



# AIDA Webinar of 5<sup>th</sup> 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 → except for marine insurance contracts
- Section 22 MIA 1906:

*“a contract of marine insurance 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 the statement of the Law Commission whereby it was pointed out that s. 22 is ‘outdated and problematic’)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
- 4<sup>th</sup> Industrial Revolution challenges
- Digitisation challenges
- GDPR
- Various sectors affected – including insurance

# The case for Telematics: continuous data flows / parametric insurance

- Challenges posed by the new digital environment in the practice of insurance business

→ Telematics → continuous data flows → 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

# The case for Telematics: continuous data flows / parametric insurance

- 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

# The case for Telematics: continuous data flows / parametric insurance

- **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.



# The case for Telematics: continuous data flows / parametric insurance

- Example from the Generali website  
<https://www.generaligl obalcorporate.com/solutions-for-you/parametric-insurance.html>



# Insurtechs with Parametric Solutions

## Uncertainties in the Digitisation 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 Digitisation 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 Digitisation Era

### ❑ Disadvantages

- 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 Digitisation 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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**THANK YOU FOR LISTENING**

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