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Productivity in Insurance Industry

1. Overview of the Insurance Industry

The year 2016 is going to draw the insurance industry into an assortment of technical challenges, enablers, and disruptors. Businesses at all levels recognise disruption as an important part of the cycle, although conducting business with the huge amount of data provided by the Internet of Things (IoT) is more than what was anticipated. Expect these four notable disruptive trends in the insurance field to be noted and addressed during the year.

1.1 Mimicking the Retail Experience

Consumers expect insurance companies to provide a pleasant online experience for current and possible policyholders. They are going shopping, after all, and want an experience similar to the ones provided by online retail sites. Helpful graphs and short video clips that explain policy options and advantages will draw their interest while reducing confusion over complex riders, inclusions, and exclusions. Web designers have an advantage because they can mimic successful retail sites as develop the sales experience.

1.2 Insurance Industry Digitisation

Digitisation will reduce overhead costs. Current digital platforms are going to expand beyond the digitising of policies and electronic delivery to policyholders. Potential customers are technology-minded and appreciate features like digital document storage and the benefit of e-signatures. Exchanging quantities of paper for digital viewing will make policyholders happy and the industry more productive.

1.3 Analytics

The insurance industry will transform in 2016 due to big data, just as it changed eCommerce and social media. Integrated data from mobile applications and social media accounts will benefit the insurance industry with:

- Stronger relationships with policyholders
- Improved pricing accuracy
- Enhanced loss prevention

1.4 Changes in Business Models.

Technology is using transformative consumer behaviour and big data to create newer business models. Risk management must now consider factors like car sharing, smart homes, and driverless cars.

The cleaning industry is large and diverse. It has about 1,0011 cleaning companies as of 1st September 2014. It engages an estimated workforce of 52,000 cleaners (including 38,000 resident cleaners). The industry provides both general and specialised cleaning services, with general cleaning (commercial premises, food & beverages establishments and conservancy areas) making up majority of the services in the industry.

2. Challenges and Concerns of the Insurance Industry.

A Watsons Towers survey with 365 participants from property and casualty life insurance companies outlined their concerns regarding anticipated challenges to the industry.

Significant issues include:

- Need for additional resources in technology challenges and talent.
- Impact of big data.
- Competitive threats from Internet-based companies.
- Uncertain economic developments.
- Market conditions remain flat or grow worse during the next three years.

Figure 1 and 2 shows the concerns and perceived challenges of insurance players.

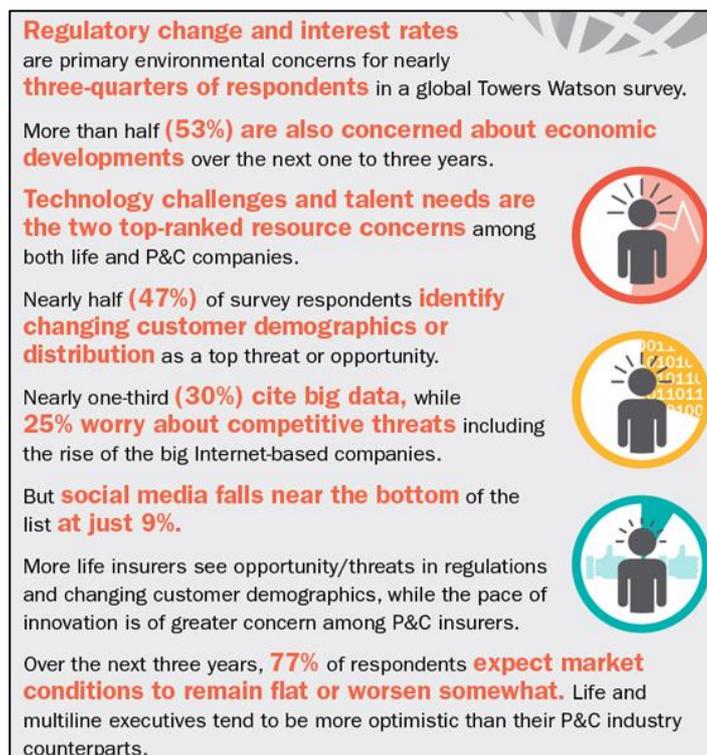


Figure1: Concerns of Insurance Industry Players

Source: <https://www.towerswatson.com/en/Insights/Newsletters/Global/emphasis/2014/infographic-2015-insurance-industry-outlook>



Figure 2: Perception of Biggest Challenges Over the Next 2 Years

Source: <https://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/A-New-World-of-Opportunity-insurance-innovation-O-201509.pdf>

The World Insurance Report 2016 reviews massive disruption of the insurance industry due to a range of threats from rapid changes. Gen Y customers have different expectations and preferences. The IoT continues to increase cognitive knowledge and encourage an overwhelming amount of data. The introduction of sophisticated Internet-based insurers demand transformations from established companies that wish to remain competitive.

Figure 3 to 5 shows the changing profile of customers, impact of external factors and biggest opportunities in the insurance industry.

3. Enablers and disruptive technologies

3.1 Insurance in a digital world

Every aspect of insurance is being reshaped by digitisation. What ideas are being suggested to help insurers succeed in sales, processing, distribution, and claims? It is possible, although it involves dedication and effort. Companies must determine:

- Where to start.
- What needs changed.
- What to invest.
- Making sure it happens.

Radical changes to customer engagement models are a necessary response to the technology-driven disruptions that affect the insurance industry. Consumers expect simpler, more intuitive experiences regarding insurance.

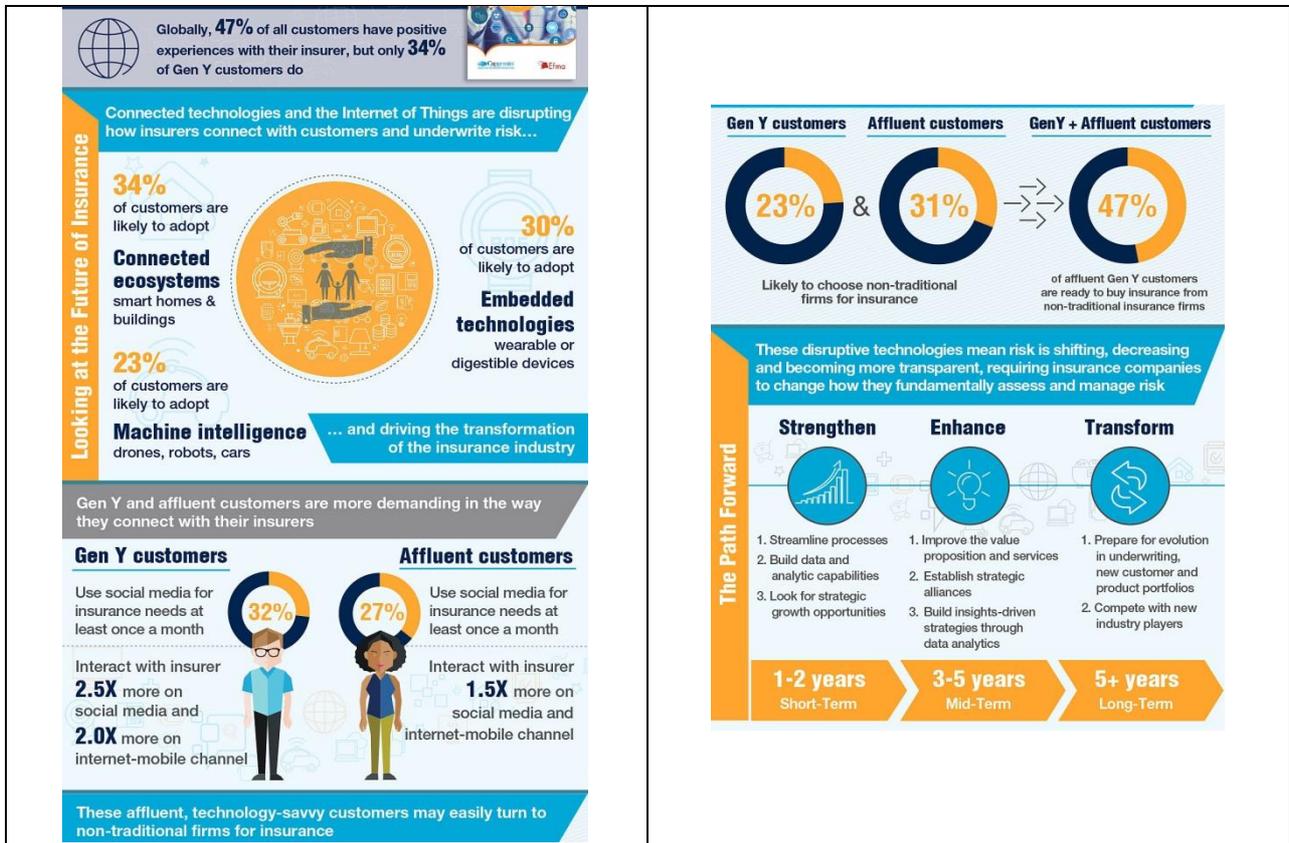


Figure 3 Connected technologies and IoT are disrupting how insurers connect to customers and underwrite. Changing profile of customers.

Source:

https://www.worldinsurancereport.com/sites/all/themes/wir_theme/frontend/dist/images/other/infograph.jpg

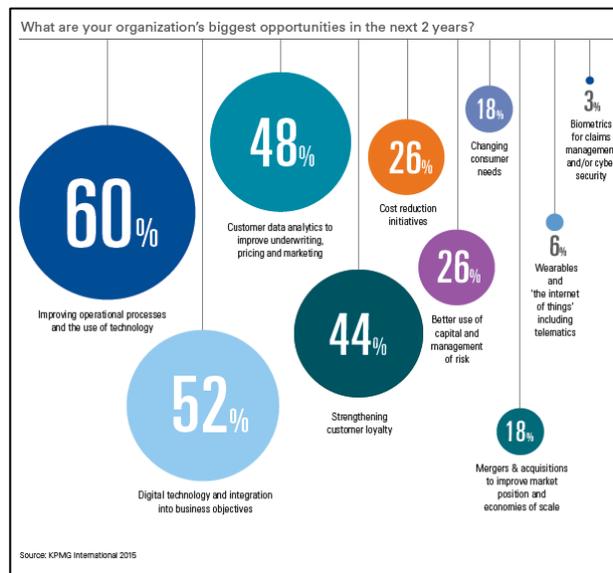


Figure 4: Perception of Biggest Opportunities Over the Next 2 Years

Source: <https://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/A-New-World-of-Opportunity-insurance-innovation-O-201509.pdf>

Impact of external factors on the Asia-Pacific insurance market in 2016

(0 = Low impact, 10 = High impact)



Economy and interest rates

Despite the recent economic slowdown in China, the Asia-Pacific region remains one of the most dynamic parts of the world and will continue to provide good growth prospects. Low interest rates will also help.



Technology

Digital technologies will continue to change customer behavior in 2016 and create opportunities for insurers to tap new sales and service channels. To succeed, insurers will need to drive innovation within their organizations and rethink how they interact with customers.



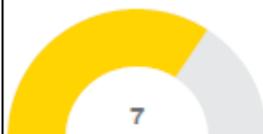
Regulation

Regulators across the region continue to strengthen solvency, protect consumers and encourage new products, such as private health insurance. C-ROSS, China's second-generation solvency framework, will require insurers to make major strategic changes.



Urbanization

Rising industry concentration in cities will increase population density and risk accumulations. Urbanization will exacerbate loss exposure from natural and man-made catastrophes, continuing the recent trend toward mega-losses.



Customer expectations

Customer expectations for better products and services will require insurers to shift to a customer-centric approach. To make this transition, insurers will need to rethink many aspects of their business, from organizational structure to performance measurement.



Demographics

Rising consumer wealth will drive demand for insurance and investment products. Health care insurance will also grow, thanks to increasing consumer awareness and government steps to build a stronger private health insurance market.

Figure 5: Market Transition and Impact of External Factors on Asia Pacific Insurance Market

Source: [http://www.ey.com/Publication/vwLUAssets/EY-asiapac-insurance-outlook-2016/\\$FILE/EY-asiapac-insurance-outlook-2016.pdf](http://www.ey.com/Publication/vwLUAssets/EY-asiapac-insurance-outlook-2016/$FILE/EY-asiapac-insurance-outlook-2016.pdf)

Disruption is creating significant competition within the insurance sector. To survive or succeed, insurers must watch for risks and disruptions while focusing on short-term and long-term opportunities. Rather than getting sidetracked by defending against potential disruptors, companies have the ability to turn into disruptors and create value for shareholders and customers. Disruption is imminent. Embrace it by being the dynamic force behind any change for the better.

The new world of opportunity stresses the importance of innovation. Flexible strategies provide the ability to respond to changes and stay ahead of your competitors. Review weak points that can be detrimental when industry competitors reference them. Then create and initiate defensive strategies to protect the lines.

Think of innovators to help you work with competitors that are similar in beliefs and goals. It's an excellent way to emphasise procedural value while learning new methods. Forming alliances with non-competitors will shed light on developments in areas like technology, telecommunication and automotive areas. You'll have a better understanding of factors that will change the face of insurance policies and needs.

The insurance innovation imperative addresses enablers and disruptive technologies that identify situations in addition to methods for working through them. Insurance is a complicated service industry that is driven primarily by the actions of individuals instead of machines. For that reason, the organisation must take a particular interest in personnel development.

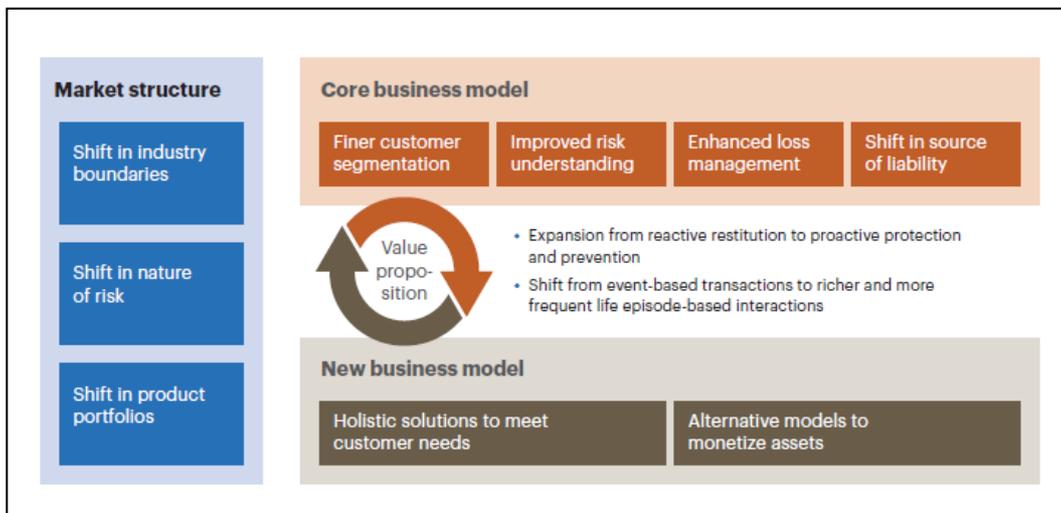


Figure 7: IoT Opportunities for Insurers

Source: <https://www.atkearney.com/documents/10192/5320720/Internet+of+Things+-+Opportunity+for+Insurers.pdf/4654e400-958a-40d5-bb65-1cc7ae64bc72>

The analysis of operations targets situations such as disruptive challenges, innovations, and underachievement.

Areas of focus:

- Promote change with new services, products and other examples of cultural transformation
- Disrupt existing business models by adding new distribution channels and ways to reduce the costs of claims.
- Apply agile and dedicated leadership focused on increased customer engagement.
- Understand why you are investing, such as improvements in business intelligence and underwriting decisions based on IoT data.

Building a culture of continuous improvement in Insurance includes designing and adhering to a lean management system. The first goal is achieved by creating sustainable, reliable forms of increased capacity brought about through improvement. Follow that with an evaluation of things your clients value, and decide how to provide them. List of the steps and changes necessary to achieve the improvements, and follow the guide to successfully transform your business.

Insurers will transform themselves and achieve short- and long-term success by making sustained, targeted investments that:

- Enhance customer service
- Develop people within the company
- Improve collaboration with other businesses and functions.

4. Possible Immediate Actions

Path Forward: Strengthen, Enhance, Transform

Disruptive technologies change risk. As it shifts, it decreases and gains transparency. The result requires insurance companies to change the way they assess and manage risk. Short-term goals (years 1-2) focus on strengthening business practices by streamlining processes, building analytic and data capabilities, and looking for strategic growth opportunities. Mid-term goals (years 3-5) enhance operations by improving the value proposition and services, forming strategic alliances, and using data analytics to build insights-driven strategies. Long-term objectives (years 5+) make the transformation of operations attainable by preparing for evolution in underwriting and new customer and product portfolios. This transition will help current businesses compete with new players in the industry.



Figure 8: Path Forward: Strengthen, Enhance, Transform

Source: https://www.worldinsurancereport.com/sites/all/themes/wir_theme/frontend/dist/images/other/infograph.jpg

Case Study

Case Study: Singapore – Aviva Asia

It isn't often that a garage is a reason to celebrate. However, the recognised insurance corporation Aviva has achieved that goal with its opening of a digital innovation garage in Singapore. The insurance and financial services sector will benefit from the creation of new, digitally themed services. Chris Wei, the executive chairman of Aviva Asia and global chairman of Aviva Digital, explained its place in Aviva's strategic plan to build a worldwide digital ecosystem. Creative designers, technical specialists and business leaders will have space for the collaboration and production of new business ideas. The primary purpose is using the digital channel to engage customers.

The garage, which is comparable to Aviva's facility opened mid-2015 in London, is staffed by 100 company employees and supported by 200 Singapore-based technology specialists.

Four functions will be brought together:

- New business and innovation will change disruptive ideas into digital prototypes for market testing.
- Digital businesses can market solutions from the garage.
- Digital projects will benefit Aviva's business in Asia.
- Collaborators will include partners involved in the setup and staff participating in a specific project.

Working together, the Singapore and London facilities will share their insights and expertise in digital insurance. Aviva global chief digital officer Andrew Brem noted the talent, digital capabilities, and FinTech community in Singapore makes it an ideal platform for digital collaboration and results. A benefit already derived in Singapore is the carpooling insurance for Ryde drivers, achieved when Aviva worked with the ride sharing app.



Launch of the Aviva Digital Garage in Singapore

"Aviva puts digital first because that's how our customers want to deal with us. The new garage will create the products and services they want, how they want them and when they want them."

"But the Innovation Centre is far more than a building – it's a campus, where the best brains bring the best ideas and make them happen".

*Mark Wilson
Group CEO, Aviva plc*

Aviva launches Digital Garage in Singapore

"The launch of the Digital Garage in Singapore is an extension of our 'Digital First' strategy which is crucial to our future success."

*Chris Wei
Executive Chairman of Aviva Asia and
Global Chairman of Aviva Digital
Aviva plc
16.12.15*



AVIVA



The Digital Garage Concept




Explore, Develop, Test Ideas	Office-less Organisational Structure	Focus on Design
 <ul style="list-style-type: none"> ➤ The aim of the Digital Garage is to make financial products and services more tailored and accessible for customers. ➤ The digital centre will have a starting team of 30 people, supported by a further 200 technology specialists based in Singapore 	 <ul style="list-style-type: none"> ➤ The garage will be built in an "office-less organisational structure" to promote new ways of working and sharing ideas. ➤ The blending of different skill sets and external expertise is intended to break down the silos and risk aversion that can traditionally stifle innovation within organisations. 	 <ul style="list-style-type: none"> ➤ Aviva has placed a specific emphasis on design within the new garage, hiring external designers to work with Aviva's internal I.T team. ➤ Relationships with the Singapore Fin-Tech community and start-ups will further Aviva's reach into Singapore's digital ecosystem.

Figure 11: Aviva's Digital Garage

Source: <http://www.slideshare.net/hughterry/innovation-inview-aviva-digital-garage-from-the-digital-insurer>

Case Study: Global – Mapfre, Spain

Global insurance, reinsurance and services company Mapfre has a long history of service and product innovation. Founded in Madrid, Spain in 1989, it operates worldwide in over 45 countries. Practices promote the world of innovation through partners and processes. Its culture of creativity addresses current challenges in the insurance business such as disruptive new entrants and regulation. Antonio Huertas, chairman and CEO of Mapfre Group, attributes their success to a focus on serving customers in a different, better way.

The company pioneered an insurance model based on customer service in Spain. New needs continue to result in launching products like pet insurance that covers the owner’s civil liability as well as the animal’s health and vending machines. Creativity and flexibility are part of the reinforced innovation that balances strict frameworks of supervision and supports orderly progress. The company’s hybrid innovation strategy includes:

- Core insurance services that protect client relationships.
- Next generation services through collaboration with disrupters and small external companies.

Verti is Mapfre’s competitive direct insurance band in Spain. Designed in response to customer needs, Verti is Spain’s top-ranked motor insurance sales. Other global responses to insurance needs include insurance sales through vending machines and department stores in Brazil.

The company builds efficiency and expertise through alliances with network partners and suppliers such as medical staff and tow-truck drivers. Insurance requires expansion to provide the best customer service and innovation by insurance professionals. The successful business continues to exchange ideas and support inspired teams that develop innovative ideas to answer change and challenges.

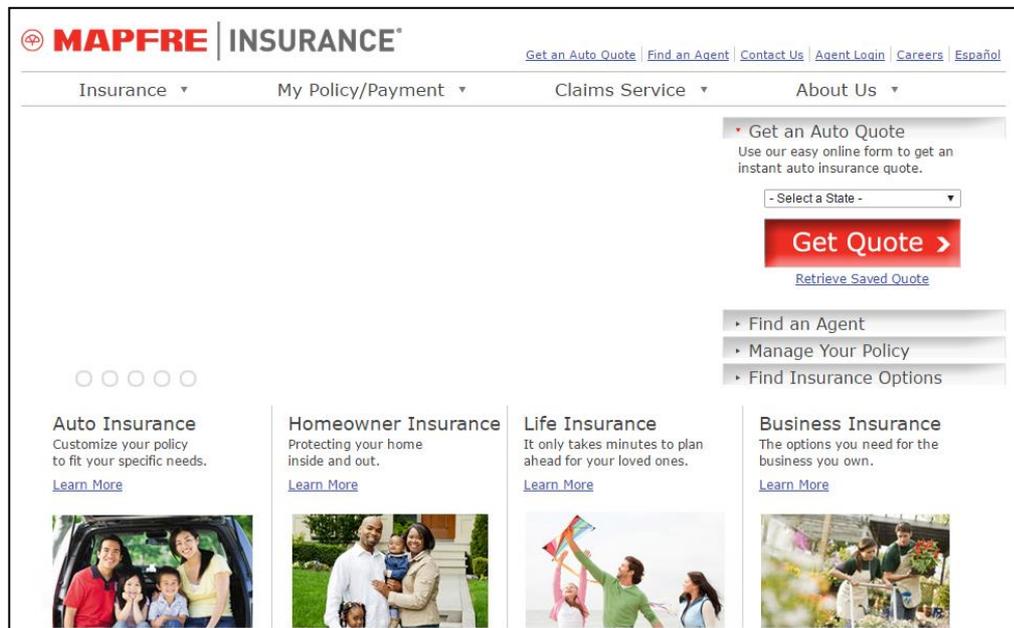


Figure 9: Global insurance, reinsurance and services company Mapfre
Source: <https://www.mapfreinsurance.com/b2cwebapp/home>

A world of innovation

To learn more about what 'innovation' means to mature insurers and intermediaries, we explore the approaches at three organizations.

MAPFRE evolves its innovation culture through partners and processes

Long known for product and service innovation, global insurance company MAPFRE continues to adapt its culture of creativity to today's challenges, including regulation and disruptive new entrants.

"With 'Innovation for leadership' being a core value at MAPFRE, we have always focused on serving customers in a different and better way," remarks Antonio Huertas, Chairman and CEO of MAPFRE Group.

For example, MAPFRE was the pioneer in Spain in developing an insurance model based on customer service and have routinely launched products for new needs, such as pet insurance that covers both animal health and owners' civil liability, or new channels such as vending machines and department stores.

While MAPFRE's past innovation was often 'spontaneous', Huertas notes that, "With today's strict supervision frameworks, we must devise processes to incentivize, develop and control our efforts, to keep progress going in an orderly manner, without jeopardizing our creativity, fluidity or flexibility. The reinforcement of innovation in the design and launch of new products and services and the dissemination of best practices was one of the key pillars of our new organizational structure which took effect at the start of 2014."

The company follows a hybrid innovation strategy, with core insurance services provided by MAPFRE, to protect

client relationships, while next generation services often emerge through collaboration with smaller external companies and distributors.

This balanced approach has enabled MAPFRE to build a direct insurance brand, Verti, to compete with digital rivals and increase client choice, without impacting its core brand, customers and intermediaries. Today, Verti is top ranked in online motor insurance sales in Spain, providing MAPFRE with synergies and greater efficiency.

Partnerships have also helped MAPFRE succeed among Brazil's emerging middle class, by launching insurance sales through vending machines and department stores in conjunction with a major bank and local retailers.

Innovation also comes from trusted relationships with suppliers and network partners, from tow-truck drivers to doctors. MAPFRE offers their partners tools and technology to serve their customers better, and in return they share ideas that spark innovation, such as Spiga, a software application to manage small vehicle dealers that MAPFRE is now rolling out worldwide.

"We have always known that our future lies in service," observes Huertas. "It is more difficult to do things creatively now that we are larger and regulation is biting deeper, but we can't stop the tide and there is plenty of innovation to be unlocked if we leverage new sources of inspiration and follow our innovation processes notwithstanding our growing scale and complexity."

Figure 10: MAPFRE Evolves its Innovation Culture through Partners and Processes

Source: <https://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/A-New-World-of-Opportunity-insurance-innovation-O-201509.pdf>

5. Conclusion

Evaluate your company change readiness by answering 5 complex preliminary questions

A lot of thought and information is required to answer the following five questions about where your insurance services stand regarding change. If you haven't advanced as much as you like, revisit goals to determine the barriers.

1. What ways can digital technology benefit your customers, organisation and employees?
2. What realistic achievements can occur?
3. How much of an investment is needed? By when?
4. What capabilities are needed to change and what is a plausible way to get them? Suggestions including building, purchasing, or partnerships.
5. Is a strong big data analytics strategy developed?

Open the doors to a myriad of business opportunities by reviewing the ways your company fits in upcoming changes. This is an opportunity to renew the company's corporate mission and identify the potential to open doors with an updated importance of current insurance practices and a renewed corporate mission.

Recommended Readings

Title	Applied Insurance Analytics: A Framework for Driving More Value from Data Assets, Technologies, and Tools (FT Press Analytics)
Author(s)	Patricia L Saporito
Publisher	Pearson FT Press
Year of Publication	2014, 1st Edition
ISBN	978-0133760361

Webpage Title	ITA: The Community for Insurance IT and Business Professionals
Website Title	Premiere Issues ITA Pro Magazine
Publisher	Insurance Technology Association
Website	https://www.itapro.org/ITAProMagazine

Title	Analytics for Insurance: The Real Business of Big Data (The Wiley Finance Series)
Author(s)	Tony Boobier
Publisher	Wiley
Year of Publication	2016, 1st Edition (To be released)
ISBN	978-1119141075

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