

Innovation is the name of the game

 By [Robert Boccia](#)

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The future success of the insurance industry - and, in fact, all industries - will be driven by innovation. So much so, that we need to conceive of the chief information officer as the chief innovation officer and innovation in the insurance industry rests on two fundamental principles: improving technology systems and encouraging change in consumer behaviour.

Technology and information systems have previously been used to drive costs down and to promote efficiencies. And this was reflected in IT budgets: they remained stagnant or, worse, declined. The new era requires technology to drive new business ideas and possibilities. CIOs are moving away from simply "managing the infrastructure" to creating the future.

The role of technology in innovation

Technology is becoming a key differentiator in the way in which a company produces new products and delivers services. A prime example of this would be Uber, which is simply a technology platform for the connection of passengers with the supply of transport. It has completely disrupted the taxi industry in each country where it has launched and the potential for future disruption lies in Uber providing courier services or medical distribution.



Vichaya Kiatying-Angsulee via freedigitalphotos.net

Another example would be Facebook which purchased WhatsApp for \$19bn. It is clear that the social media website has its sights set on becoming a major telco entirely driven by technology. The launch of Instant Articles this month is just the beginning of Facebook's assault on the publishing industry while changing the distribution of news.

WeChat, a rapidly growing messaging app with well over 400m monthly active users (WhatsApp has more than 700m), is becoming so much more than that. It is challenging banks through offering payment options, it is one of the major portals for Chinese gamers to find new games and in South Africa its micro-jobbing service M4JAM (Money for Jam) is finding a ready market among businesses.

The use of technology for innovations in the insurance industry

For an insurance company, we need to look at the potential to use technology to create new options. There are insurance models now which use technology to promote better consumer behaviour. For example, motor insurance which utilises telematics to determine driving patterns and rewards consumers for low risk driving. As we know, insurance is a risk transferring business and through using technology to lower risk, an insurer is able to drive claims down and reduce premiums. The classic win-win outcome.

But what if we took this further? What if we were able to use real-time information to drive premiums lower still? For example, if we could identify that a car is parked in a secure environment for a period of time, the accident risk at that time would be lower with the car being off the road. Just imagine if we could adapt premiums in real time to take such variations into account. I believe that this is one direction in which the insurance industry is headed.

Technology is also disintermediating the insurance industry. Easier access to technology and social media has helped consumers to undertake their own research without having to rely on third-party brokers. As the consumer has become a lot more aware and access to both information and technology has improved, we've increasingly seen the broking community shrinking and the rise of direct insurance.

It is critical to be aware of trends and developments across all industries: the challenge to the insurance industry may well

emerge from outside the industry. For example, autonomous cars are probably not far away from going into mass production. The impact on insurers will be dramatic. So too will the impact of the Internet of Things (IoT) be enormous. IoT - a network of smart inter-connected devices, people and organisations - will provide real-time information about people, their assets and their associated risks and so revolutionise insurance.

Existing innovations in the insurance industry

Friendsurance, a German startup founded by Tim Kunde is another example of technology challenging the status quo. Friendsurance is a website that is pioneering "person-to-person" insurance: friends together replicate the traditional insurance model, pooling resources out of which small claims are paid while bigger claims are covered by traditional insurers with whom the firm has partnerships.

Premiums are kept in check as insurance fraud is lower: people are far less likely to defraud their friends than a faceless insurance company. In addition, friends with more risky behaviour are excluded from the group, leading to lower overall risk. There is also an elevated trust factor when dealing with people you know compared to dealing with strangers. By using the power of social networks the company offers its customers liability, legal and household insurance at a competitive rate.

From being the facilitator of the production of goods and services, technology is becoming the driver of them. All companies will essentially be technology companies, just differing in the specifics of the products which they deliver. CIOs need to constantly scan the environment for potential threats to one's industry, and insurance is no exception.

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