

## General Insurance in the Twenty-First Century: Meeting the Challenges

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### Summary

- Insurance is an industry with a long and proud history and strong financial foundations. It weathered the financial crisis well, and in 2011 paid out £1.4bn to businesses for property damage alone.
- However, insurance needs to think about the challenges ahead such as trust, a customer-centric business, regulation, public policy and opportunities such as technology.
- Public trust is one of the industry's biggest challenges. It threatens to undermine the social value of insurance and all its added benefits of stability and risk handling.
- This trust has to be earned one step, and one customer, at a time. We do it by demonstrating over months and years that we are focused on our customers and that we will deliver the right level of service and protection.
- Another challenge is responding to regulatory change. New structures are being developed and implemented at the UK and EU levels. Aviva's vision is of financially capable and well-informed consumers and businesses able to better access suitable products and advice in competitive, open markets.
- Insurers must adapt to new technology, both in terms of communicating with consumers (e.g. via social media) or driving new product design (e.g. apps that reward safer driving). For example, brokers provide over 60% of Aviva's business, and the insurer has invested in 'quote and buy' online technology specifically for brokers which can be accessed through an iPad app.
- The insurance industry must play a full and active role in public policy debates and work to rebuild trust.

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*CII Introduction: the advent of mass market insurance has led to fundamental changes in product design and distribution. Products have become commoditised, with standard terms and risk pricing techniques. In this Thinkpiece, Robin Spencer, CEO of Aviva UK, gives an insurer perspective. He starts by acknowledging that the social value of insurance is being lost in the lack of trust. Then he explains that rising to this will help the industry confront other issues such as emerging technology and dealing with public policy themes such as flood risk, reform to personal motor insurance and fraud.*

I'm proud to work in an industry that offers peace of mind for consumers - helping millions of people deal with tough times throughout the year.

It's our job to support people during some of the most significant moments in their lives: when they lose their home or business to flood or fire, crash their car, become ill, or lose a loved one. We can't stop these things happening, but we can be there to help.

The insurance industry supports nearly all adults and businesses in the UK – the cover we provide underpins growth itself. In 2011, £1.4bn was paid to businesses for property damage alone. We protect 26 million private and 4.6 million commercial vehicles. Over 19 million households have home contents insurance. It is an industry with a long and proud history and strong financial foundations; one that has weathered the financial crisis well.

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However, insurance is also an industry that needs to think about the challenges ahead, and that is what I want to focus on here – challenges such as trust, a customer-centric business, regulation, public policy and opportunities such as technology.

### **The foremost priority: building trust**

The notable social value of insurance – the benefits of reassurance, stability and risk handling - is currently lost in one of the industry's biggest challenges: trust.

Customers need to be able to trust companies in the general insurance market to be part of the solution – providing protection and financial resilience, taking away risk so that families and businesses can focus on what matters.

We know that trust is earned one step, and one customer at a time. We do it by demonstrating over months and years that we are focused on our customers and that we will deliver the right level of service and protection, especially when a claim is submitted.

### **Responding to customer needs**

This trust connects to the second major challenge of stepping up to the plate with our customers. Customer expectations, attitudes and behaviours will constantly change, and it is our role to understand these changes and ensure that our processes and people are up to the task.

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*Between the structures in London, Brussels and Frankfurt, and the new rules implemented by those supervisors, we are in the middle of a huge period of regulatory change.*

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Aviva is already highly focused on improving our relationships with customers. We have been removing barriers around our processes through up-skilling and empowering staff to cut through bureaucracy and lead with commonsense. Using proven methods, our time from notification to full settlement of household claims has reduced by 50% overall, with complaints reduced by 40% year on year. It is a continual cycle of improvement based on customer feedback and the identification of non-value activity. Customer advocacy has increased by 30% since the inception of these new methods.

Investment in our people is paramount to being ahead of our customers' changing needs. We are benefiting from employing apprentices (a new scheme in 2012) and graduates who generate a wealth of fresh ideas and concepts. Our numerous training academies mean increased knowledge and understanding, which leads to improved products and customer service.

### **Striking the right regulatory balance**

And consumer outcomes and satisfaction are very much front of mind in my third challenge: regulation. Between the structures in London, Brussels and Frankfurt, and the new rules implemented by those supervisors, we are in the middle of a huge period of regulatory change.

Our vision is of financially capable and well-informed consumers and businesses that can better access suitable products and advice in competitive, open markets.

So, just as companies must put the customer at the centre of our products and make sure they receive a fair deal, regulators need to keep their eye on promoting easy access to appropriate products for consumers.

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*Our vision is of financially capable and well-informed consumers and businesses that can better access suitable products and advice in competitive, open markets*

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We continue to advocate a sound approach to managing our ‘conduct’ risk, which includes rethinking our design of products, our sales processes and policy documents, and the way in which we deal with customers post sale – where service is key. Good information flow and discussion throughout our chain of brokers and corporate partners will also help to achieve good, positive outcomes for customers.

Ultimately, we want to be an industry that starts with the customer; where we talk about products that satisfy their needs being bought by consumers, rather than distributed by firms. This requires a subtle, but significant shift in mindset.

But this needs to be matched with a recognition by policymakers, legislators and regulators that we all benefit from products that meet our needs. Yes, we need appropriate regulation, but not rules that stop customers from having access to products that help businesses, individuals and families become more financially resilient and that provide sensible protection.

### Technology opportunities

A fourth challenge is how we embrace the opportunity that new technology brings – in the present, such as the new Aviva Driving app that offers discounts to safer drivers, and in the future, insurance for driverless cars, for example.

We are experiencing a fundamental shift in the way we all communicate. Increasingly, consumers will find us via social media, especially as a result of good service. A recent survey showed that 78% of consumers trust peer recommendations and only 14% trust advertisements.

Our customers not only choose firms that offer the best interface for them, but also those looking ahead at how emerging technology can make consumers lives easier, and improve their experiences. For example, our flood map technology enables us to pinpoint risk down to

individual property level. Together with advanced weather warnings, this helps us accurately predict which homes are at risk, so we can get our claims teams out to customers as fast as possible.

Integrating technological shifts is equally relevant for serving brokers, who provide over 60% of our business. Following their feedback, we have invested in the facility to ‘quote and buy’ online in less than five minutes using an iPad app. This gives brokers the ability to offer a personalised quote even when they are out of the office or visiting clients.

### Enhancing our society

My final challenge facing the industry is public policy: playing our part in some of the tricky social issues of today.

- In home insurance, we have the policy conundrum of finding a way to match rising flood risk with resilience and mitigation. Without adequate flood defences, those heightened risks may lead not only to more homes and businesses suffering flooding, but to insurance premiums increasing to the point of becoming unaffordable.
- In personal motor, Aviva recently set out clear plans to reform the system that has contributed to many years of rising premiums.
- Across all product areas, fraud adds £50 to the insurance premiums of each UK household and keeping ahead of the fraudsters will always prove challenging.

The common factor in these three examples is that the public policy solution requires a coalition working together across industry, government, local authorities, brokers, consumer groups and others.

### Conclusion

There is much to grapple with across the general insurance market – building trust, helping customers, appropriate regulation, harnessing technology and innovation, and tackling public policy issues. We want to play our part in providing solutions through compelling propositions and offering the support that our customers deserve.



Robin joined Aviva in 1995 and is chief executive officer, UK & Ireland General Insurance with responsibility for leading Aviva's largest general insurance business. He joined the Group Executive in January 2010. He was previously group chief risk officer, chief financial officer and subsequently president and chief executive officer of Aviva Canada. Prior to that, he was global finance transformation director. He previously worked in Group Finance in London and held a number of senior finance roles with Norwich Union Insurance, including finance director for London & Edinburgh, a subsidiary of Aviva. Prior to joining Aviva, he spent five years with Procter & Gamble in the UK.

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