
Pakistan
Fintech
Network
1ST Pakistan Insurtech Summit
Pakistan's 1st Insurtech Summit
#PIS2023

Theme: Insurtech Accelerate:

Unleashing the Power of Technological Innovation in Pakistan's Insurance Industry

1. Insurance Industry in Pakistan:

The insurance industry in Pakistan has witnessed significant growth and development in recent years. It plays a crucial role in mitigating risks, promoting financial stability, and supporting economic growth. The regulatory authority for insurance in the country is the Securities and Exchange Commission of Pakistan (SECP).

a. Market Size and Penetration:

The insurance industry in Pakistan has been growing steadily, albeit from a relatively low base. According to the latest available data, the insurance penetration rate (premiums as a percentage of GDP) in Pakistan stood at around 0.85% in 2020. The total gross written premiums reached PKR 288 billion (approximately USD 1.8 billion) in the same year.

b. Types of Insurance:

The insurance sector in Pakistan covers various types of insurance, including life insurance, general insurance (property and casualty), health insurance, and takaful (Islamic insurance). Life insurance dominates the market, accounting for a significant portion of the total premiums.

c. Market Players:

The insurance industry in Pakistan consists of both public and private sector players. There are several insurance companies operating in the country, including State Life Insurance Corporation of Pakistan (the largest life insurer), EFU Life Assurance Ltd., Jubilee Life Insurance Company Ltd., Adamjee General, EFU General, Salaam Takaful among others.

2. Insurtech Landscape in Pakistan:

Introduction

Insurtech, a combination of "insurance" and "technology," refers to the integration of innovative technologies within the insurance sector to enhance efficiency, customer experience, and product offerings.

In Pakistan, Insurtech is still in its early stages but has been gaining traction in recent years. Technological advancements and increased digitalization have created opportunities for Insurtech startups and traditional insurance companies to innovate and provide more efficient and customer-centric services.

a. Digital Transformation:

Insurance companies in Pakistan are increasingly adopting digital technologies to acquire new customers, streamline their operations, improve customer experience, and enhance underwriting and claims processes. Digital platforms and mobile apps are being used to facilitate policy purchases, renewals, and claims settlements.

b. Online Aggregators:

Online insurance aggregators in Pakistan are allowing consumers to compare and purchase insurance policies from multiple providers on a single platform. These aggregators provide transparency and convenience to customers, helping them make informed decisions.

c. Insurtech Startups:

There has been an arrival of a number of Insurtech startups focusing on various aspects of the insurance value chain. These startups leverage technologies such as artificial intelligence (AI), data analytics, and blockchain to offer innovative insurance products, improve risk assessment, and streamline claims processes.

d. Regulatory Framework:

The SECP has recognized the importance of fostering innovation in the insurance sector and has introduced regulatory initiatives to support Insurtech development. The regulatory sandbox framework allows Insurtech startups to test their innovative products and services in a controlled environment. The regulator (SECP) and the government also have a significant role to play in creating an enabling environment to increase insurance penetration in Pakistan.

According to State Bank of Pakistan report, in 2021, insurance premiums for both the life and non-life sectors increased following a resumption of economic activities. Gross premiums for life registered a significant jump due to a doubling of group premiums as the national health insurance program expanded. With more health insurance policies being underwritten, claims for life also increased resulting in an overall increasing claims ratio. Nevertheless, the life sector posted higher profits on the back of an increase in premiums.

According to the SECP, in Pakistan's insurance landscape, technology primarily finds its role in distribution. This involves the use of Point of Sales systems in bancassurance, mobile apps, and websites by insurers and partners. These platforms serve purposes like information dissemination, customer engagement, insurance sales, and online comparisons. Insurers operate their own online sales platforms, offering initial protection-focused products, and also collaborate with third-party digital platforms such as banks, mobile operators, aggregators, and Insurtech companies.

However, the full extent of technology's impact on insurance growth is yet to fully materialize. Presently, only 27 online insurance products have been registered with the SECP under Section 13 of the Insurance Ordinance, 2000, following the "file and use" procedure. Additionally, technology remains largely untapped in other insurance domains like innovative tech-based products, automated underwriting, policy administration, claims processing, and payments.

The SECP has also announced (2021) the plan for a registration system for digital-only insurance and microinsurance. This move seeks to enhance competition, diversify products, improve customer experiences, and boost financial inclusion. These changes have been incorporated through amendments to the Insurance Rules, 2017. The framework requires the digital-only insurer to develop digital claim lodging and payment process since inception of operations, whilst demonstrating through implementation plan towards complete transition to digitalize claims processing comprising of claim intimation, claims assessment and payment.

The next 10 years in Insurtech & Challenges for Insurance Industry in Pakistan

Despite the progress made, there are still challenges and opportunities for the Insurtech and insurance industry in Pakistan. These include;

a. Awareness and Trust:

Increasing awareness about insurance and building trust among consumers remain key challenges. Education campaigns and efforts to enhance transparency can help overcome these barriers and encourage more people to avail insurance products.

b. Regulatory Environment:

While the regulatory environment is evolving, there is a need for further regulatory reforms to encourage innovation, protect consumer interests, and ensure cybersecurity in the digital insurance landscape.

c. Collaboration and Partnerships:

Collaboration between traditional insurance companies and Insurtech startups can foster innovation and drive growth. Partnerships with technology firms, data providers, and financial institutions can further accelerate the adoption of Insurtech solutions.

d. Inclusive Insurance and Financial Inclusion:

There is a significant opportunity to promote inclusive insurance and extend insurance coverage to underserved populations, contributing to financial inclusion and social welfare.

The Insurtech landscape in Pakistan is gradually evolving, driven by technological advancements, regulatory support, and changing consumer expectations. With continued efforts to promote innovation, collaboration, and awareness, the insurance industry in Pakistan has the potential to unlock new opportunities and deliver improved products and services to a broader customer base.

Insurtech disruption[1] has the potential to reshape the insurance landscape, challenging established business models and creating new opportunities. It involves the use of innovative technologies, such as artificial intelligence, big data analytics, machine learning, blockchain, and Internet of Things (IoT), to disrupt and revolutionize various aspects of insurance operations, customer experience, and product offerings.

Overall, Insurtech disruption represents a transformative force within the insurance industry, reshaping traditional practices, and unlocking new possibilities. While it presents challenges for established insurers, it also brings opportunities for innovation, improved customer experience, and enhanced efficiency, ultimately benefiting both insurers and policyholders.

Insurtech disruption has the potential to create a significant impact on the insurance industry in Pakistan. Some specific ways in which Insurtech has influenced the Pakistani insurance market are;

1. **Enhanced Customer Experience:** Insurtech solutions have improved the customer experience in the insurance industry. Digital platforms and mobile apps allow customers to research, compare, and purchase insurance policies conveniently. Online aggregators provide transparency and ease of policy comparison, empowering customers to make informed decisions. Additionally, digital claims processing and customer support tools have streamlined interactions, reducing response times and enhancing overall customer satisfaction.

2**. Increased Access to Insurance:** Insurtech can play a role in increasing access to insurance in Pakistan. Through digital channels, Insurtech startups and traditional insurance companies have been able to reach a broader customer base, including previously underserved populations. The use of technology has made insurance more accessible, convenient, and affordable, enabling more individuals and businesses to avail insurance coverage.

3. **Product Innovation:** Insurtech disruption can enable product innovation in the Pakistani insurance industry. Startups and traditional insurers are leveraging technology to introduce new types of insurance products and coverage options. This includes microinsurance solutions tailored for low-income individuals and small businesses, as well as parametric insurance policies that utilize real-time data for coverage determination. The introduction of innovative products helps address evolving customer needs and emerging risks.

[1] Insurtech disruption refers to the transformative impact of technology on the traditional insurance industry.

4. **Process Automation and Efficiency:** Insurtech solutions can be used to automate manual processes and improve operational efficiency within the Pakistani insurance industry. This includes digitizing policy administration, underwriting, and claims management processes. By leveraging artificial intelligence and data analytics, insurers can automate repetitive tasks, streamline workflows, reduce paperwork, and expedite policy issuance and claims settlement. This automation leads to cost savings, faster turnaround times, and improved efficiency for insurance providers.

5. **Risk Assessment and Pricing:** Insurtech disruption can be used to facilitate more accurate risk assessment and dynamic pricing models. By utilizing data from various sources, such as IoT devices, social media, and telematics, insurers can gather insights on customer behavior, lifestyle, and risk factors. This data-driven approach enables insurers to assess risks more accurately and tailor insurance premiums to individual policyholders' specific circumstances. Dynamic pricing models based on real-time data help ensure fair pricing and promote risk awareness among customers.

6**. Regulatory Framework and Support:** The regulatory framework in Pakistan has recognized the potential of Insurtech and has taken steps to support its development. The Securities and Exchange Commission of Pakistan (SECP) has introduced a regulatory sandbox framework that allows Insurtech startups to test their innovative products and services in a controlled environment. This supportive regulatory approach encourages innovation, fosters collaboration between traditional insurers and startups, and promotes the growth of Insurtech in Pakistan.

As mentioned earlier, in 2022, the Securities and Exchange Commission of Pakistan (SECP) launched a registration system for digital-only insurance providers and specialized micro insurers. This initiative aims to drive digitalization and enhance customer convenience by offering instant services. The framework mandates that digital-only insurers establish a digital process for lodging and processing claims from the outset of their operations. They are also required to showcase a transition plan for complete digitalization of claims procedures, encompassing claim notification, assessment, and payment.

PFN Insurtech Summit Panel Discussion 1: "Life Insurance in Transformation: Recipe for Next 10 Million Happy Customers"

- Customer-Centric Mindset: There is a consensus that the insurance industry needs to adopt a more customer-centric approach. Currently, there is a lack of engagement with retail customers, and there's a need to focus on educating and engaging them effectively.
- Low Awareness and Perception Issues: A major challenge identified is the low awareness and negative perception of insurance among the public. Many see insurance as an expense rather than a necessity, which affects penetration rates. Efforts are needed to change this perception and communicate the value of insurance.

- Cost Escalation and Financial Literacy: Rising costs and financial illiteracy are significant challenges. Insurance companies are facing cost pressures, and there's a need to address financial literacy among consumers to ensure they understand the importance of insurance beyond just investment returns.
- Role of Insurtech: Insurtech is seen as a solution to reduce costs and improve efficiency in the industry. Leveraging technology for digital onboarding, claim settlement, and customer service can enhance the overall customer experience and lower operational expenses.
- Regulatory Challenges: Regulatory frameworks need to adapt to the digital age to facilitate innovation and streamline processes. Simplifying regulatory requirements and embracing digitalization can help overcome these challenges.
- Hybrid Model and Transition to Digitalization: While there's a push towards digitalization, a hybrid model that combines digital and traditional channels is likely to persist. This allows for personalized customer interactions while gradually transitioning to fully digital processes.
- SECP's Role and Support for Digitalization: The Securities and Exchange Commission of Pakistan (SECP) plays a crucial role in supporting the industry's digital transformation. Regulatory initiatives such as dedicated micro-insurance licenses and streamlined product approval processes aim to encourage innovation and growth.
- Future Outlook: Overall, there is optimism about the potential for digitalization to revolutionize the industry and improve customer experiences. However, it's recognized that changing entrenched perceptions and behaviors will take time and concerted efforts from both industry players and regulators.

Panel Discussion 2: Non-Life Insurtech Revolution: A World of Digital Possibilities for Every Pakistan

- Product Development in Non-Life Insurance:
    - Traditional non-life insurance products have remained largely unchanged for the past 10-15 years.
    - However, recent years have seen advancements in digitalization, leading to the development of more consumer-centric products.
    - New products like Drive Pro offer transparency and benefits for both insurers and consumers.
- Challenges in Insurance Sector Awareness:
    - Lack of awareness about insurance products among the general public in Pakistan.
    - Many people, even educated individuals, are unaware of insurance offerings beyond banking services.
    - Education and awareness campaigns are necessary to inform consumers about the benefits and coverage of insurance products.
- Health Insurance and Telemedicine:
    - The shift towards digital healthcare and telemedicine is seen as a significant development in the insurance sector.

    - Companies like Sehat Kahani are providing online telemedicine coverage, especially focusing on primary healthcare needs.
    - Employers are increasingly interested in providing health coverage to employees and families, including primary and preventative care.
- Rural Outreach and Accessibility:
    - Rural populations face challenges in accessing insurance products due to limited internet access and digital literacy.
    - Innovative solutions like WhatsApp communities and TikTok marketing are being used to reach rural markets.
    - Payment integration through platforms like JazzCash and EasyPaisa enables rural customers to purchase insurance products.
- Trust and Perception in Insurance:
    - Building trust among consumers is crucial for the growth of the insurance sector.
    - Transparency in product offerings, simplified claim processes, and social media awareness campaigns can help build trust.
    - Policy initiatives, like those introduced by the State Bank of Pakistan, can also drive trust and accountability in the industry.
- Role of Technology in Customer-Centric Products:
    - Technology plays a vital role in developing customer-centric insurance products.
    - Companies need to focus on digitizing backend processes and creating products that address consumer needs.
    - Digitization can enhance customer experience, increase transparency, and ultimately build trust.
- Future Outlook:
    - The future of insurance lies in integrating technology, such as telemedicine and digital claim management, into the customer journey.
    - Policy changes and initiatives are necessary to promote cashless transactions and increase access to healthcare services.
    - The emergence of younger doctors and key opinion leaders in digital healthcare will drive the adoption of cashless transactions and telemedicine in the coming years.

Panel Discussion 3: **Transforming Insurance: Leveraging Healthtech and Wellness for Enhanced Customer Satisfaction**

- Introduction and Importance:
    - Health Tech and Wellness has great significance in improving customer engagement and reducing claim ratios.
- IGI Vitality Concept:
    - IGI Vitality incentivizes healthy lifestyles, inspired by Adrian Gore's model, and is gaining traction in Pakistan.
- Impact of Health Tech:
    - Health Tech, like telemedicine, can reduce hospital admission rates and improve loss ratios for insurers.

- Web Dog's Approach:
  - Web Dog started by providing health services to rural populations and expanded to include health insurance, veterinary medicine, and livestock insurance.
- Cost-Effective Models:
  - Digital health models are cost-effective for corporations, reducing hospital visits and improving employee well-being.
- Distribution and Trust:
  - Distribution networks and strategic partnerships are crucial for gaining customer trust and scaling health tech solutions.
- Utilization and Growth:
  - Corporate utilization of digital health services is at 70%, with plans to penetrate further into the market.
- Challenges and Retention:
  - Challenges include high customer acquisition costs, emphasizing the need for customer retention strategies.
- Focus on Mental Health:
  - Insurers are focusing on incentivizing behaviors that improve mental well-being, such as tracking sleep patterns.

Panel Discussion 4: **Navigating the Insurance Ecosystem: Driving Innovation and Growth Through Strategic Partnerships and Alliance**

- Vision and Strategy:
  - Companies need to align their strategic partnerships with their overall vision and strategy.
  - Strategic partnerships should not be seen as just corporate social responsibility but rather as opportunities aligned with the company's direction.
- Bank assurance and Perception:
  - Bank assurance needs to evolve beyond a traditional model to include more people in the insurance ambit.
  - There is significant growth potential in the sector, especially with the increased awareness of insurance due to factors like inflation and the COVID-19 pandemic.
  - Technology can be used for awareness and improving penetration.
- Understanding Customer Needs:
  - Successful partnerships involve understanding the customer's needs and problems first.
  - It's essential to partner with organizations deeply entrenched in specific ecosystems to develop relevant products and services.
- Segmentation and Product Development:
  - Segmentation and understanding customer data are crucial for product development.
  - Successful partnerships involve creating products that customers understand and find valuable.
- Regulatory Perspective:

    - SECP is encouraging the InsureTech arena and aims for standard products to be demonetized and scaled.
    - Regulatory efforts should focus on bringing together standard products and promoting scalability.
- Strategic Interventions for Penetration:
    - Collective efforts from regulators, insurance companies, banks, and private companies are needed to improve the perception of insurance.
    - Embedded insurance and compulsory insurance can increase penetration.
- Tech Integration and Awareness:
    - Technology, such as telco bundling, can be a significant driver for insurance penetration.
    - Education and promotional campaigns are needed to remove apprehensions about insurance and highlight its importance.
- Capacity Building and Distribution:
    - Capacity building, especially in sectors like agriculture, is crucial for growth.
    - Distributors should be confident in integrating or partnering with innovative startups, which may require proof of concept.
- Islamic Insurance and Market Insights:
    - Islamic insurance (Takaful) is gaining traction, with conventional companies also offering Takaful products.
    - Islamic insurance customers are increasingly seeking Takaful products themselves.
- Government and Private Sector Collaboration:
    - Collaboration between the government and private sector, as seen in global practices, can drive industry growth.
    - Infrastructure development and standardization are essential for such collaborations.

Panel Discussion 5: "The Impact of Digital Insurance Brokers and Aggregators on Boosting Insurance Market Penetration"

- Low Insurance Penetration in Pakistan:
    - Pakistan's insurance penetration is less than 1%, significantly lower than regional counterparts like India with 3% and the UAE with over $7-8 billion in premiums annually. This low penetration presents a significant challenge for the industry.
- Historical Lack of Focus on Increasing Penetration:
    - The panelists noted that the insurance industry, including major players like TPL Insurance, has historically been focused on existing business rather than increasing penetration. There was a lack of understanding of customer needs and awareness campaigns.
- Challenges in Perception and Product Complexity:
    - The perception of insurance among customers is not positive due to mis-selling and lack of understanding of product coverage. The industry has not simplified its products or effectively communicated their benefits to customers.
- Microinsurance for Better Penetration:

- Microinsurance could play a crucial role in increasing penetration, especially among segments like gig economy workers. However, there are challenges in ensuring claims are processed efficiently and effectively.
- Role of Digital Brokers and Aggregators:
    - Digital platforms and aggregators have the potential to simplify insurance products, reach a broader audience, and increase awareness. However, they need to focus on clear communication and transparency in product offerings.
- Responsibility for Raising Awareness:
    - Raising awareness about insurance is a collective responsibility of regulators, insurance companies, and aggregators. Strategies should focus on gaining customer trust, understanding their needs, and simplifying products.
- Using Technology for Market Penetration:
    - Utilizing AI and digital platforms can streamline distribution and claims processes, making insurance more accessible and appealing to customers, especially in rural areas.
- Feedback and Customer Engagement:
    - Feedback mechanisms, including independent feedback published by digital platforms, are crucial for improving products and retaining customers. Engaging with customers through various channels is essential for long-term success.
- Focus on Customer Benefits:
    - The industry should shift its focus to clearly communicate the benefits of insurance products to customers, considering both coverage and investment aspects. Agents should be well-informed about the products they sell.
- Holistic Approach to Business:
    - Digital brokers and platforms should not only focus on sales but also engage in the entire process, including customer service and feedback collection, to ensure high retention and positive word of mouth.