



R.G. Manabat & Co.



# Teching Up the Local Insurance Industry: Empowering Local Insurance Players and Agents to Leverage on the Rise of Insuretech

Digital Pilipinas

KPMG R.G. Manabat & Co.

Co-authored by:

ACUBELAW

DOST-Mapua Think and Tinker Laboratory

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## Introduction

The Philippines has long been an uninsured market. For example, it is estimated that only 3% of the country's total population is insured.<sup>1</sup> A large number of Filipinos are uninsured because of issues relating to affordability, accessibility, and awareness. Many either simply cannot afford to put away money for insurance or are just unconvinced of its necessity at all.

However, the insurance landscape in the Philippines looks set to change with the rise of Insurtech, or the innovative use of technology in insurance. Insurtech looks to leverage smartphones, artificial intelligence, data analytics, and other components to exponentially increase the number of insured Filipinos.

Insurtech leverages technological developments such as data analytics and artificial intelligence to streamline enrollment processes, deliver insurance solutions via mobile devices, facilitate faster claims processing and payouts, and to create an overall better insurance experience for stakeholders. Thus, Insurtech has been hailed as a crucial part of making the insurance market more inclusive.

It also has great potential to improve the lives of millions of Filipinos. Insurance products once thought too expensive or unreachable are more accessible than they have ever been. The key, however, is adapting insurtech to meet the needs of the local market and making sure local insurance players are able to optimize it.

## How to leverage insurtech

Despite the potential benefits behind leveraging insurtech, not all insurance agencies and agents are familiar with the concept. One report estimates there are only about ten insurtech players in the country.<sup>2</sup>

Maximizing Insurtech means encouraging traditional insurance players to adopt insurtech solutions. They may begin by targeting the insurance agents themselves. While there are misconceptions that Insurtech is meant to replace insurance agents, there are also proponents arguing that insurtech should be used merely to help insurance agents do their

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<sup>1</sup> BusinessWorld. (2022, June 2). *Insurtech seen to help improve insurance penetration in the Philippines*. BusinessWorld Online. Retrieved February 2, 2023, from <https://www.bworldonline.com/banking-finance/2022/06/02/452306/insurtech-seen-to-help-improve-insurance-penetration-in-the-philippines/>

<sup>2</sup> Fintech News Philippines. (2021, December 1). *Fintech Philippines Report 2022 Highlights the Rise of Crypto and Advent of Digibanks*. Fintech News Philippines. Retrieved February 2, 2023, from <https://fintechnews.ph/54791/fintechphilippines/fintech-philippines-report-2022-highlights-the-rise-of-crypto-and-advent-of-digibanks/>



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jobs. Although Insuretech can automate segments of the procedure such as claims processing and administrative tasks, agents add the human touch needed to specifically understand a person's individual needs.

Agents can begin leveraging insuretech by familiarizing themselves with the ABCDs of Insuretech: Artificial Intelligence (AI), blockchain, chatbots, and data analytics.

AI, for example, creates algorithms and robots to quickly complete tasks that would typically take humans hours to finish. From insurance underwriting to claims processing, AI can free up the workload of insurance agents for them to refocus on more value-adding activities. This is possible because AI uses machine learning to process reams of data almost immediately, skipping the time-consuming processes typically associated with insurance.

Blockchain, which has the capacity to securely store data in decentralized ledgers, makes sharing information about claims hassle-free. Blockchain can see to it that all records of data are tamper-proof while transferring data in real-time. Even smart contracts within a blockchain can execute certain orders once certain conditions are met (e.g. record a settlement once a specific payment is disbursed). Abroad, insurance players such as Liberty Mutual have already invested in studying how blockchain can streamline communications and transactions.<sup>3</sup>

Chatbots can also simplify communication between insurance agents and claimants to serve as the first point of contact in answering any frequently asked questions; this way an agent only comes in if necessary.

Finally, data analytics collects large amounts of data and produces insights to inform decision-making and strategy. In the context of insurance, data analytics can be used to identify market trends, assess risk, and predict customer behavior. A growing number of startups already use data analytics to leverage alternative data such as social media history and mobile use.<sup>4</sup> By enabling themselves to process larger amounts of data from more diverse sources, insurance players open up to the possibility of creating better, more diverse insurance products.

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<sup>3</sup> Liberty Mutual Insurance. (n.d.). *Liberty Mutual and Blockchain | LMG*. Liberty Mutual. Retrieved February 2, 2023, from <https://www.libertymutualgroup.com/about-lm/news/articles/liberty-mutual-and-blockchain>

<sup>4</sup> credolab. (2022, February 3). *Leveraging alternative credit scoring in the insurance industry*. Credolab. Retrieved February 2, 2023, from <https://www.credolab.com/blog/leveraging-alternative-credit-scoring-in-the-insurance-industry>



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## Bringing insurtech and agents together

It is important to have capacity-building sessions to help insurance agents familiarize themselves with Insurtech. Aside from the ABCDs of insurtech, capacity-building sessions should also focus on knowledge and skills in digital tools and the wider reach and competence anchored on the adoption of digitalization.

An insurtech-focused education program for agents can follow a host of real-world precedents. For example, a joint venture between the University of Connecticut and the University of Hartford called the 'InsurTech Initiative' helped students learn the needs of a rapidly changing insurance industry, and emerging technologies disrupting it.<sup>5</sup> Students in the program will even have the opportunity to assist startups and help established insurance companies adopt insurtech. While the 'InsurTech Initiative' does not specifically target agents, any future programs should learn from its emphasis on real-world experience and close ties with insurtech players.

Ideally, any insurtech education programs will have the backing of the Philippine Life Insurance Association and the Philippine Insurers and Reinsurers Association. Having the backing of these associations makes it likelier that these programs will be recognized by the Philippine Insurance Commission (IC).

## Next steps

The best-case scenario is that the Insurance Commission (IC) and the Professional Regulation Commission will allow for changes in the way insurance agents are tested. First, it should be possible for insurance agents to be tested digitally and remotely in keeping with the principle of digitalization. Second, the insurance agent certification licensure exam should be amended to include a portion on digital tools. These changes will encourage insurance agents and providers to adapt, catch up, and reskill along with the rise of insurtech.

For the computerization of the exams, this may be done in pilot centers in the Insurance Commission's main office (Manila), and district offices (in Baguio, Cebu, and Davao), subject to the directive of the Insurance Commissioner. In the rollout of such exam digitalization, the IC, via its Commissioner, may partner with or delegate the program to a third party, subject to the

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<sup>5</sup> University of Connecticut. (n.d.). *InsurTech Initiative | Connecticut Center for Entrepreneurship and Innovation*. | Connecticut Center for Entrepreneurship and Innovation. Retrieved February 2, 2023, from <https://ccei.uconn.edu/programs/insurtech/>



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conditions set by the Commissioner and pertinent laws. Of course, it should be emphasized that as regards the amendment of the method of exam administration and the addition of exam venues, these changes must be implemented via administrative order or memorandum circular to be issued by the IC (following Sections 311-312, Chapter IV, Title 1 of the Insurance Code).

It's also worth noting that the written exam may be computerized, in accordance with a reasonable reading of the Insurance Code—Republic Act 10607 which may be said to allow for changes provided that the exam retains its written form and the implementation complies with conditions prescribed by the Commissioner under Section 312 of the Insurance Code.

The support of the regulating bodies mentioned above is important as insuretech's steps toward wider mainstream adoption. Whether it is spreading the word about what insuretech can do or updating the insurance agent licensure exam to reflect modern developments, bringing insuretech closer to the people is only possible if all stakeholders recognize its importance.

## Conclusion

Ultimately, all of the abovementioned solutions and initiatives should hope to encourage the entry of more local insuretech players and the adoption of Insuretech by established players. After all, Insuretech is extending protection to millions of people who never would have thought twice in the past about getting insured, adding safety and security for the rest of their lives.

Local Insuretech, with the end goal of creating more accessible and customizable products, already has a host of real-world examples to look at. As an example, Etiqa Philippines was able to create a dedicated online portal for releasing letters of guarantee.<sup>6</sup> A letter of guarantee is issued by a bank to ensure a supplier gets compensated for goods and services they have provided a company. Releasing a letter of guarantee would typically take up to 48 hours, with bank and insurance officials having to cross-check various details. An online-based portal, however, automatically retrieves all the necessary details and makes it easier to sign off on a letter of guarantee thus cutting down the processing time from 48 hours to less than an hour.

Igloo has a partnership with mobile payments app GCash to extend online shopping insurance to users of multiple online marketplaces.<sup>7</sup> Users can choose to be insured on

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<sup>6</sup> Hilario, E. (2022, June 16). *Etiqa PH's portal offers shorter turnaround time for Letter of Guarantee requests*. Manila Bulletin. Retrieved February 2, 2023, from <https://mb.com.ph/2022/06/16/etiqa-phs-portal-offers-shorter-turnaround-time-for-letter-of-guarantee-requests/>

<sup>7</sup> Mirasol, P. (2021, September 23). *GCash offers online shopping insurance in partnership with Igloo*. BusinessWorld Online. Retrieved February 2, 2023, from <https://www.bworldonline.com/technology/2021/09/23/398492/gcash-offers-online-shopping-insurance-in-partnership-with-igloo/>



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transactions as long as the payments were fulfilled via the GCash e-wallet platform. The plan to offer online shopping insurance is especially relevant in the face of rising online shopping scams—making the Igloo and GCash partnership a good way to remind people why insurance is needed in the first place: to provide cover and protection in times of contingency and to mitigate the ill effects of unforeseen risks.

Adopting Insuretech is a challenging process that will involve the cooperation and hard work of everyone, from individual insurance agents all the way to industry regulators. The benefits of making insurance more affordable, accessible, and inclusive make the process certainly worth the effort.