

Analysis of the Impact of InsurTech on the Business Model of the Traditional Insurance Industry

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Abstract: InsurTech is an emerging force in the insurance industry in recent years. By integrating modern technologies such as big data, artificial intelligence, and blockchain with insurance business processes, InsurTech is profoundly reshaping the business model of the traditional insurance industry. This paper explores the impact of InsurTech on the traditional insurance industry, conducting in-depth analyses from aspects including market competition, product innovation, customer experience, risk management, and operational efficiency, while also forecasting future development trends.

Keywords: InsurTech; Insurance industry; Business model; Disruption

Introduction

With the rapid development of technology, the traditional insurance industry faces unprecedented challenges and opportunities. The emergence of InsurTech has injected new vitality into the industry while compelling traditional insurance companies to undergo strategic adjustments. This paper aims to explore how InsurTech influences the business model of the traditional insurance industry, analyzing its transformative effects across various dimensions and providing valuable insights for academic research.

1. Current Status of Business Development in the Traditional Insurance Industry

Traditional insurance companies, particularly major players like China Life Insurance, Ping An Insurance, and Pacific Insurance, maintain strong competitiveness in market share in China. These companies have built significant customer bases and brand recognition over the years. However, amidst changing market demands and rapid technological advancements, traditional insurance faces numerous challenges and opportunities. The traditional insurance industry in China heavily relies on offline channels, where agents and brokers play a crucial role in sales. These agents establish trust with clients through face-to-face interactions to sell various insurance products. While this model has been successful in the past, it also poses challenges such as high costs and inefficiencies. Ping An Insurance, leveraging its extensive agent network, successfully expanded its business nationwide. However, it also faces challenges in enhancing agent efficiency and service quality.

In terms of products, traditional insurance companies offer a wide range of products including life insurance, health insurance, auto insurance, and property insurance. These products are often complex and require professional guidance for explanation and recommendation. For instance, China Life Insurance offers a variety of life insurance products covering short-term to long-term, and term to whole life plans. Yet, due to the complexity of product structures, customers often find it challenging to select suitable options. Moreover, the pace of innovation in traditional insurance products is slow, making it difficult to respond promptly to market changes and personalized customer demands. Customer experience remains another pain point in the traditional insurance industry. The cumbersome and lengthy claims process often leads to customer dissatisfaction. Ping An Insurance attempted to enhance customer experience in health management and medical services through its "Ping An Good Doctor" platform. However, significant room for improvement still exists in the traditional paper-based claims process and approval procedures. There is an increasing demand from customers for efficient and transparent services, which places higher demands on traditional insurance companies.

In terms of operational efficiency, traditional insurance companies generally face pressures from high operational costs. Costs such as office maintenance, large-scale human resource expenditures, and complex business processes are significant components. To address these challenges, Pacific Insurance has started to explore the introduction of automation technology and big data analysis to enhance operational efficiency and reduce costs. However, the slow adjustment within traditional enterprises with their large structures hinders the rapid application of these new technologies.

2. Impact of InsurTech on the Business Model of the Traditional Insurance Industry

2.1 Reshaping of Market Competition

In China, the rapid development of InsurTech is profoundly reshaping the competitive landscape, intensifying the competition between traditional insurance companies and emerging InsurTech firms. InsurTech companies utilize big data analytics and artificial intelligence to conduct more precise risk assessments and customer segmentation. For example, ZhongAn Online, as China's first internet insurance company, utilizes big data technology to offer personalized insurance products and services through online platforms, significantly reducing operational costs and enhancing market responsiveness. This technology-driven business model enabled ZhongAn Online to quickly gain favor among a large number of young customers, directly challenging the market position of traditional insurance companies. Traditional insurance companies are also actively undergoing digital transformation, attempting to enhance competitiveness through technological means. Furthermore, the application of InsurTech is driving the development of new insurance models such as on-demand insurance and peer-to-peer insurance. For example, Didi Chuxing collaborated with insurance companies to launch on-demand insurance services, providing flexible insurance products based on driver's driving time and mileage. This innovative model not only meets the needs of specific groups but also breaks through the limitations of traditional insurance products, promoting further market segmentation and diversified competition. Faced with the competitive pressure brought by InsurTech, traditional insurance companies such as China Life Insurance and Pacific Insurance are strengthening cooperation with technology companies to promote open innovation. Through investment and collaboration, these companies are introducing advanced technological solutions to optimize business processes and enhance customer experience. For instance, China Life Insurance collaborated with Tencent to utilize Tencent's big data and artificial intelligence technology, improving the precision of its customer service and product recommendations, achieving deep integration of technology with traditional business.

2.2 Product Innovation

The impact of InsurTech on the business model of the traditional insurance industry is particularly significant in terms of product innovation. InsurTech promotes innovation and diversification of insurance products through technologies such as big data, artificial intelligence, and blockchain, thereby changing the product design, pricing, and service models of traditional insurance companies. Traditional insurance companies such as China Life Insurance, Ping An Insurance, and Pacific Insurance are actively leveraging these technologies to develop more personalized, flexible, and efficient insurance products to meet evolving market demands and customer expectations. Ping An Insurance utilizes big data to analyze customer health conditions, behaviors, and lifestyles to develop personalized health insurance products for different customer segments. This data-driven pricing model not only enhances the accuracy of risk assessment but also makes insurance products more aligned with actual customer needs, thereby increasing customer satisfaction and loyalty. China Pacific Insurance has developed intelligent claims systems and automated policy management systems using artificial intelligence technology. The intelligent claims system can automatically identify and process claims applications, reducing the time and cost of manual review and significantly shortening the claims processing cycle. At the same time, the automated policy management system can update customer policy information and risk assessment results in real-time, providing customers with more timely and accurate services. These intelligent insurance products and services not only improve operational efficiency but also enhance customer experience. ZhongAn Online, as China's first internet insurance company, developed a peer-to-peer insurance platform using blockchain technology, enabling automatic execution of insurance contracts and transparency in claims processes through smart contracts. This innovative model not only reduces operational costs but also decreases the risk of insurance fraud, thereby enhancing customer trust and dependence on insurance products.

2.3 Enhancement of Customer Experience

The widespread adoption of mobile internet technology enables customers to access insurance services more conveniently. Through mobile applications and online platforms, customers can inquire about insurance products, purchase policies, and manage accounts anytime, anywhere. For example, Ping An Insurance's "Ping An Good Doctor" App provides comprehensive insurance management services to customers, allowing them to complete policy inquiries, online applications, and claims submissions through their mobile phones. This convenient digital service greatly enhances the convenience and satisfaction of customers in using insurance products. The application of artificial intelligence technology further enhances the intelligence level of customer interactions. Artificial intelligence customer service systems can provide personalized consultation services, answering customer inquiries online 24/7. The application of big data technology in enhancing customer experience mainly manifests in precise marketing and personalized service. By analyzing customer behavioral data and preferences, insurance companies can recommend the most suitable insurance products and service plans to customers. InsurTech also promotes the emergence of new service models such as remote medical care and health management services. The Ping An Good Doctor platform utilizes artificial intelligence and big data to provide customers with remote medical consultation and health management services. Customers can conduct online

consultations, health inquiries, and appointment scheduling through their mobile phones, enjoying comprehensive health management services. This new service model not only provides customers with more value-added services but also strengthens customer dependence and trust in insurance companies.

2.4 Improvement in Risk Management

InsurTech's impact on the business model of the traditional insurance industry is crucial in improving risk management. InsurTech greatly enhances the risk assessment, prediction, and management capabilities of insurance companies through the application of technologies such as big data analytics, artificial intelligence, and blockchain. By collecting and analyzing massive amounts of customer data and external data, insurance companies can comprehensively understand customer risk characteristics and behavioral patterns, enabling precise risk assessment. Through machine learning algorithms and predictive models, insurance companies can predict future risk events and take preventive measures in advance. For example, Pacific Insurance developed an intelligent risk prediction system using artificial intelligence technology, capable of real-time prediction and alerting for natural disasters, traffic accidents, health risks, and more. The system identifies potential risks and anomalies by analyzing historical data and real-time monitoring data, promptly notifying customers and relevant departments to take responsive measures, thereby effectively reducing the probability and impact of risks. Through blockchain technology, insurance companies can achieve decentralized data management and smart contract execution, preventing data tampering and fraudulent activities.

3. Conclusion

InsurTech is rapidly and profoundly influencing the business model of the traditional insurance industry. Through reshaping market competition, product innovation, enhancement of customer experience, improvement in risk management, and enhancement of operational efficiency, InsurTech brings new opportunities and challenges to the insurance industry. In the future, with continuous technological advancements and deeper application, InsurTech will continue to drive the transformation and development of the insurance industry. Traditional insurance companies should actively embrace technology and undergo digital transformation to cope with increasingly fierce market competition and evolving customer demands.

References

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