The Ascent of "Insurtech" in China

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ZhongAn, a Chinese insurance company selling online insurance products, is representative of a new wave of "insurtech" companies; insurers engaging with online distribution models (or tech companies foraying into insurance) that recognize the gains to be had by entering this emerging market. The China Insurance Regulatory Commission (NDRC) has been forthright in recognizing and encouraging innovation centered on new types of insurance products and online distribution on a national level, and on the back of this favorable regulatory environment, companies and investors are following suit.

In comparison with traditional insurance models, the online model for selling insurance has encouraged some companies to partner with, or accept investment from larger tech companies, such as (in the case of Zhong An) Alibaba and Tencent, to tap into and reach a wider consumer base without regional operating restrictions. While the products on offer do not meet the typical fold of insurance products that require onsite underwriting teams, they do reach an audience that may be less familiar with the need for insurance; for instance, in offering niche products related to coverage of e-commerce returns, and flight delays, amongst other, more consumer driven niches. By cutting out the insurance salesman and going directly to an integrated network of online users through a variety of digital outlets, these companies have the potential to reach a wider and in many cases, younger demographic. Zhong An in particular is a case in point on how a relatively new market entrant has harnessed this new business model in conjunction with its partners, to posit profits reaching RMB 168 million in 2015, and accumulate sales of over 5.8 billion policies and counting. In addition to this, the integrated networks of its investors across banking, messaging and online retail allows it to harness a trove of useful big data for the purpose of assessing and providing credit risk cover.[1]

Rather than be left behind in these developments, the larger "traditional" Chinese insurers are now adapting their longer term business development strategies in response. Recent announcements by China Life Insurance and Ping An Insurance, two of China's largest insurance companies, have revealed plans to invest substantially in this direction[2]. Ping An Insurance has confirmed that it will continue

[1]https://www.ft.com/content/bee51a52-accd-11e6-9cb3-bb8207902122
[2]https://bankinnovation.net/2017/08/tides-turn-toward-insurtech-in-china/

to invest around USD 1 billion per year into internet development. Meanwhile China Life has recently announced a tie up with Baidu to establish a USD 1 billion technology fund to invest in the internet and related technologies[3]. Such technologies promise to disrupt the insurance industry through harnessing developments in AI, block chain and data mining, amongst others, giving rise to new upstarts in the industry, such as Wukongbao[4], a Beijing-based insurance broker that is trying to disrupt property insurance. Through partnering with third party platforms in the fields of travel, health, auto and real estate, amongst others, advanced data mining analytics can be used to parse user data in those platforms to develop new insurance products customized to its users; another example of how a digital insurance business model can be used to add diversity and innovation to the insurance market.

This by no means spells the end of traditional insurance models or the large insurance companies, whose resources, scale and functions cannot be replaced by an online model. They will continue to perform vital functions in managing risk and protecting Chinese citizens in various sectors. What new avenues these disruptive technologies will bring in their application to the Chinese insurance sector however, remains to be seen.

[3] https://bankinnovation.net/2017/08/tides-turn-toward-insurtech-in-china/

[4] https://www.the-digital-insurer.com/china-in-depth-china-insurtech-review-may-2017/