



InsurTech boom incoming

InsurTech in Taiwan has not really taken off. That, however, could soon change as new regulations have lit the fuse on a powder keg of digital-savvy customers and an insurance industry hungry for new opportunities to innovate, says

OneDegree's Mr Alex Leung,

By Amir Sadiq

Unlike most markets in Asia, Taiwan is yet to see a proliferation of InsurTechs. One of the few InsurTechs in the market is OneDegree that currently operates as a technology enabler through its IXT InsurTech platform and Cymetrics cyber security SaaS solution.

OneDegree's IXT platform enables its insurance partners in Taiwan and other markets – including insurers, agents and brokers – in their digital transformation or new digital insurance ventures.

Digital-savvy customers

Speaking to *Asia Insurance Review*, OneDegree co-founder Alex Leung said that there has been a significant growth in adopting and using online services, including shipping, grocery and food delivery, e-commerce and mobility services in Taiwan through the course of the pandemic.

“These services have grown tremendously. People are relying on them and it's becoming more of a habit. Along with that, the

online insurance business has also continued to grow over the past two years. It's a pretty good trajectory,” he said.

“People are becoming accustomed to buying things online as well as reviewing financial information and shopping for simple insurance products.”

He added that there are a number of agents and brokers in the market building up their own digital channels and some telcos and e-commerce platforms have started incorporating embedded insurance as well.

Digital banks looking to diversify

In 2019, Taiwan's regulator, the Financial Supervisory Commission (FSC), issued virtual banking licenses to three banks. While there were pandemic-induced delays before they could get started, the banks have now been in operation for about a year, and Mr Leung said they are now looking to add insurance propositions to their offerings.

“Among them, LINE Bank has already acquired more than 1m customers on its virtual bank platform, so it is looking to diversify the revenue stream with that user base,” he said.

Modern-day mobility

Mr Leung also brought up how the adoption of electric vehicles and sensors is growing in Taiwan, creating a lot of opportunities for product innovation around telematics, usage-based insurance and parametric insurance.

“The digital maturity and insurance penetration are very high among Taiwanese consumers, but much of the digital insurance and innovation opportunities largely remain untapped and that's what makes the market quite exciting in the coming years,” he said.

Not much wiggle room for insurance innovation

With so many elements of the market seemingly supportive of technology and innovation, it is curious that

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the InsurTech scene in Taiwan has not quite taken off. A major factor could lie with regulations, which are known to be stringent to protect consumer interests.

“Taiwan is probably the only place I’ve seen that when you’re launching online insurance, the regulations pretty much spell out what you need to have in terms of your customer experience on a page-by-page basis. It covers all the areas that insurers should pay attention to, but at the same time, it gives very little room for innovation,” said Mr Leung.

And while there is the regulatory sandbox that the FSC has set up, interest from the market has been lukewarm for InsurTech applications.

“According to insurers that had experience with the programme, you have to make a lot of investments in applying and meeting requirements for the sandbox and it hasn’t provided much incentive [aside from] the somewhat competitive advantage of participating as a trailblazer,” he said.

He added that similar to other developed markets, data sharing across businesses in Taiwan can be restrictive as there are regulations such as the Personal Data Protection Act governing how personal information is used and shared.

Regulator sets things off

The situation, however, could very well change within the next 12 months. Late last year, the FSC announced that it would be allowing online-only insurance companies to operate in the market. The FSC said the move is expected to help insurers in Taiwan undergo digital transformation and introduce new insurance products.

Based on the FSC’s proposals earlier this year, a non-life online insurer is expected to be capitalised at no less than NT\$1bn (\$36m), while a life online insurer’s minimum capital has been set at NT\$2bn. Furthermore, the online-only insurance company will need to have financial institutions and financial technology providers as its shareholders.

The shareholders should include an insurance company or a financial holding firm that owns insurance operations, with the financial institution taking a stake of at least 40% in the new insurer.



Online life insurers will focus on protection-only insurance, while online non-life insurers will be encouraged to launch innovative products to meet the needs of the digital economy such as ride sharing, said the FSC. Online insurers will not be allowed to open physical outlets except for a headquarters and a customer service centre.

The FSC has released draft regulations for online insurers and will begin to take applications in August this year.

“The market is excited about the new opportunities and innovations that the new scheme may bring about,” said Mr Leung. “All online insurer applicants are encouraged by the regulator to propose new, innovative and sustainable business models that aren’t allowed today under the current regulation or legislation as part of their business plan. So, the regulator is looking to break the market open for innovations and is using this new online insurer license scheme as a path to achieve that.”

InsurTechs can help address talent issues

Aside from assisting insurers with transitioning away from legacy systems, Mr Leung believes that InsurTechs can help them address another challenge – the shortage of IT talent.

“The insurance industry is known to be slow, so it doesn’t really have that competitive edge to attract top talent.

And it continues to be a problem for the insurance industry,” he said.

“For insurers to drive any digital transformation or related innovation initiatives can take a very long time. That’s where the InsurTech firms can provide value by partnering with the insurance organisations, helping them change faster and shortening the time to value.”

He brought up how OneDegree has functioned like a ‘digital coach’ in one of its partnerships, helping the client transform not only the technology aspect but the manner in which they work. “They mirror how we work under our agile scrum process, and in terms of how we conduct user research and how to tie those insights back to business value,” he said.

Primed for long-term success

According to Mr Leung, the FSC’s new online insurer scheme has triggered a surge in interest within the industry, and OneDegree has seen quite a number of parties reach out to them to collaborate.

“You don’t see a lot of technology companies that are focused on the insurance space locally within Taiwan. If the market were to open up and allow for more innovations, the whole InsurTech ecosystem will grow along with it,” he said.

“The localisation in Taiwan, as well as the considerations of regulations, will continue to be a challenge. But for firms that can make it work, it’s a very viable market to be successful in the long term.”