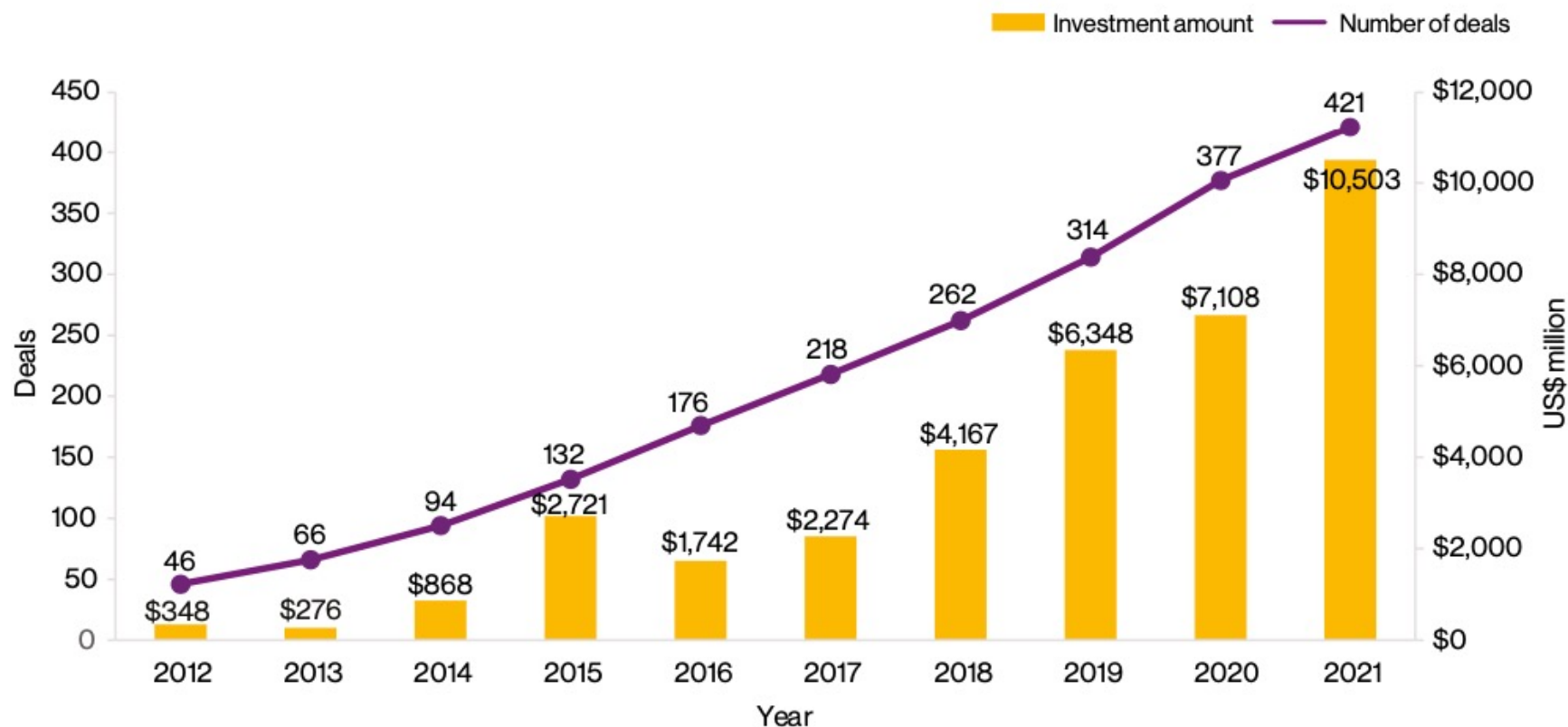
Figure 5: **Venture investors in InsurTech**



**Investors may have participated in multiple deals in a given year, but will only be counted once in the data we will present in Figure 5

Insurtech funding trends since 2012

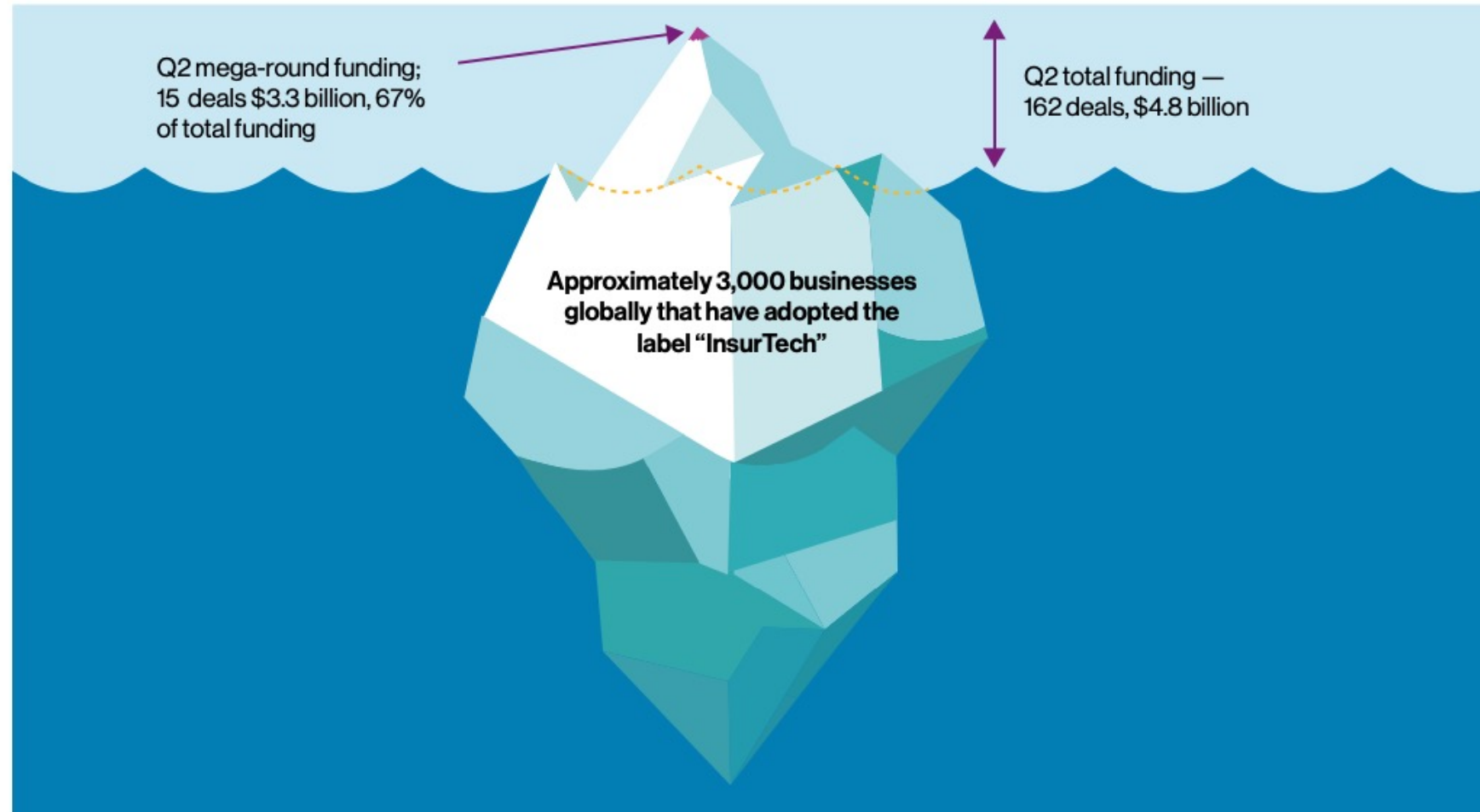
Figure 3: Annual InsurTech funding trends, including transaction volume and dollar amount, 2012 – Q3 2021



The volume of investment capital in the first three quarters of 2021 has surpassed the \$10 billion mark for the first time in a single year in InsurTech investment history.

Growth and maturity of insurtech startups

The vast majority of the InsurTech investment in 2021 Q2 was concentrated into a small number of companies.



Insurtech: friends or foes?

Goal of insurtech startups based on McKinsey & Company survey

- Enabling existing value chain
- Disintermediation in the value chain
- Fundamentally disrupt value chain

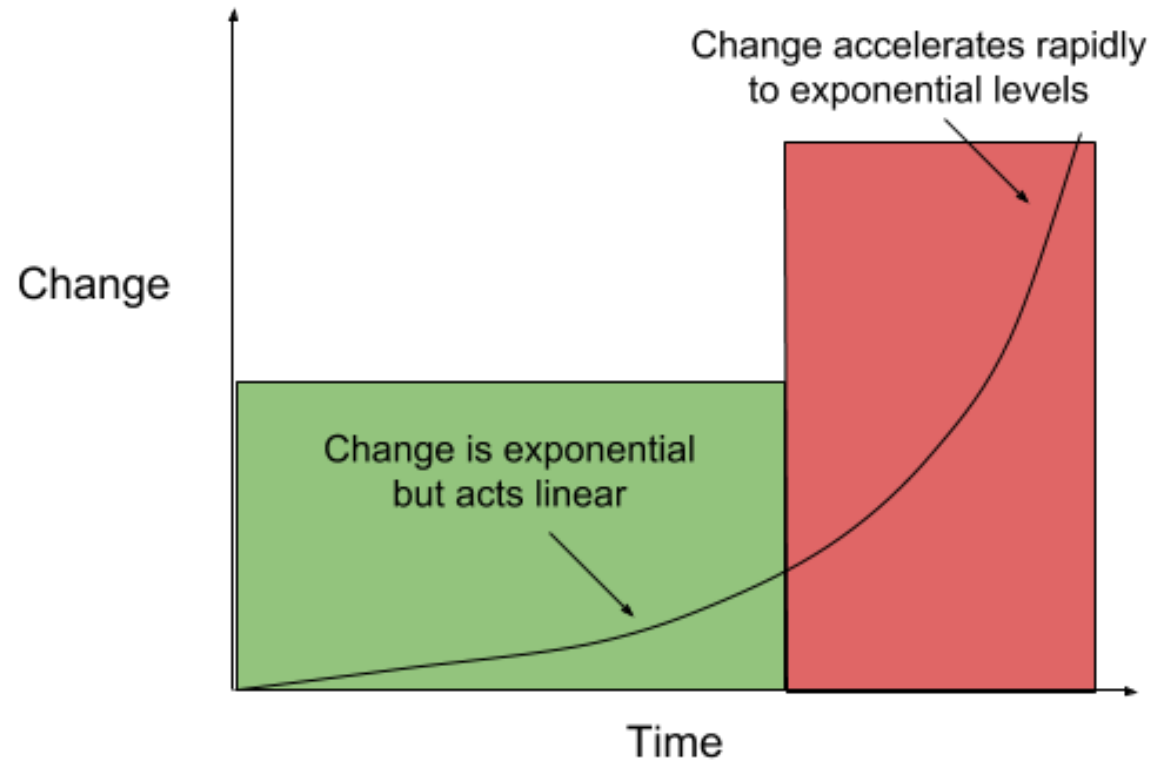


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The mindset shift that must occur

- We live in a world of accelerating change
- Our mindset is linear, but needs to be exponential
- Incremental change is no longer sufficient to effectively compete



Technological trends – past & future

- 1970s – mainframe computing
- 1980s – personal computing
- 1990s – the Internet and e-commerce
- 2000s – mobile computing and nanotechnology
- 2010s – cloud computing and the Internet of Things (IoT)
- **2020s – decentralized finance (DeFi)? non-fungible tokens (NFT)?**

Key unknown: how society shapes tech and vice versa

“Software eats the world” mindset – continued merging of online and offline

What has changed since the pandemic began?

- Overnight we went from relative stability to global stress
- What was considered “nice to have” is now a necessity
- Firms largely succeeded in pivoting in the short term
- Some innovation efforts delayed while others accelerated
- Challenge: capture “cognitive diversity” doing remote work

True innovation springs from necessity, not abundance

Who will determine the future of insurance?

The
Economist

Run for cover

The future of insurance is happening
without insurance firms

*The industry's plodding giants face mounting threats from restless reinsurers
and Big Tech*

Bottom line: *If incumbents do not adapt and shape the future of insurance, others will.*

Insurance is an ideal product for our digital age

Discussion Q&A

Contact info for Rob:

- Email: rob@endofinsurance.com
- WhatsApp: +12109135275



@robgalb



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