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# The value of insurance

## Introduction

**Meet Lucy. Lucy is 24 years old and has just graduated from university. She started her first job and rented her first apartment. As Lucy is scrolling through various online stores in an endeavour to furnish her new abode, she stumbles upon a killer clearance sale. After a few hours of retail therapy, Lucy bought an air fryer, coffee machine and a robot vacuum.**

After a night out with a few friends, Lucy takes an Uber home. On her way home in the Uber, she tries to activate her robot vacuum using her mobile app. An error message pops up on her phone. When Lucy arrives home, she finds her apartment flooded and her robot vacuum floating upside down.

If only Lucy was insured...

If you are like me, having grown up listening to Hannah Montana and watching Disney classics such as High School Musical and the Suite Life of Zack & Cody, you will find yourself a main member of "the first global generation", namely Gen Z.

According to research, Gen Z is expected to make up 30% of the global workforce by 2025[1]. With employment and a salary comes great responsibility, some refer to this as "adulting".

In the context of this article, responsibility is knowing the value of being insured.

Insurance is like what shin guards are for soccer players, helmets are for cyclists and mouth guards are for hockey players. Insurance is all about protection and security; planning for the unexpected and making sure you are covered in times of loss or damage.

## So why does insurance matter? [2] [3]

**1. It protects your family and loved ones**

**2. Provides income protection**

**3. Guaranteed financial support**

**4. Reduced financial burden**

**5. Emergency assistance**

**6. Built in savings mechanisms through no-claims or low-claims benefits**

**7. Gives you peace of mind**

Still don't see the value of insurance? Perhaps a brief history of insurance will further support my argument.

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[1] Gen Z in the Workplace: Statistics and 2024 Trends: https://jobtoday.com/us/blog/gen-z-in-the-workplace-statistics-and-2024-trends/

[2] Why Insurance Is Important in South Africa? https://rcs.co.za/media/why-insurance-is-important/

[3] The importance of short-term insurance cover. https://www.iol.co.za/personal-finance/insurance/the-importance-of-short-term-insurance-cover-cf466ec7-37ed-4017-82ab-90b16adf0797

## Where did it all begin?

Research shows that the first example of insurance and risk transfer can be found in the Code of Hammurabi. The Code of Hammurabi is a Babylonian law code composed during 1750 BC. It is written in the Old Babylonian dialect of Akkadian. The primary copy of the text is inscribed on a basalt stele, which now resides in the Louvre museum in Paris. It is one of the oldest deciphered writings of significant length in the world[4].

The Hammurabi Code describes a form of bottomry[4].

During the time of the Roman Empire, large cities such as Rome depended on maritime trade for the sufficient supply of food, however this was not without its risks. The Romans developed a maritime law that included insurance-related concepts, such as bottomry[4].

Bottomry, referring to the ship's bottom or keel, is a maritime transaction whereby the owner of a vessel borrows money and uses the vessel as collateral for the loan[5]. The repayment of the loan is contingent upon the ship successfully completing the voyage. If the ship were lost at sea, the lenders would lose their money; if the ship arrived at port, the owner would pay the "resicum", or interest on the loan[5].

The history of insurance is as old as time. Insurance has served as one of the oldest risk management techniques in economic trade and has continued to evolve as time went on. Today, there are various kinds of insurance that are customised to suit individual needs. These are health insurance, car insurance, life insurance, funeral plans, personal accident plans, income protection plans, homeowner's insurance, renter's insurance, travel insurance and pet insurance, to name a few.

Not only has the product offering evolved, but so has the service delivery.

*Figure 1: The Hammurabi Codex, as displayed in the Louvre museum [4].*

## Where is it now?

Throughout the generations, technology rapidly evolved. Baby Boomers grew up during the television expansion, Gen X grew up during the computer revolution and Millennials grew up during the internet explosion[6].

What is unique to Gen Z, is that all of the above have been part of our lives from the beginning and so it comes as no surprise when we are look for service delivery "at the click of a button".

Take Lucy as an example. After the tragic demise of her beloved robot vacuum, Lucy realises that she needs household insurance. Lucy is looking for a quick and easy service offering, one where she can sign up online within a few seconds, with minimal human interaction.

Luckily for Lucy, the fourth industrial revolution brought numerous technological advances, insurtech being a primary example.

Insurtech is where technological innovation meets insurance. It is the use of technology innovations designed to find cost savings and efficiency from the current insurance industry model[7].

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[4]   Insurance and risk: some history. https://risk-engineering.org/concept/history-of-insurance

[5]   Bottomry: What It is, How It Works, Example. https://www.investopedia.com/terms/b/bottomry.asp

[6]   Defining generations: Where Millennials end and Generation Z begins. https://www.pewresearch.org/short-reads/2019/01/17/where-millennials-end-and-generation-z-begins/

[7]   Overview of Insurtech & Its Impact on the Insurance Industry. https://www.investopedia.com/terms/i/insurtech.asp

Included below are a few factors highlighting the benefits and improvements offered by insurtech[8]:

**Enhances the customer experience**
By leveraging technology, customers are more engaged in selecting and customising their coverage and getting personalised service. The future of insurtech is moving towards self-serve, online dealings.

**Promotes efficiency**
Customers can often research and explore options using the internet and apps without having to wait for business hours or an available representative.

**Emphasises individuality**
Many new tools are now available to better understand each individual's true needs. This not only improves pricing but delivers more reliable and consistent coverage based on historical data.

**Improves flexibility**
Modern insurtech offerings are more likely to give individuals specific coverage for a particular need over a fixed duration.

**Reduces operating costs**
Insurtech companies can operate remotely with staff engaging with customers around the world, thereby reducing overhead costs.

**Fraud reduction**
By leveraging data, analytics, trend analyses and machine learning, insurtech companies may be able to detect fraudulent activities if inconsistencies in data are observed. In addition, big data may also be able to identify potential loopholes, such as inconsistent, incomplete or inaccurate information or suspicious behaviour, that insurers can seek to close to avoid exploitation.

Insurtech is all about modernising insurance in the name of convenience – perfect for us "Zoomers".

8   Overview of Insurtech & Its Impact on the Insurance Industry.
    https://www.investopedia.com/terms/i/insurtech.asp#toc-understanding-insurtech

# Who is leading the charge?

Five insurtech companies that are leading the revolution in the South African market are[9]:

**Pineapple -** Pineapple is a mobile-first insurance company that aims to simplify the insurance process and reduce costs. The company uses a peer-to-peer insurance model, where users form small groups and contribute to a shared pool of funds to cover claims. Pineapple's artificial intelligence (AI)-powered app provides a platform for users to manage their policies, submit claims and track their contributions.

**Yalu -** Yalu is a digital insurance provider that focuses on providing affordable credit life insurance. The company's mission is to provide customers with protection against debt in a way that is easy to understand, affordable and accessible. The company's underwriting process and use of technology are designed to offer a fast and simple claims approval process.

**Naked -** Naked is a digital insurer that aims to provide customers with a personalised insurance experience. The company's insurance products allow customers to tailor their coverage to their needs, which can lead to lower premiums. Naked's app-based platform is designed to make it easy for customers to manage their policies, submit claims and track their spending. The company's use of AI and machine learning algorithms enables it to offer personalised pricing based on individual risk profiles.

**Click2Sure -** Click2Sure is an insurtech company that offers a range of insurance products to businesses and individuals. The company's digital platform is designed to allow customers to purchase insurance policies quickly and easily. Click2Sure's claims process uses AI to automate claims assessments, reducing the time and cost of processing claims. The company has partnered with a range of businesses, including e-commerce platforms, to offer insurance products that are tailored to specific customer needs.

**Switch by Santam (previously known as JaSure) -** Switch is a South African insurtech company that aims to provide customers with a transparent and hassle-free insurance experience. The company's app-based platform allows customers to purchase insurance policies, manage their policies, and submit claims easily and quickly. Switch's insurance products are designed to be affordable. The company's use of AI and machine learning algorithms enables it to offer personalised pricing based on individual risk profiles.

# So, what is next?

From basalt to artificial intelligence - insurance, just like technology, has evolved and will continue to evolve over time.

As a Gen Z-er, Lucy values individualism, modernisation, transparency, affordability and simplicity. Heaps of paperwork, long phone calls and endless online forms are a thing of the past.

The future of insurance lies in customised and affordable insurance that is easy to understand and tailored to suit individual needs, with additional offerings, like no-claim benefits. Where Lucy can insure her robot vacuum, her sister, Shannon, can insure her Dyson Airwrap.

So, let us learn from Lucy. There is value in having peace of mind.

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9   The 5 insurtech companies that are revolutionizing the South African market.
    https://venturesafrica.com/the-5-insurtech-companies-that-are-revolutionizing-the-south-african-market/