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WEATHERING HURRICANE COVID

Where the insurance industry used to plan six to 12 months ahead, now we're struggling for visibility beyond a few weeks.

If the pandemic has shown us anything, it's that forecasting in times like these is difficult. We have no idea what the ultimate impact of this pandemic will be on our businesses, our industries and our economy.

Claims patterns have been disrupted. The way people view insurance has changed – probably forever. For insurers to weather the storm, we're going to have to get smarter about how we respond to the changing needs of our clients, and how we use data and technology to build resilience and efficiency into our operations.

It's not quite back to basics, but it is all about simplicity, and making sure the foundations under our feet are firm enough to ride out the Covid hurricane.

Everybody wants to protect themselves

The pandemic has made many question how prepared they really are for a crisis, and has given many consumers a new perspective on the importance of insurance in their lives.

In insurance terms, risk is the chance that something unexpected can happen and cause loss of or damage to valuable property and belongings, or injury to someone.

Impacted by Covid, consumers are trying to understand exactly what their risks are, how they can reduce the likelihood of these risks occurring, and how they can reduce the impact if they do occur.

What they need right now is to find the right insurance partner. An insurer that makes sense, is affordable, one they can trust, and speaks to their personal needs. The challenge for insurers in 2021 is to create products and services that are relevant and affordable for clients, who have been battered by the financial fallout of this disaster. We have to focus on what consumers need, what's affordable, and how quickly we can take a feasible product to market.

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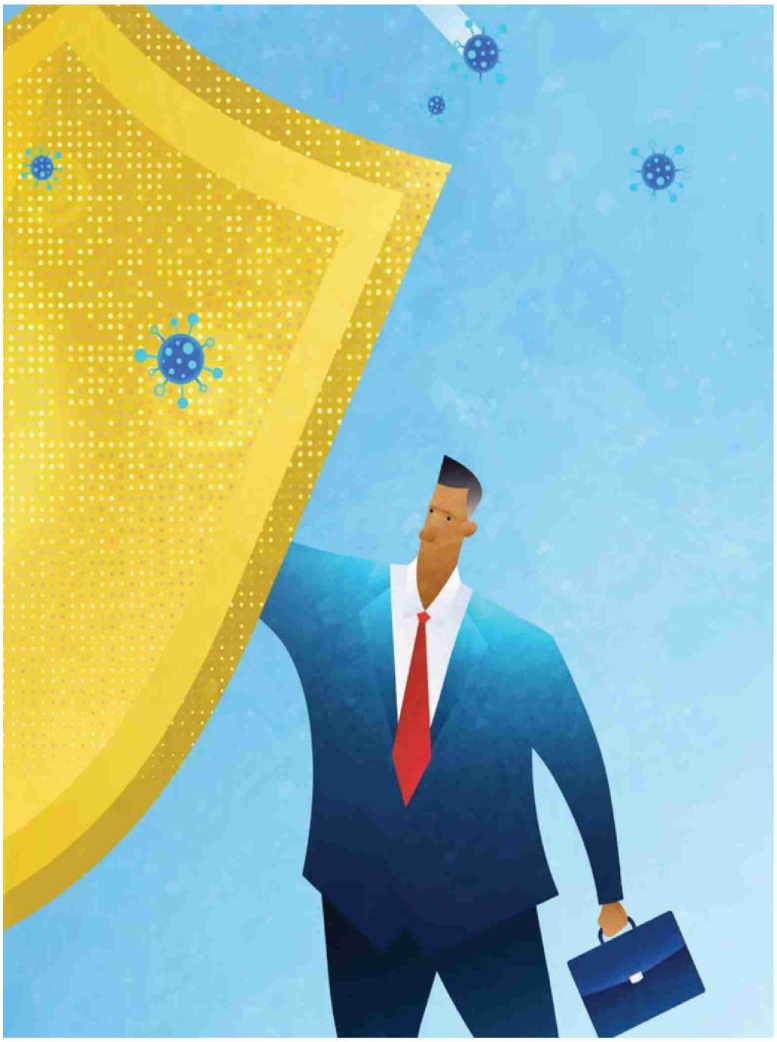

> "The challenge for insurers in 2021 is to create products and services that are relevant and affordable for clients."

Usage-based insurance is taking off

Usage-based insurance is probably the hottest trend in the global insurance industry right now. In the US, companies like the San Francisco-based Metromile offer pay-per-mile insurance and a driving app, while Slice is growing market share in the US and Canada for a range of pay-as-you-use short-term insurance products.

'Pay per k' insurance in South Africa is nothing new, but during lockdown it suddenly became more relevant than ever. With car usage in South Africa down 30% since the pandemic struck, clients simply don't want to pay full insurance premiums for assets that are standing idle for most of the time.

We have seen a growing number of insurers bringing usage-based products to market, including King Price's Chilli, which bases premiums on the number of kilometres that clients drive per month. This year, as insurers look to stay relevant, we can expect more products designed specifically for our time.

Customers drive disruption

There's no doubt that the traditional insurance industry is ripe for serious disruption, and data-driven tech is providing the perfect conditions. For insurers, the ability to analyse data better enables us to determine risk to a point of near-perfection. This essentially results in more accurate and fair premiums for our clients, which in turn means that lower-risk clients will pay less to cover their risks. This is something every insurance client in the world wants.

What they also want, though, is simple products tailored to their needs, a slick customer experience, and digital distribution channels. Probably the single biggest trend that tech has unlocked in the insurance industry is the fact that insurers can now compete on the basis of a differentiated customer experience. Technologies like AI, user-friendly apps, and chatbots are driving a range of digital-first, human-friendly services that are tailored to the exact needs of clients. We're going to see more focus on this in the coming year.

Organic growth will only take you so far

To call the local short-term insurance market highly competitive is an understatement. While tech is making it easier for more South Africans to access insurance, the market remains cut-throat, with the same clients chopping and changing to save a few rands every month. There are certainly ways to stand out in this market, but it's important to be open to acquisitions and alliances that can take the business forward.

In a nutshell

Consumers are more aware of their risks, but insurers need to understand consumers' needs better, and use technology to offer them the service they're demanding. If they do that, chances are they'll weather 2021. If not, a long and dark road awaits.

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