

# Fintech, its Implementation and the Bottom Line for Financial Service Providers

*Fahad Versey, Head of Distribution for the UAE at Union Insurance is a keen proponent of fintech, which is revolutionising the delivery of financial services across the globe. In the world of insurance, fintech brings many challenges and opportunities that Versey outlined to the delegates at the Hubbis Middle East Wealth Management Forum.*

**V**ERSEY CITED DATA FROM KPMG's 'Pulse of Fintech' report that total global investment in fintech in the first half of 2018 was estimated at almost USD58 billion, compared to a shade over USD38 billion for the whole of 2017. Moreover, KPMG estimates that investment in the next three to five years will be in excess of USD150 billion.

## **The Middle East offers a great opportunity**

"Social media is the chosen channel for fintech," Versey reported, "and here in the Middle East the market is very receptive and has a huge capacity for growth. Urbanisation here is some 68% of the nearly 250 million population, internet penetration about 60% and active social media users about 38%. There is a long way to go."

The opportunity for the insurance industry has been highlighted by what he terms the 'insuretechs', the new entrants to the industry in the past five or fewer years. "Only one-third of these firms launched between 2013 and 2015 focussed on the back office, but that figure surged to 61% in 2017, according to Business Insider 2017," he reported. "This suggests that even the newest entrants have realised that the biggest opportunity for adding value lies in optimising the most fundamental, and therefore complex operations, rather



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than in making cosmetic fixes, according to Business Insider.”

### **Backed up in the back office**

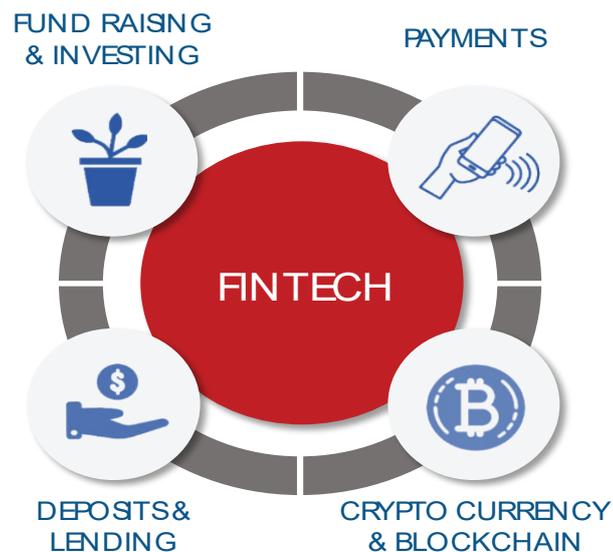
Why should this be? The answer, Versey explained, is because 60% of customer dissatisfaction originate in the back office because of execution issues, according to data he cited from Capgemini.

Versey explained that while fintech, therefore, represents a disruptive threat to traditional insurance and banking models as it facilitates the arrival of nifty new entrants, front-end fintech can be game-changing for the mainstream players providing the back-office can back up the high expectations it sets.

“Implementation of advanced technology is capital intense and time-consuming, but companies who are willing to adapt to this change will have a clear advantage. Equally, companies who are willing to collaborate with such companies who are already well advance on this journey can help adapt to the technology much quicker. Collaboration with such companies, like Union Insurance is the intelligent way to move forward, reducing time lag and capital investment required. The younger generations are already using this technology, it is us who have to catch-up.”

### **Partnering for efficacy**

Versey reported that Union Insurance began its technology revolution in February 2017, when the firm appointed Hansard International as the third-party administrator. “The highlight of that agreement was the transfer of technology from an international brand to an equally big local life insurance company and that has been going very well.”



Versey mined down a little deeper into the areas of demand for fintech and technology. The demand, he explained, ranges from fundraising and investments, creating payment gateways through your mobile apps, the demand for deposits and lending through Bitcoin or cryptocurrencies and the blockchain. “In particular in the blockchain and crypto spaces,” he said, “much of the demand is coming from the younger generations and the financial services industries must invest in technology to bridge that gap.”

### **Great expectations**

He gave more information to back his views. Some 70% of millennials expect to complete their online transaction at the first effort without any paperwork involved. Around 40% prefer self-service rather than talking to a human being.

“And amazingly,” Versey added, “25% of the millennials expect a response from the customer service office in less than 10 minutes! How many of us have

that capability? Few, hardly any, and this generation will shift loyalty rapidly, they are no longer loyal to many of the brands unless they satisfy their expectations.”

He expounded on this theme by observing that as an organisation Union Insurance must strive to be relevant to existing, and new-generation customers and to upgrade systems to a technology which the younger generations are now demanding. “Hence the huge fintech investments out there that I mentioned earlier.”

### **Vintage cars.....**

Versey closed with reference to vintage cars. “We, the mainstream insurance companies and banks are like old vintage cars, you might be able to restore them on the outside but inside the engine is often all rusty. We need to improve both the aesthetics and upgrade the engine which is critical to deliver seamless customer experience. Union Insurance with the help of Hansard International can help organisations just do that, by saving time, capital and eventually improving return on investment.” ■