

# insurance day

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### Learn from the best

Innovation means more than just having a great new idea. It's about turning that idea into reality and achieving the goals it embodies.

Making a new splash in insurance doesn't have to mean coming up with an idea no-one ever thought of before. Some of the greatest innovations come from imitation. Analysing a success in one industry and applying lessons learned can lead to new lines of businesses, better processes and an agile organisation.

**Even the e-commerce pioneers found their models elsewhere. Amazon is a mail order business – and Jeff Bezos started selling books because the existence of the ISBN was a great help in building a catalogue**

Our guest columnist, Steven Mendel, surveys the state of innovation in the UK market today. His examples of leadership are striking. Notice how these innovations depend on the inspiration given by companies in other fields. In fact, if you scratch a little further, you'll find even the e-commerce pioneers found their models elsewhere. Amazon is a mail order business – and Jeff Bezos started selling books because the existence of the ISBN as a universal identifier was a great help in building a catalogue. We call that leveraging standards.

Pablo Picasso is supposed to have said: "Good artists copy, great artists steal." Great businesses find the essence of innovation in unusual places. You've just got to be looking, listening and imagining.

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# The state of innovation in UK insurance today

## Examining ways new technology can service insurance customers, if the market chooses to respond



Steven Mendel,  
chief executive  
Bought By Many

The insurance industry has responded slowly to the evolving needs of customers, despite technology offering new ways of servicing them and accessing data to provide more sophisticated and personalised premium options. Marketing on the basis of price sensitivity is no longer enough. Consumers are increasingly looking for excellent customer service and convenience.

PricewaterhouseCoopers' recent Future of Insurance report supports this view. Customers are demanding ease of interaction through technology and greater flexibility from the insurance sector. The report suggests that data trawling of social networking sites can give the industry new knowledge about the behaviour, desires and buying power of existing and potential customers. It even suggests sensor technology could help to evaluate the health of policyholders and identify problems earlier, leading to reduced liabilities and lower premiums. So where is the big debate on these potential developments within the insurance industry?

### People power

As insurance companies are essentially in the business of using data to calculate quotes, perhaps social networks could offer the opportunity to drive a personalised marketing strategy. Many other businesses have already harnessed the power of Facebook. The question is, why has the insurance industry largely ignored its potential? The travel industry has already embraced booking apps, online day itinerary services and social media integration to encourage consumer demand in an economically challenging market.

Friendsurance, a small company in Germany, is innovating in the

A technology-led future is within the industry's grasp

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area of shared insurance, where small policies can be shared among friends, thus reducing the cost. However, there is no sign of the wider insurance industry embracing this idea in a cash-poor consumer market or taking advantage of shared networks across the internet. Bought By Many aims to link collaborative consumption with social media, to benefit insurers through the creation of grouped risk and consumers through better value offerings. The intention is to make insurance social: no small task.

### In the customer's pocket

Another route for innovating in the insurance world is through smart phones. Customers will want to start the claims process for car accidents or minor home contents damage on their mobile phones. There is some sign of a shift in this direction. The US insurance industry is pushing the boundaries of technology more, with the likes of State Farm's Pocket Agent and American Family Insurance's My AmFam.

In the UK, Aviva offers an app for the iPhone that allows car insurance customers to start their claim on their phones but another major

player only gives customers one option at present – an 0844 phone number. More insurance companies need to adapt apps such as MotorMate, devised by Confused.com to deliver data on a driver's behaviour and offer personalised car insurance quotes. Given the newspaper and music industries – not exactly known for their embrace of the digital era – have transformed the way they deliver their products to the smart phone audience, the insurance industry seems to be lagging behind.

### If you don't, someone else will

Price-comparison websites have brought the issue of transparency to the fore in the insurance sector but companies themselves are coy when it comes to comparing their prices with competitors. The larger insurers could learn from the US-based website Esurance, which provides a quote and compares it against rates from other insurers.

If the insurance industry fails to adapt, the development of new technology could open up opportunities for small, niche companies to offer products to consumers. The publishing world is being cracked open by self-published authors

who need little more than their talent and access to Amazon's Kindle store to build their name and income. The same thing could happen, albeit it to a lesser extent, in the insurance industry. The industry is famous for its risk-averse nature so, while it has become more efficient within its existing markets, it has failed to develop new ways of doing business.

### Inspiration for innovation

Although the prospects appeared to be mixed, I am optimistic for the future of the industry. A survey by Gartner in late 2010 on IT development in the global insurance industry revealed investment is low but senior managers are expecting huge changes in IT over the next five years to create that all-important competitive edge. There is a sense, however, that insurance companies have been driven into these changes, rather than because they desire to offer a different experience to their customers. The time has come for the sector to look at other industries to see what the future could look like. ■

*A version of this article first appeared on the Funding Knight blog.*