

Keynote speech

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Chairman of ASEAN Insurance Congress, Ms. Vandaly Souvannasouck,  
CEO of ASEAN Insurance Training and Research Institute, Ms. Shalini Pavithran  
Secretary-General ASEAN Insurance Council, Mrs. Evelina Pietruschka,  
Distinguished speakers and guests,  
Ladies and gentlemen, very good morning to you all,

I am most delighted to join you here this morning at The 12<sup>th</sup> ASEAN Insurance Congress. The theme of this year congress, which is “Supercharging the Future of Insurance through Innovations”, is a very relevant issue in insurance nowadays.

In this occasion, I would like to extend the apology from Mr. Riswinandi as the OJK's Chief Executive who oversees Non-Bank Financial Institution (IKNB). He sent his highest appreciation to all delegates who attended the congress. He also expressed his hope that this congress could give an optimal contribution in enhancing the ability to innovate and achieving the sustainable competitiveness of the insurance and re-insurance companies on this digital age that influenced business models and competitive approaches in order to meet consumer needs. In addition, he hoped that the cooperation between ASEAN and countries in the Asia Pacific region will be more closer, especially for the purpose of developing the insurance industry so that it remains relevant in the future especially in the era of consumer behavior that faces fundamental changes along with the development of information technology. Thus, the insurance industry can still optimally support the growth of the national economy and the region.

Distinguished Guests, Ladies and Gentlemen

The development and usage of information technology enables a variety of consumer service innovations both in the financial sector and the real sector. Innovations based information technology has influenced the industry's ecosystem, which is currently more

integrated. Indonesian e-commerce, such as Gojek, Traveloka, and Tokopedia have integrated transportation, travel (ticketing) and retail services with various other businesses including financial services and especially the insurance industry in a fundamental way. Technology has helped us a lot in every aspect of our life. We are already familiar with the terms "cloud computing", "internet of things", "artificial intelligent", "block chain" and others.

The insurance industry is entering the initial phase for a major changes marked by: changes in customer demand behavior; advanced technology usage; big data development; the impact of natural disasters; changes in demography; regulatory developments.

Utilization of information technology by the insurance industry provides customer experience that affects customer brand loyalty. Consumers are getting smarter, need better and faster customized services to support their needs, both personal and business anywhere with a digitally direct distribution channels. Consumer needs have shifted from conventional insurance services to insurance solution services, for example: faster underwriting processes with competitive premium costs and coverage schemes best fitted to customer needs and more effective claims management. Claim management helps to control fraud, including the payment that is only for valid claims and can protect from suspicious double transactions.

OJK has noted that many insurance companies have responded such changes by utilizing information technology to develop products that can meet customer needs. In addition, we also observe that many insurance companies already in collaboration with e-commerce and aggregators as distribution channels for their products to be directly accessed by consumers / potential customers.

Information technology already not only influencing an increasingly integrated business ecosystem but also affecting insurance business models and processes. Insurance companies must innovate business processes and models to remain relevant to their target market. Innovation models and business processes cover the areas of: underwriting, risk assessment, claim management, product development, distribution channels, and other administrative and operational processes. These innovations can improve cost efficiency: management, branch establishment, administration and operations, and training of marketing employees.

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The most significant impact of the use of information technology is the cost efficiency of matching on the demand and supply, and the efficiency of asymmetric information in insurance intermediation. The marketing channel has shifted, namely from the use of brokers into information technology-based marketing that allows marketing access directly to consumers, or marketing by utilizing insurance technology providers including those provided by e-commerce.

Big data develops from information technology usage that enables the formation of new data and information obtained from social media such as Facebook, Twitter, LinkedIn, as well as new data and information developed by e-commerce. Insurance Tech (“Insurtech”) as an insurance provider utilizes big data to analyze industry behavior and underwriting consumer profiles so that they can choose customers with a measured risk profile and can offer competitive insurance premiums. The use of big data by Insurtech also helps to formulate policies and encourage insurance behavior in a less risky way so as to cut claims costs

The usage of robotics and artificial intelligence technology in big data provides input to insurance companies that has never happened before. Such utilization can be used for customer service innovation in life insurance, property, health, wealth, and behavior patterns. In addition, big data enables more personalized risk management applications so that premiums are more competitive and claims are lower, as well as faster claim settlement because of the support of data access speed.

The strategic approach in this era of developing information technology has been rapid and disruptive so that the incumbent can no longer rely on the direct competition approach to penetrate the market. In this era of disruption, it is necessary to focus on new players, new ways of working, new competitive business models. Therefore, insurance companies must learn quickly, keep moving, think like a disrupter and start-up, and always focus on consumers.

Insurance companies that will succeed in the information technology innovation and disruption era are those who are able to properly understand the environment to develop innovation and differentiation with a clear and strong strategic positioning. This approach is more effective than being responsive to markets created by competitors. To create innovation with a strong identity to achieve sustainable growth and competitive advantage, insurance companies need to pay attention to the following:

1. Way to compete: "How are you going to face the market?". Successful insurance companies have a clear understanding of the way they create value for customers.

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2. Capabilities system: "What gives you competitive advantage?". A system that has differentiating capability, which allows companies to deliver their value propositions better than any else.

3. Product and Services Portfolio: "What and to whom will you sell?". Companies with products and services that leverage similar system capabilities have superior return.

If such insurance companies are able to innovate with specific and very clear capabilities, it is possible to achieve powerful sustainable growth. Thus it will contribute to sharpening the future of the insurance industry and financial system stability.

Distinguished Guests, Ladies and Gentlemen

All parties including us who are engaged in the financial services industry, especially insurance and regulators must address the development of information technology carefully. Technology innovation is our way to adapt and anticipate the future. We have seen many companies lose their existence in business because they failed to anticipate and adapt to technological advancement. Some companies even have to lose their market share simply because they are too late to respond to the technological developments. World Insurance Report in 2019 suggests 4 things that need attention by insurance companies that can cause insurance companies to become irrelevant in the digital age, namely:

1. Slow response to the risk development.
2. Material gap in the area of risk movement.
3. Consumers are more ready to change than insurance companies.
4. Insurance companies must innovate both through their own development, corporate actions, acquisitions and mergers, and also strategic alliances

The main concern, of course, is the protection of consumer interests, including confidence in the certainty of payment claims, as well as the insurance company itself. Data security and the reliability of the information technology system are the things that must be considered in order to avoid misuse of data or information that will detrimental to consumers and insurance companies. In this relation, the existence of regulations is very important as a sign for the industry players.

Effective regulation must follow the trajectory of international regulation, for example proportionally calculating the risk and systemic position of insurance companies. Regulations also need to pay attention to developments in global politics that take into account the consistency of regulations including those relating to entry barriers, and international capital standards. Global issues about cyber risk need to be supported by effective regulation.

From OJK standpoint, we realize that the current regulations are far from perfect. But we continue to improve the regulations related to the use of information technology by insurance companies. We are currently preparing regulation regarding information technology risk management held by insurance and re-insurance companies. This provision among others regulates the governance and risk management of information technology providers including security systems to control cyber risk and other risks. We understand that supervision of the use of information technology will no longer focus on prudential aspects but will be emphasized more on the aspect of market conduct.

Ladies and gentlemen,

Last but not least, let me conclude by wishing you all an insightful and rewarding Congress. I believe your contribution in this congress will be part of our contribution in developing insurance industry in ASEAN. Thank you.

We hereby open The 12<sup>th</sup> ASEAN Insurance Congress