

INTERSECTIONS

Where **Financial Institutions** and the **Investment / Insurance** Industries meet

Sixteenth Edition

*Does Fintech + Insurtech = **BancInsurTech**?*

It is very surprising that while the two worlds of Fintech and Insurtech continue to explode, individually gaining billions of dollars of capital, there have been few, if any attempts to marry the Fintech and Insurtech worlds. Many people consider Insurtech a subset of Fintech but that does not change the fact that the solutions offered seem to develop separately; many having to do with banking ecommerce, loyalty, credit scoring, and lending on the Fintech side while Insurtech concentrates on P&C, Life and Health insurance. There are benefits to enhancing the customer experience of purchasing insurance through a financial institution; be it bank or credit union, if the two combine forces.

When I first started leading bank insurance divisions many years ago, I had a vision -- to change the industry by inventing new ways of distributing insurance more easily and less expensively to consumers given the wealth of information that banks have about their clients.

As the distribution of insurance through banks was in its infancy, we thought we would be able “tabula rasa” the distribution, be innovative and anticipate what the customer experience might look like. We decided that having total personalization and a holistic approach would be a step in the right direction. One of our first attempts was Elastic Band Bancassurance or Ebb. Ebb would allow the banking client, whether business or individual, to have on-demand life and P&C insurance exactly when they needed it, in the amount needed and only when desired. Ebb, of course, also refers to the flowing back of the tide from high to low water or the period in which this takes place, so we thought it an appropriate acronym for insurance that ebbs and flows based on changing circumstances.

As we would only be dealing with bank customers, our idea was that every customer could be pre-assigned an amount of life insurance and P&C coverage based on our thorough knowledge of the customer needs at the point of purchase with some level of change factored in. It would be analogous to a line of credit, where customers would draw down what they needed, when they needed it and pay only for the amount used. Clients could access the amount necessary online up to the maximum underwritten and pay weekly, monthly or annually via e-check or payment method of their choice. When their needs changed, if they had not accessed the entire amount initially underwritten, they simply added it themselves or conversely reapplied for additional coverage online.

If we could link the bank analytics to the underwriters’ criteria, a more convenient, less expensive and unique option for the insured would emerge. Unfortunately, big data analytics was not easily available, so while the idea of Ebb was exciting, the technical, regulatory, cultural and educational challenges at the time meant we had to shelve the idea and create insurance revenue the old- fashioned way. We were working with very traditional carriers that were just wrapping their heads around bank distribution of insurance, so Ebb had a brief moment in the sun and then unceremoniously buried at sea.

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Given the accelerating digitalization of our world, it is time to revisit the Ebb idea. In reviewing the participants at the recent Digital Insurance Show in Barcelona and the KPMG/H2Ventures, [2016 Leading 100 Global Fintech Innovators](#) we could make our original vision of Ebb a reality and improve its functionality considerably. However, just when I started to get excited, I was hit with yet another splash of cold seawater. Out of the total leading 100 Global Fintech innovators, there are only 24 Fintech companies that are domiciled in the USA, 12 companies that focus on insurance and only three including Lemonade can be considered disrupters. Most are enablers of the existing system making it faster, more efficient and providing convenience for the consumer focusing on payments, loyalty and ecommerce.

On the broad Insurtech front, over 1,000 startup companies have more than \$2.6 billion of capital invested and it is increasing every day. The use of artificial intelligence (AI) is a revolution. Learning algorithms, whose results improve with experience, enable insurers to find patterns in large data sets and make predictions more effectively — about people, processes and entire systems, exactly what we needed and did not have to make Ebb work. Insurtech appears to be concentrating their efforts on five broad opportunities for customers:

Awareness
Offers of Choice
Purchase and/or Support
Internet of Things
P2P companies

A UK startup accelerator, [Startupbootcamp Insurtech boasts](#) Munich Re, Swiss Re, Alliance, Zurich and others as collaborators with small companies to help drive innovation in the insurance industry more quickly. Their processes are very transparent. It will be fun to watch as they try to break down the indomitable insurance silos.

Amazing substantive changes in the customer experience are going on, but with all this creativity, the solutions still appear to be developed in silos; Healthcare, P&C and Life. I have yet to find an umbrella for all three but as the Fintech and Insurtech lines continue to develop, I am hopeful that it is only a matter of time.

More than likely, it will be a retailer or disrupter with foresight and a passion for personalization that will marry the Fintech and Insurtech world. I am holding on to my vision that Ebb can easily become a reality in the 21st century and a part of a seamless BancInsurTech portfolio of products and services.

What do you think? Let me know!



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