Expanding horizons

The insurance sector is looking to new markets for growth and James Maudslay of Equinix says technology will have a major role to play in enabling the success in those new territories.

Insurance – a word that brings to mind a variety of thoughts spanning issues like trust, security, tradition or protection alongside place names such as London or New York, Munich or Zurich and markets such as Europe, the USA, Japan or Australia. Old, historic – perhaps stable or more rudely backward – are these all areas that might cross someone's mind when the great industry names such as Lloyd's or the Swiss or Munich Re are mentioned?

Yet today this market is changing – it needs to become less traditional and more new and it needs to look beyond its familiar boundaries for new markets and new customers – in short it's looking for growth.

One of the potential areas for growth takes us to the UAE, to Dubai, where recently the newly formed Islamic Insurance Association of London (IIAL) held its inaugural gathering in the offices of the Dubai International Financial Centre (DIFC) attended by some 100 practitioners from London and the UAE.

We were there to learn how London can provide support to the local market to help that market develop, but of course to bring resulting business back to London. But where does the local market find itself today?

Like many developing markets (from an insurance perspective) UAE is dominated by the purchase of personal insurance such as life and health, two areas of the market that are currently perceived of being of greater value than other non-compulsory insurance products such as household. This is partly because of the more family-based approach to life to be found in the East – personal coverages such as life benefit the family unit rather than an individual, partly because of religious reasons – the growing influence of Takaful (Sharia-based) insurance bears witness to that, and partly because until relatively recently in certain Eastern economies your life and health have been the only "possessions" worth insuring. This all adds up to an environment where the western tradition of insurance purchase is yet to be matched in developing economies.

Yet times are changing, and although recent years have seen a decline in the level of increase in demand, many territories are today experiencing market growth that insurers in the developed markets can only dream of!

As part of our participation at the recent IIAL conference, Equinix held a roundtable with a dozen or so guests to discuss the region, the penetration of insurance into it, and how the use of technology could be used to help in growing the insurance business in UAE and beyond. Amongst other things, we considered three main technological areas:

• Whether insurers can benefit from the use of Cloud Technology

• How interconnection can bring together an emerging digital insurance market

• The way in which technology can help to drive the digital strategy for Global Insurance companies working across the Dubai and MENA

THE USE OF CLOUD TECHNOLOGY

As with insurers elsewhere, cloud still represents a challenge. Issues such as security, privacy and regulation come to mind in UAE as anywhere else and tax insurers in the same fashion. But a look at the demographics of the local market reveals many similar characteristics to those in Europe or the USA, but with one main difference. In general, the Muslim population has the greatest proportion of young people of any substantial religious group in the world – this means more smart phones, more tablets, greater desire for interesting and exciting products, poor tolerance of bad service and increasing demand for omni-channel service delivery.

In other words a target audience of people who want the always-on levels of service that the cloud might have been designed to deliver.

Cloud can respond to the needs that insurers facing this market are realising they now have. Cloud can:

• Provide flexible resource for delivering performance during demand spikes

• Capital investment is much reduced, especially in the initial stages

• Deliver platforms for the testing of innovative solutions and products

• Use "Edge" technology to process requests and store data close to the end-user so as to improve performance

• Use a hybrid infrastructure model to allow for a range of options to suit the preferences of any particular insurer for data storage and processing, ranging from on site to fully in the cloud

The final point, over the use of hybrid computing is significant as it allows insurers to start down the road to cloud whilst only committing to what they feel comfortable with. In other words, it allows development flexibility for the future.

INTERCONNECTION AND EMERGING DIGITAL DATA EXCHANGE

Insurers have long formed markets together, some substantial and formal such as the London Market, but with numerous others worldwide where the simple proximity of insurers to each other forms a more informal collective.

What is becoming increasingly obvious though is that the use of electronic data in and amongst insurers is on the increase, and indeed needs to develop far further if service standards are to be raised to the levels required by today's buyers. Furthermore, the ever-upward rise in the use of big data will bring levels of information currently unheard of in insurance circles into continuous use. And that's before we add in the use of Telematics in motor, wearables in life and health and the internet of things in all other physical insurances including those in the commercial arena such as cargo.

To handle all this data, insurers and brokers will have to interconnect between themselves and the clients, to allow for the electronic exchange if data. Further connections will be required to other data sources and to mobile service providers, and in all of this, MENA will be no exception, and indeed with its lower age profile, may even be especially susceptible to the demands of this market.

That in turn implies the need for infrastructure that is based on an interconnection oriented architecture – one that is designed to facilitate a company's ability to pass data – structured as well as unstructured between one another.

A DIGITAL STRATEGY FOR GLOBAL INSURERS

Global insurers, in common with other such enterprises, face various technology issues when setting up international offices. These include establishing IT services, handling data protection, data sovereignty and other regulatory considerations, local and home base reporting, and service and support for the local offices.

In the past, this would have presented some serious challenges – expensive local services, complicated data transfer protocols, or inefficient long-distance service delivery, but all of these can now be resolved by a properly designed and executed infrastructure strategy.

Equinix can assist by presenting a global network of data centres to insurers that will allow them to link hubs at or near the corporate headquarters to similar hubs in the territories they are expanding into. This will achieve several things:

• It will allow local services to be housed close to their place of need which will ensure local performance, but also mean territorial regulations can be complied with

• Long-lining of services can therefore be made redundant

• Data can be efficiently copied to the home office for management information and regulatory reporting purposes

• Unnecessary costs can be reduced as only necessary services are housed locally

• Performance can be maintained or even enhanced through the distribution of data and services to the "Edge"

• Companies can take maximum of local cloud services

Through the use of cloud services, by interconnecting to other stakeholders in the insurance value chain, and by having an effective digital deliver strategy, insurers, local and global alike, can take advantage of the potential of this growing, yet largely underserved market. They can make sure that their technology is delivered to their clients and target markets in a way that matches the need to improved customer service.

They can make sure that local regulation, which is hardly going to reduce in terms of its effects on the conduct of insurance business, can be complied with and that internal reporting and analysis needs can be met, and all of this can be done in a way that maintains flexibility for the future, whilst reducing the cost of innovation, either in terms of products sold, or territories traded in.

A CALL TO ACTION

This paper has already suggested that insurers operating in MENA have the opportunity to develop their businesses through the use of technology. A multitude of areas exist for insurers to focus on, but top strategic business / IT plans, recently confirmed by Equinix's Enterprise of the Future survey of 1,000 global CIO's, must include:

• **Driving revenue growth**
   • By developing IT infrastructure to enable revenue growth, by supporting new product offerings
• **Improve cyber security**
   • Perhaps the single most important factor in enterprise IT today, yet only a minority of participants (30%) felt that they were adequately protected today
• **Deploy hybrid cloud**
   • Companies will require access to multiple cloud services, across multiple locations over the next five years
• **Drive value and intelligence from big data**
   • The embedding or distributing of intelligence (analytics, data, content) across business processes, regions or office locations to gain greater customer insights and make faster, more accurate business decisions

Action to address these areas, combined with use of the principals suggested, above will mean that insurers can indeed use technology to develop their business, and take advantage of the opportunities that await them in MENA. ●

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