



2018 INSURANCE PROFESSIONALS' FORUM

The Insurance Industry: Vision, Barriers & Innovation for Resurgence





“...those who resist change or rest on past approaches are on a slippery slope to mediocrity and a slow decline” Clay Christiansen in “The Innovator’s Dilemma”

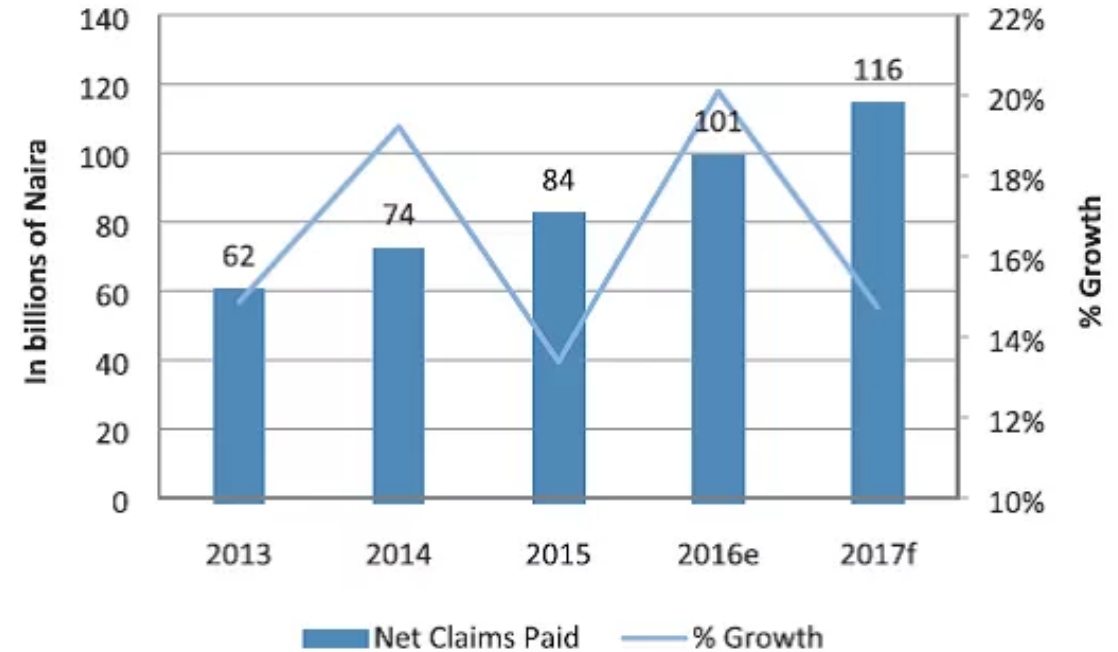
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OVERVIEW

- We are being transformed with new regulations that a while back seemed unlikely, new technology, new consumer demands and competition from new sources. Yet to make the most of the opportunities that abound, it has become clear that we must go outside our traditional ways to explore new ways of working and new ways to interact with customers.
- In 2007 under the Financial System Strategy/Vision 2020 agenda, the industry said its percentage contribution to GDP will move from 0.32% to 15.21% by 2020. Fast forward 2018 still under 1%...whereas we should be working at becoming the 15th largest insurance market in the world by 2020 from our current ranking of around 60 or so. Although we have recorded yearly growth rates in excess of 20% (over and above economic growth rates) in the past few years.
- Our market is a goldmine waiting to be explored, rapid urbanization, government commitment to infrastructural renewal and development. Reckoned among the fastest growing globally.
- Our traditional models have been somewhat successful as we evolved over the years but we see that we have become more vulnerable than ever in the face of massive and ongoing trends.
- The crop of professionals sitting here today owe a huge debt to posterity and must take action and do the needful at this particularly challenging and key moment in history for our industry to take its rightful place in the Financial System.
- The outdated way most of us transact business are not customer focused; the large innovation gap between our product development and the evolution of risks; expenses remain sky high; distribution chain remain convoluted; These challenges make us less relevant to our customers.

Figure 2: Growth in Claims Paid by the Industry (2013-2017f)



VISION AND BLUEPRINT

Vision 2020:

“to be the insurance industry of choice among the emerging markets, noted for high market capacity, transparency, efficiency and safety, to attain the position of one of the 20 largest insurance markets in the world by the year 2020”

No recollection of this vision statement and not sure the extent of our participation in crafting it. This should actually be an evaluation exercise of industry vision. What happens to an entity with no vision?

One look at NAICOM, NIA, NCRIB on vision they do not appear to speak to each other.

Where do we really see ourselves not just in 2020 and beyond? How close are we and how can we get there?

In a report PWC said we should not reinvent the wheel but should follow the path the banking industry has taken to get to where they are. So ???

On the other hand should we be able to parallel our market with the West or where? If West, what is it about the West that we want to see here?

- They are buyers and owners of banks
- Trust is higher, insurers are reputable and People by default want to buy insurance.
- Insurers do not engage in crazy product development to attract customers but to make them (Products) better since they are regularly experienced anyway.
- Insurers only develop new products when they Identify new needs.
- In the end no one can decide where you want to be than you?

As Change is now upon us and in high gear, answers need to move from survival, to success and real growth. Cost-cutting and consolidation for survival is not going to be enough – not in the short, medium and certainly not in the longer term.

As things stand each business must address:

- What businesses to be in, where and how to compete?
- What new distinctive value propositions to employ in this drastically new and evolving environment?
- What the strategies and target operating models should be?
- How much to invest in technology and innovation?



Vision barriers and Mitigations!

Poor Awareness and Understanding

- Perhaps most fundamentally, the industry has yet to convince the bulk of the populace that insurance is a viable product, worthy of spending money on. A widespread lack of awareness is a key component of this issue - many Nigerians do not know how insurance works, how to obtain it, or why and many of those that are aware are skeptical, so we must employ innovative and revised strategy to educate the public on insurance and its benefits with strong investment, innovative and cost effective delivery channels and alliances with partners who are closer to the potential customers.

The Trust Challenge

- Lack of trust between customers and insurers! Not just trust in brands or company financial stability but also trust in insurers' people and their behavior. In a report published by EY - Reimagining Customer Relationship - insurers were at the bottom of the trust ladder, where respondents indicated no trust, moderate trust and complete trust across 7 industries and 8 territories surveyed. But are we easy to understand? Do we communicate clearly? Are we easy to deal with? In many cases we are, but we must be consistent, personal, effortless and collaborative in our engagement with the customers.

The Talent Challenge

- Diversity is embedded in our DNA in this profession and should also be reflected in our peoples. Great individuals make great teams. HR experts say that diversity in gender, ethnicity, skills, Disciplines, culture, social mobility, background etc. will generate diverse ideas, thought variety and these should be abundant all of our businesses and allowed to fester. It must be said that attracting and getting the right talent into our business is only the beginning, we must train and support them to reach full potentials and reap the benefits. There is still the question of gender imbalance. What percentage of company female CEOs do we have in the industry? On the other hand, not a few EDs, GMs, AGMs... skilled and those who actually get their hands dirty are women. We must also do enough to attract and retain much needed talent in actuarial, IT, digital skills, risk management, etc.

Slow Adoption of Innovation

- Culture is said to be the biggest challenge to innovation by insurers. So this means that innovation must be part of our culture for us to innovate. We are traditionally conservative and relatively slow in adopting innovative ideas and technologies that can address many of our challenges reason we have fallen behind other financial services sector especially the banks. Lack of funding or lack of awareness? In a KPMG survey of 300 insurers globally in 2015, more than 90 per cent thought innovation was a priority for their business, yet only a few had allocated a budget for innovation or had assigned someone in the business to oversee it. We must dedicate budgets for innovation, strategies and performance metrics.

Failure in the Enforcement of Compulsory insurance

- It is arguable whether or not the sheer enforcement of the 6 compulsory insurances (GL/EL/BuC/OL/TPL/HCPI) can get the industry to the N1 Trillion GWP, 100,000 job creation, massive increase in the number of policy holders to 10 million in line with NAICOM's Transformation and FSS2020 agenda. The enablers have been achieved and are still going through the process of enhancements - payment platforms and regulations. The vision is massive and will require all hands on deck especially around policy framework and regulations to support the industry to push beyond limitations. We cannot achieve it alone. How can we achieve the strategy of built-in insurance - involuntary insurance purchases like pensions deductions?





“ Two big changes are essential for today’s insurance industry to develop: Innovation and cultural change.”

Innovation for Resurgence - Embracing Innovation and InsurTech Drive

DOING THINGS DIFFERENTLY, DO SOMETHING NEW!

- There are trends that ought to be threshold for the entire industry by now - like driving our business on new age technology platforms; Sell and service insurance on the go, things done for long in other insurance industries and are taken for granted. Our main challenges have been collaboration, workflow and documentation. Technology platforms can drive growth, improve efficiency and also delight our customers. We know that 60% of the activities performed by our workforce can be guided or replaced entirely by data driven software that automates processes. With the help of new technology analyze data to achieve claims transformation, strengthen internal operations and enhance customer experience.
- Accelerate Penetration using mobile phones which already has a 70% penetration rate and can give us more of the informal sector Explore more ways to talk to customers, emails, paid ads, direct mail, linked in, twitter, press etc. Fintech is already disrupting the wider financial services world and is now starting to make its mark on insurance. We are seeing Fintech being used to engage with customers in novel ways: new methods of delivery, new products and new data sources can all have an impact on underwriting and our understanding of risks. Building on the growing popularity of FinTech (financial technology), we now have InsureTech (or InsurTech) - the newest term used to describe the blending of insurance and technology.



REPOSITIONING AND Resurgence - Regulatory Radar

REGULATORY RADAR!

- In 2011 Ujunwa & Modebe reviewed the insurance industry's operational efficiency and concluded that most of our problems will go away with the adoption of Solvency II because it enforces strong capital base, risk management, customer-centricism, modern technology and compliance.
- Do we understand the direction that NAICOM has taken and driving the industry towards? How strategic it is - some element of protectionism in it.
- How do we see the new regulatory developments? Is it an opportunity to better enhance the brands, capitalize and develop expertise? Bring up the entire industry.
- Let us see it as an opportunity to create the industry we desire.



“Now let’s build an insurance industry that can rank amongst the twenty largest markets in the world.”



THANK YOU

for listening!

ACKNOWLEDGEMENTS

1. Upskill.io
2. Ujunwa & Modebe (2011)
3. Lloyds.com (speeches by Bruce Casnegie-Brown 2017)
4. Insurance Industry Trends by PWC
5. FSS 2020 Insurance Industry Presentation