Modernising insurance: Interview with Risto Rossar, CEO Insly

When it comes to technology and innovation, the insurance industry is lagging. Digital solutions like Insly - used by 1,000+ brokers - can help large companies become more efficient, and challenger firms grow.

Temps de lecture : minute

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Maddyness spoke to Risto Rossar, CEO of Insly, about how he created insurance software now used in 60 countries, and the lessons the UK can learn from Estonia's digital society.

[Maddyness] Could you tell me a bit about your background, leading up to the genesis of Insly?

[Risto] In terms of my personal background, I was born and raised in Estonia, I have four boys and in the year 2000, I went into the insurance business and established my first company. It was a digital insurance broker company that started operating in the Baltic states, before expanding to Finland and becoming the biggest insurance intermediary in the Baltic states and Finland.

In 2014, I decided to sell the broker business and out of that I span out the technology and part of the team. That served as a foundation for Insly. That's the background and the reason why I decided to sell the broker business and focus on selling just the technology to other businesses.

While in the insurance business myself I felt that companies were run with a tangled mess of different legacy systems and no IT systems at all. I felt that we had something to offer to insurance systems – and I also believed that the technology business is much more scalable geographically than the insurance distribution business.

What does Insly do in your own words?

Put really simply, Insly provides technology to the insurance business. Everyone who sells or administers insurance policies - insurance companies, brokers, agents, banks, car dealers and so on - we provide them with a digital platform and allow them to do sales and policy administration in a very simple and digital way.

What are the problems in the insurance industry that you're solving?

Tech levels and innovation are really bad in the insurance business. But maybe that's too general.

Where does it come from? [Established] insurance companies have a lot of money but sit on a lot of legacy IT solutions. They are spending most of their money keeping these old systems up and running - so there's not much left for innovation, and it's difficult for them to create on top of that old legacy solution. That's the problem that categorises the big companies that have a lot of money.

On the other side, there are brokers, agents, startup and other more innovative insurance businesses, which have the flexibility and the willingness to do a lot of innovation, but they don't have so much money. They can't build the complex IT systems insurance requires.

These are two very different sets of companies with different problems - but the result is the same: you don't see a lot of innovation in insurance. We help both of them with our tool.
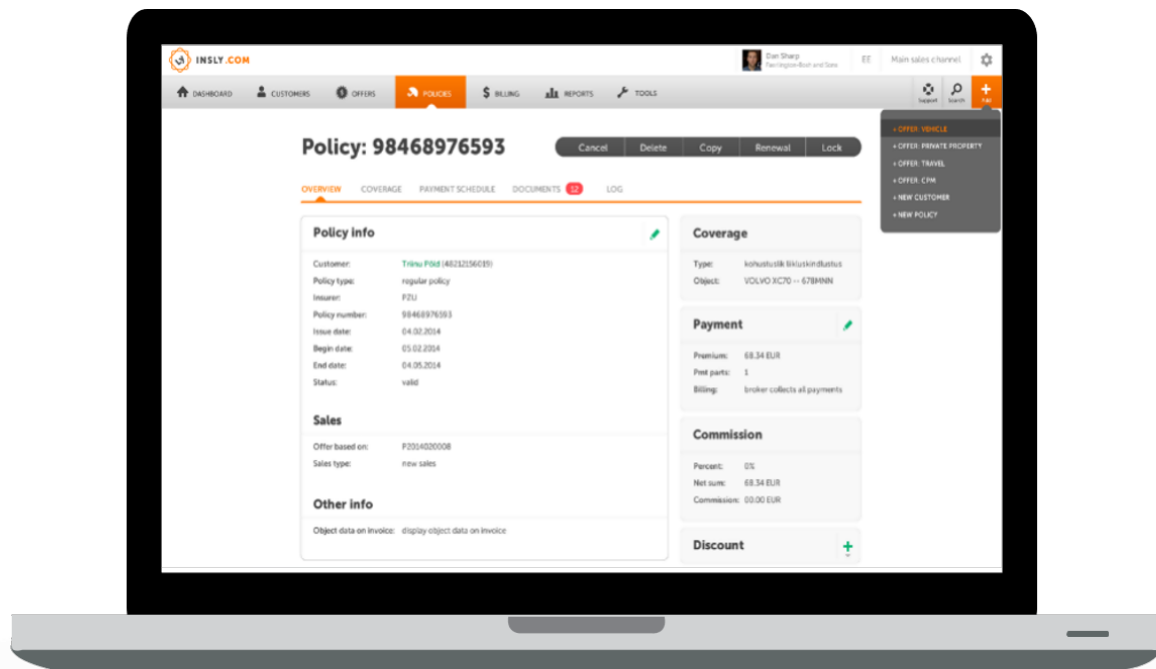
How specifically do you help those smaller companies?

Let's take one specific example: you want to open a website and start selling cyber insurance in the UK. From a technology point of view you need two things: you need to create that website to interact with the customer, and you also need the engine that calculates prices, produces insurance policy documentation, manages finance, does the reporting to the insurance companies. So, this latter one is really complex and really expensive to build, but is also very standard. Building the website, anyone can do; if you have 10,000 euros you can get it up and running.

We help the small companies with the complicated and boring things. There is no point of that small startup investing in their own rating engine, policy document generation, finance tool, in the same way that a normal company wouldn't think 'lets build our own accounting software'. No, that doesn't make any sense. The same logic applies.

If Insly wasn't available, the barrier for entry for these small firms would be much bigger because they'd need to build their own software as well. But now they can focus on their front end and put the small amount of money they have there.

I'm interested in the concept of <u>algorithmic bias within insurance companies</u>, where already disadvantaged groups in society are left even disadvantaged by insurance policy that reflects something about their demographic - generally caused not by biology but by social and economic factors.

Are these new challenger insurers and the tech you're developing considering solutions to problems like these as well as the problem of ease of use?

My economic viewpoint is quite liberal - so I favour market mechanisms. And I think insurance companies and any entrepreneur would think the same way.

So, how insurance works, is that you go after the target groups where the loss ratio is smallest - where you can get more money for smaller losses.

So if a group of people have more risk for health insurance, that's very logical that they should pay more for their insurance, from the insurance company's point of view. The technology, you're right, helps you become better at that - and brings out these problems much more strongly.

If it is a socioeconomic problem, and a group are at higher risk, then all insurance companies will ask for more money from them. But if we as a society want to deal with that I don't think insurance companies should absorb that cost and subsidise certain groups. The whole society should think of something. There's something there that needs to fixed, and it's not about subsidising people's health insurance, it's about asking why.

We are clearly leveraging that problem in a way because that's what businesses need to do. You can't really accuse insurance businesses of trying to maximise their profit because that's what they need to do, and data and AI is certainly what helps insurance.

I know that Estonia is a very digital society. I think 99% of government services are online. What's been your experience working in a place like that? Do we have lessons to learn overseas from how Estonia operates?

What Estonia did really well is the adoption of the digital signature, and giving each individual person an ID number. Globally that's not a very common thing to have. You have a signature so that on the internet you can verify at each and every interval. It's very strong identification.

The infrastructure is implemented and laws were also adapted to support that - because digital

society is probably around 10% digital technologies, and 90% the laws and parliament that makes that possible.

A lot of Estonia's government and the entrepreneurs that have been part of Estonia's digital success are advising other governments, who always come with the question 'what technology should we have?' when really the problem is getting society to accept the laws and principles. The technology is easy to solve.

And Estonians aren't very sociable people; we don't like to meet people very much so are ok to do everything over the internet!

Going back to Insly, what's next for your organisation? How has COVID affected you?

Positive is too strong a word, but COVID has had a neutral effect on us. Revenue didn't get hit by COVID because our software is enabling more people to work from home. When you are an insurance company and you don't have good technology in place, it's very difficult for you to operate in the current environment. When you have something like Insly, you don't need to be in the office much.

Our sales cycle is quite long - it's not like COVID came and everyone started to buy Insly - but from a sales point of view, we have a distributed team - offices in London, Estonia, Poland, Belarus and employees also in many other countries - and now customers don't want to meet you so much. So it's even easier for us to sell, because we used to have to travel a lot to London. We're now on par with our competitors who were closer to the customers, because now no one reaches the customers!

We did have some challenges, because we started a funding round just before COVID. Then we just made a decision to not proceed with that because we estimated the likelihood of it happening to be quite small. But then we cut our costs and we actually became profitable for a certain period of time.

> *That's a good feeling as well. It's not actually your short-term goal to be profitable, but when for a short period of time you can do that, it gives you a good feeling - that actually what you're doing is possible.*

It's a good feeling to grow too, but when you make profit it feels good too; if we don't manage to raise the money, then that's what we can do.

A slightly more personal one to end on, again related to COVID: could you tell us your daily routine and the rules you're currently living by?

Our company is not fully work from home at the moment - we let everyone decide at the moment whether they want to work from the office or from home. I wake up, feed my children, make sure they get to kindergarten or to school, then take a tram to the office and then I come back.

When I don't go to the office, because of the two to three month work from home period that we had in Estonia, I've established a really good working office in the home - and I also have a place on an island in Estonia. So I have lots of good places where I can work.

I always used to do deep work better from home, but now that I've got over thinking management should be in the office all the time, I'm much more comfortable working from home. I have good routines established and that feels good.

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