

AIDA Webinar of 5th November 2021

HYBRID SEMINAR INSURANCE BEYOND INSURANCE

Dr. Kyriaki Noussia: "New Technologies in Insurance Markets: the Case of Telematics"

Formation of insurance contracts: legal requirements

- No formal requirement \rightarrow except for marine insurance contracts
- Section 22 MIA 1906:

"a contract of <u>marine insurance</u> is inadmissible in evidence unless it is embodied in a marine policy in accordance with this Act" (BUT cf. the statement of the Law Commission whereby it was pointed out that s. 22 is 'outdated and problematic')

- Contract law rules apply as to the formation of a contract:
- ✓ Offer
- ✓ Acceptance
- ✓ Consideration
- ✓ Intention to create legal relations
- ✓ Certainty of terms

Online Formation of insurance contracts

- Ways to conclude insurance contracts concluded online:
- Standard practice:
- insurance company's website/ comparison websites / insurance broker website
- →An online click by the buyer to accept the offer i.e., the price and T&Cs (this way the "consideration" and the "intention to create legal relationship" elements are achieved)
- → London Market: Electronic placement platform: PPL

Online Formation of insurance contracts

- London Market: Electronic placement platform: PPL
- □PPL → London Market's electronic placing platform
 - → enables brokers/ insurers to quote, negotiate, bind, endorse business digitally
 - > risks can be placed electronically
 - → to support face-to-face negotiations
 - > removing paper from the process
 - > creating a digital information flow and audit trail

Online Formation of insurance contracts

- London Market: Electronic placement platform: PPL
- Electronic environment → in place prior to the digitization of last years
- □Covid-19 → high acceleration of online and digital transactions
 - less 'face to face' dealing in London market
 - replaced by electronic means of communication
- □4th Industrial Revolution challenges
- ☐ Digitisation challenges
- **□**GDPR
- ☐ Various sectors affected including insurance

- Challenges posed by the new digital environment in the practice of insurance business
- \rightarrow Telematics \rightarrow continuous data flows \rightarrow parametric insurance
- e.g., Telepass (Italy) sole processor of electronic toll payments on Italy's highways,
- 2019 : Telepass launched a car insurance brokerage service

Use of Telepass data → tailored insurance products

on behalf of insurance companies

for commission on converted leads.

- Insurewave (MAERSK) → (marine insurance)
- Telematics → aid in all but large size / complex insurance claims
- (travel / earthquake insurance or insurance of keys for cryptocurrency)
- ☐ Tendencies
 - digital (mainstream now and in future)
 aimed to be the main distribution means

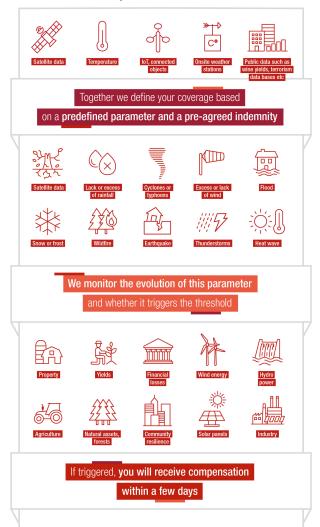
- March 2021
- Lloyd's launched pioneering earthquake insurance policy in New Zealand, in partnership with insurance start-up Bounce
- cutting-edge technology and real-time GeoNet data
- automatically pay customers within five days following a strong earthquake
- affordable earthquake insurance
- fast claims payments

- Method: tracking Peak Ground Velocity (PGV)
- PGV- triggers payment at levels of 20 centimetres per second and above
- DOES NOT replace conventional earthquake insurance re significant losses
- Provides immediate cash flow
- to cover many expenses to allow financial recovery.
- Removes any potential conflicts of interest
- Provides transparency to customers
- Payment eligibility is based on shaking intensity
- Payments based on 'steps'
- The stronger the earthquake the more of the cover is paid out.

 Example from the Generali website https://www.generaligl obalcorporate.com/solu tions-foryou/parametricinsurance.html

WHAT IS PARAMETRIC INSURANCE?

A way to streamline insurance



Insurtechs with Parametric Solutions Uncertainties in the Digitasation Era

- ☐ The market for parametric insurance is growing both in:
- > end-customer propositions
- > solution provider technology.
- □ Various InsurTechs
- ► handle massive new data sources (including IoT, satellite imagery, sensors, radar, sonar, and third-party data)
- utilize proprietary data integration algorithms
- for machine learning risk models
- *to provide underwriting insights.

Insurtechs with Parametric Solutions Uncertainties in the Digitasation Era

□Advantages

- Increased data usage
- expanded predictive analytics capabilities for the reinsurer/insurer
 straight-forward and affordable coverage for assureds.
- reduction of uncertainty around risk predictors
 (high uncertainty higher premiums or no coverage)
- Reduction of costs (no need as in traditional insurance for claims assessors and other requirements for claims)

Insurtechs with Parametric Solutions Uncertainties in the Digitasation Era

□ <u>Disadvantages</u>

- IoT and parametric insurance to identify the right data source
- Need for considerations for IoT data stream disruption
- Need for contingency for missing data
- Solutions to be developed → data fallback (platforms/ IoTdata integration with wider cloud infrastructure)

Uncertainties in the Digitasation Era

- Uncertainties faced by insurance industry in the Digitisation era
- The issue of data protection possible update of the GDPR?
- Uncertainties due to constraints put by the GDPR on personal data
- Will the same constraints exist for the use of corporate data?



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