BUSINESS INNOVATION POWERED BY TECHNOLOGY: THE EXPECTATION OF STAKEHOLDERS IN INSURANCE INDUSTRY

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by

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INTRODUCTION

Mr. Chairman, distinguished guests, ladies and gentlemen. I am delighted to be presenting a paper at this Education Conference and to have the opportunity of addressing you on “Business Innovation Powered by technology: The expectations of Stakeholders in Insurance Industry.

There has been a need that has grown over the last decades and even during the period of recession, CEOs were already focused on growth, and they expected technology to be the main enabler of business innovation. To be competitive in the global marketplace, organizations need to be driving more innovation in their products and service delivery offerings and insurance should not be an exception. Most CEOs must look for ways to use technology to gain efficiency, effectiveness and differentiation. But before I go further, there is the need for us to understand the terms ‘innovation’ and ‘technology’ in this context in order for us to appreciate the thrust of this paper, which is leveraging on technology in our business innovation to meet the expectations of stakeholders in our industry.

Innovation

Innovation simply put is the application of better solutions that meet new requirements, unarticulated needs, or existing market needs. It is a term that can be defined as something original, new and important in whatever field that breaks into or obtains a foothold in a market or society. In economics, management sciences and other fields of practice and analysis, it is generally considered as a process that brings together various novel ideas in a way that they have an impact on society. However, we should note that innovation differs from invention in that it refers to the use of a better and novel idea or method, whereas invention refers more directly to the creation of the idea or method itself. It also differs from improvement in that innovation refers to the notion of doing something different rather than doing the same thing better.

In business and economics, innovation is the catalyst to growth. Economist Joseph Schumpeter, who contributed greatly to the study of innovation, argued that industries must incessantly revolutionize the economic structure from within that is; innovate with better or more effective processes and products. Entrepreneurs should continuously look for better ways to satisfy their consumer base with improved quality, durability, service, and price. This can only come to fruition through innovation with advanced technologies and organizational strategies.

In the organizational context, innovation may be linked to positive changes in efficiency, productivity, quality, competitiveness, market share, etc. However, recent research findings highlight the complementary role of organizational culture in enabling organizations to translate innovative activity into tangible performance improvements.

All organizations in every sector can innovate. For instance, former Mayor Martin O’Malley pushed the City of Baltimore in the US to use CitiStat, a performance-measurement data and management system that allows city officials to maintain statistics on crime trends to condition of potholes. This system aids in better evaluation of policies and procedures with accountability and efficiency in terms of time and money.
In its first year, CitiStat saved the city $13.2 million. Even mass transit systems have innovated with hybrid bus fleets to real-time tracking at bus stands. In addition, the growing use of mobile data terminals in vehicles that serves as communication hubs between vehicles and control center automatically send data on location, passenger counts, engine performance, mileage and other information. This tool helps to deliver and manage transportation systems as experienced in the western world.

However, innovation processes usually involve: identifying needs, developing competences, and finding financial support as stated by the robotics engineer Joseph F. Engelberger. Business innovation is achieved in many ways, with much attention now given to formal research and development (R&D) for "breakthrough innovations". R&D help spur on patents and other scientific innovations that leads to productive growth in every industry.

**Technology**

This is the purposeful application of information in the design, production, and utilization of goods and services, and in the organization of human activities. It may also be described as the making, modification, usage, and knowledge of tools, machines, techniques, crafts, systems, and methods of organization, in order to solve a problem, improve a pre-existing solution to a problem, achieve a goal, handle an applied input/output relation or perform a specific function. It can also refer to the collection of such tools, including machinery, modifications, arrangements and procedures.

In the history of technology, technologies have emerged to advance the course of innovation in various fields of technology like social networking, mobile computing, analytics and cloud computing. These technologies enable new ways to develop products, interact with customers, partners with others in the distribution value chain, compete and succeed. Every top-performing company usually display greater mastery in how they leverage these digital technologies to plan, innovate, measure results, interact with customers and create value.

**Stakeholders in Insurance industry**

A stakeholder is a party that has an interest in an enterprise or project. The primary stakeholders in a typical corporation are its investors, employees, customers and suppliers. However, modern theory goes beyond this conventional notion to embrace additional stakeholders such as the community, government and trade associations. For our industry, the stakeholders are:

I. Customers/Policyholders
II. Board, Management and Employees
III. Shareholders
IV. Regulatory authorities (NAICOM, CBN, FIRS, CIIN, NIA, NCRIB, etc as in the case with Nigeria)
V. Associations and Partners in the value chain i.e. Agents, Brokers, Loss Adjusters, Risk Surveyors, etc.
VI. Our host community
A common problem that arises with having numerous stakeholders in an enterprise is that their various self-interests may not all be aligned. In fact, they may be in conflict with each other. However, the primary goal of any corporate enterprise from the viewpoint of its shareholders is to maximize profits and enhance shareholder value. Since labour costs are a critical input cost for most companies, an enterprise may seek to keep these costs under tight control. This may have the effect of making another important group of stakeholders - its employees unhappy. The most efficient companies usually manage the self-interests and expectations of its stakeholders successfully.

History of Insurance

The history of insurance refers to the development of insurance as a modern business of managing risks. It dates back to the early human society where two types of economies hold sway using barter and trade (with no centralized nor standardized set of financial instruments) and monetary economies (with markets, currency, financial instruments and so on). Insurance in the former entails agreements of mutual aid. For example, if one family’s house gets destroyed, the neighbours are committed to help rebuild it. In this case, insurance was not considered as a business but a social responsibility with the fortunate many providing support for the unfortunate few.

In the modern era, insurance became far more sophisticated and specialized varieties developed into various classes as we have today. Insurance became a veritable business with many companies springing up to transact this line of business with London becoming the centre of trade with its huge increasing demand for marine insurance.

West Africa Historical Experience

The foremost forms of insurance prior to the introduction of insurance in our sub region by the British, was a form of traditional social and mutual structure similar to what existed in the western world. This existed as a form of helping those who had suffered mishaps in the community either by donations of cash amongst members of the family and community or by community service towards the reconstruction of destroyed infrastructure. The British, in a bid to carry on business activities within and outside the borders of this territory, had to introduce insurance to protect their interest as the economic activities increased and there was expansion of cash-crop production for exports. This apparently brought about the need to handle local risks by their foreign firms that had come to engage in banking and shipping businesses within the territory of British West Africa; thus, the birth of Insurance in the sub region.

Basically, the nature of insurance that was introduced, involved a proper contract between the two parties, the insurer and the insured, where the insurer agrees to indemnify the other party of losses, liabilities and damages that may be suffered by the insured in the occurrence of specific uncertainties. Currently, the Insurance industry in the sub region has grown over the ages evolving from different spates and stages of reforms that have made it a force to be reckoned with.
INSURANCE INDUSTRY IN NIGERIA

The insurance industry in Nigeria is obviously running at its minimum optimization and not serving its major economic purpose. With a total premium value of $1.6 billion in 2011, the country’s insurance market still retains the biggest status in West Africa. However, the market remains relatively under-developed with less than 5% penetration and coverage in the retail market. Our industry is characterized by under capitalization; dearth of appropriate human capital and professional skills; poor returns on capital; existence of too many fringe players; poor asset quality; prominence of unethical practices; significant corporate governance issues; insurance premium flight; poor business infrastructural facilities especially in the area of information communication technology (ICT); lack of innovation in product development; lack of awareness on the part of consumers on the suitability of insurance products; and low GDP per capita figures. Despite these challenges, premium income grew by 25% in 2012 to $1.89 billion, a consistent rate that the industry has enjoyed since 2008.

Advent of Technology in insurance business

The insurance industry makes up one of the largest segments of the U.S. economy. The Plunkett Research reports that the US insurance industry collected more than $641 billion in premiums in 2009. Technology plays a large role in the industry, from rating and underwriting policies to producing documents. "Insurance and Technology Magazine" estimates that insurance companies spend as much as 3.5% of their annual premiums on technology, or $22 billion in the U.S alone, in several key spending areas as of 2010.

Insurance companies have always used actuaries to price risks based on the probability of a loss occurring. New technology tools allow insurers to identify opportunities and risks at a much more granular level. Modeling tools examine loss history and compare it with risk characteristics, looking for correlations. Companies can charge higher rates for higher-risk customers and lower rates for safer opportunities.

Online Fulfillment

Insurance companies spend a significant amount of money processing applications, printing documents and mailing them to customers. Over the years, insurers have invested significant funds to develop technology solutions that reduce the number of factors necessary to deliver a policy. Technology offloads the data entry role to customers, agents and brokers, eliminating the need for mailrooms, data entry clerks and paper files. Data processing, underwriting and rating takes place online, with policy documents e-mailed almost immediately to the customer or broker. While the systems require a substantial investment to develop, the economies of scale provide a satisfying return on investment, along with superior service and response times.

Mobile Applications

The growth of smart phones and similar devices has placed a computer in the pocket of many customers and partners in the value chain. As this trend increases, insurers are identifying ways to reduce expenses, provide better service and sell more products using mobile applications. Companies are using the devices to allow prospects and customers to obtain quotes, view policies, report claims and ask questions via live chat applications.
from almost anywhere in the world. Insurers are investigating ways they can use the technology to provide additional value to their customers.

The purpose of insurance technology is to dramatically reduce the amount of paperwork dealing with policies and proposals, and effectively meet the needs of clients in much less time than traditionally expected. Insurance technology eliminates a great deal of paper handling and travel cost once required by insurance agencies.

The impact of technology in insurance need not be over emphasized. The large amounts of paper work, and the time and effort needed for the completions of customer policies, can be extremely draining, causing agents to work well beyond the normal working hours in a week. The use of appropriate technology eliminates many of the past problems and allows agencies to keep up with the competition.

**Technological Innovations That Have Affected Insurance**

Technology has changed the face of many industries. Companies are able to accomplish more with fewer staff, analyze their financial information more accurately and communicate more effectively. Over the past few decades, technology has dramatically changed the way insurers conduct business. There are a number of key areas in which insurers have used technology for a business advantage.

**Actuarial Modeling**

Insurance companies have always based their premiums on the likelihood that the customer would suffer a loss. Originally, actuaries looked at broad trends and claims history to establish rates. For example, homes not located near a hydrant or fire hall were more likely to suffer catastrophic fire damage than those with such protection. Technology has enabled actuaries to create much more precise models, tracking trends such as the water pressure found in hydrants in various neighborhoods, the quality of training a fire department, and the addition of a fire alarm to the home. The result is a much more granular understanding of the risks inherent in an account and the ability to charge an appropriate premium for that risk.

**Database Uniformity**

Until very recently, most insurance companies were unable to access customer data efficiently. Companies were plagued with paper files, dozens of proprietary computer systems within each company and silos of information. The client account used to issue a policy was often unconnected to the file a claims department would use to settle a loss. In many cases, the insurer was unaware if a customer maintained more than one policy with her as each was stored as separate files. As database standards became more open, insurers are able to amalgamate this information, gaining a much better understanding of their client. Valued customers receive better service, personalized materials, multi-policy discounts and faster claim response.

**Remote Claims Adjusting**

Traditionally, when a claim occurred, the insurer would need to find the paper files for each of the customer’s policies and hand them over to an adjuster. The adjuster would use the information to settle the claim. In some companies, this could take days or even
weeks, depending on the location of the loss. Mobile computing, combined with open databases, allows insurers and claims adjusters to access policy information immediately. Adjusters are able to confirm coverage, view policy limits and print claims checks without ever visiting the company's office. Progressive insurance is one of the trail-blazers in this regard, sometimes settling an auto claim while the car is still at the scene of the accident. Remote claims adjusting provides better service for the customer and reduced expenses for the insurance company.

**Business Innovation**

We have discussed technology and how well it has impacted our industry. It will be ideal that further discussion be made in the light of business innovation as it affects our industry in today's marketplace in view of the following:

1. **Process reengineering**

Business Process Re-engineering (BPR) is basically rethinking and radically redesigning an organization's existing resources. However, it is more than just business improvising; it is an approach for redesigning the way work is done to better support the organization's mission and reduce costs. Reengineering starts with a high-level assessment of the organization's mission, strategic goals, and customer needs. With respect to innovation, basic questions must be asked, such as "Does our Mission and Vision need to be redefined? Does our strategic goal align with our mission? Who are our customers?" An organization may find that it is operating on questionable assumptions, particularly in terms of the wants and needs of its customers. It is only after the organization rethinks what it should be doing, before it can go on to decide how best to do it.

Within the framework of this basic assessment of mission and goals, re-engineering focuses on the organization's business processes - the steps and procedures that govern how resources are used to create products and services that meet the needs of particular customers or markets. As a structured ordering of work steps across time and place, a business process can be decomposed into specific activities, measured, modeled, and improved. It can also be completely redesigned or eliminated altogether. Re-engineering identifies, analyzes, and re-designs an organization's core business processes with the aim of achieving dramatic improvements in critical performance measures, such as cost, quality, service, and speed.

2. **Product Differentiation**

Product differentiation is a specific kind of business and marketing strategy. It focuses on a target market in which competitors already offer similar products or services as it is the custom with our industry. A company that uses product differentiation tries to create the perception among certain target customers that the company's version of his product or service is somehow different and thus has added value that is not available from competitors.

Product differentiation is extremely important to running any kind of business. This is due to economic principles that have been demonstrated time and time again in nearly
every market place. If the public perceives no difference between two competing products, then the only possible means of competition is through pricing. In a situation such as this, products are viewed by customers as very easy substitutes for one another. If one product is more expensive than the other, the customer will simply purchase the cheaper product. He does this because he views no difference between them.

To compete, the company with the higher price will lower its price to the same level as the competition. Eventually, another company may ignore the standard price in the market and offer the same product at an even lower price. The other competitors have no choice but to lower their prices as well. They have to or they will lose their business. Eventually, this leads to a situation in which the prices are lowered to the point where no business in the market can make a profit off that product.

The answer to this problem based on economic principles is to make our product seem different from the competition. If the customers do perceive a difference, one product is less likely to be a perfect substitute for another. The ways a product can be differentiated from the competition are numerous. However, we should note that actual physical alteration of the product is not always necessary.

Today, most of our customers are highly conscious of the market. Products can be differentiated through many different ways. This differentiation may for example take the form of different packaging as in motor insurance. The possibilities are nearly limitless. As long as a business can come up with a creative way to differentiate its product or service, gaining a competitive advantage is possible.

3. Brand Management

Innovation is integral to both building and maintaining strong brands. In order for brands to remain contemporary and aligned with shifts in the market, continuous innovation is stressed as a powerful and irreplaceable capability to enhance brand’s value propositions and point of differentiation in the marketplace. Mainstream brand management literature often mentions innovation as a key corporate brand association of successful corporations and as a key element of brand positioning strategies. Product and corporate brands can be an important path to innovation. For instance, Calder and Calder (2010) note that brands are a valuable source of growth by providing a sense of direction on how product portfolios may successfully be extended into new and profitable product categories or markets.

The brand is identified as the key component in situational intelligence around which innovation processes revolve. The brand can assist management in focusing decision-making processes by acting as a guiding beacon and defining clear boundaries via the brand positioning, core promise, and values and vision for creative thinking and innovation. First, what is the relationship between innovation strategies and the firm’s resource strategies that are necessary to underpin these strategies? Second, how is the customer perspective incorporated into the innovation process?
As managers face decisions regarding the prioritization of scarce organizational resources to devote to new innovation projects, they are expected to pull from both internal knowledge of the products and services they can potentially offer and the external insights they glean about the market and its potential to create competitive advantage. Key characteristics of design thinking relevant for corporate branding innovation capabilities are:

- The application of a holistic mindset that incorporates consideration of firm resources, market trends and customer life situations.
- Empathy allowing for valid immersion into the human lives that constitute one’s respective target audience and potentially future ones.
- Integrative thinking, which as we have learned is grounded in an ability to observe (for example, applying anthropological methods) and to analyse and state hypotheses of what these observations may mean for future business opportunities.
- The abductive approach that allows managers to switch between using market data, customer insights and intuition to drive innovation processes.

4. Sales & Marketing

Innovation in sales and marketing translates into increased sales and margins. Effective innovation is the positive change that customer values and which in turn, lead to more sales. For the purpose of this presentation, I will approach innovation with the following techniques:

- Convergence
- Drill-down
- Spread-out

**Convergence** is expanding our thinking by looking at other functions or fields from which we might learn something valuable. Some of the biggest innovations are created by one field influencing another. For our business, I will suggest we take cognizance of IT, marketing, advertising, social media, sociology and psychology.

**Drill-down** is about getting to the nuts and bolts of what really happens in the business environment, shifting the focus from what is expected from the sales team. Here, we start with our high performers in the field. The goal here is to identify best practices, understand what is successful and why and how to overcome challenges. We also look at why others are less successful, and use this combined view to spread best practices and eliminate roadblocks in our business.

**Spread-out** takes a holistic systems view. It helps us understand our entire end-to-end process and how one step impacts others. It focuses on identifying barriers that may cause sub-optimal performance and identifies the steps that add the most value to the customer and our business organization.
5. Service Delivery

Service innovation is a service product or service process that is based on some technology or systematic method. In services however, the innovation does not necessarily relate to the novelty of the technology itself but the innovation often lies in the non-technological areas. Service innovations can for instance be new solutions in the customer interface, new distribution methods, and novel application of technology in the service process, new forms of operation with the supply chain or new ways to organize and manage services. The concept of Service Innovation was first discussed by Miles (1993) and has been improved upon in the last two decades. It is used to refer to many things. These include but not limited to:

1. Innovation in services, in service products – new or improved service products (commodities or public services). Often this is contrasted with “technological innovation”, though service products can have technological elements. This sense of service innovation is closely related to Service design and “new service development”.

2. Innovation in service processes – new or improved ways of designing and producing services. This may include innovation in service delivery systems, though often this will be regarded instead as a service product innovation. Innovation of this sort may be technological, technique- or expertise-based, or a matter of work organization (e.g. restructuring work between professionals and paraprofessionals).

3. Innovation in service firms, organizations, and industries – organizational innovations, as well as service product and process innovations, and the management of innovation processes, within service organizations.

Den Hertog (2000) who identifies four “dimensions” of service innovation takes quite a different direction to much standard innovation theorizing more on the service concept, client/customer interface, service delivery system and technological options.

In practice, the majority of service innovations will almost certainly involve various combinations of these five dimensions. For instance:

- A new IT system (technology dimension) may be used to enable customer self-service (interface dimension) as in the case of a bank contacting its customers.

- The ability to track one’s order or the location of an item that one has posted or is expecting to receive.

- Services may be delivered electronically, as in the case of much online banking and cash withdrawals from ATMs and even delivering of policy documents as obtainable in insurance.

- A new service allowing a client to examine various options and calculate what they would be paying with different types of accounts. This is obtainable with most companies with the e-business platform in Nigeria.
Corporate governance

Corporate Governance is the key foundation for firms to be more productive and have a long existing life cycle. It is one of the new concepts or theories on how an organization should effectively run. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, management, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance. However corporate governance has wider implications and is critical to economic and social well being, firstly in providing the incentives and performance measures to achieve business success, and secondly in providing the accountability and transparency to ensure the equitable distribution of the resulting wealth. The significance of corporate governance for the stability and equity of society is captured in the broader definition of the concept offered by Sir Adrian Cadbury (2002): "Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society." It is therefore logical to study the influence of corporate governance mechanism on performance of companies as it is a veritable tool for business innovation.

Companies with sound governance programs will surely perform better. Good governance means little expropriation of corporate resources by management or controlling shareholders, which contributes to better allocation of resources and better performance. As investors and lenders will be more willing to put their money in firms with good governance, they will face lower costs of capital, another source of better firm performance. Other stakeholders, including employees and suppliers, will also want to be associated with and enter into business relationships with such firms, as the relationships are likely to be more prosperous, fairer, and longer lasting than those firms with less effective governance.

Avoiding Pitfalls to Innovation

Innovation leads to change? In so far as it is the process by which new directions are set, new ideas are created, and possibilities are turned into reality. If we are ready to expand locally or globally it can present the ideal process by which these ideas become possibilities. Despite its huge potential, organizations inhibit innovation because they fail to avoid some common pitfalls to success. Here are some common pitfalls to be aware of:

1. Focusing on short term results

Short-term, bottom-line oriented thinking can be a sure fire way of crushing innovation. When there is constant pressure and focus on quarterly results, employees feel
compelled to focus on short-term solutions and have less time and mental capacity to think about what the business really needs to achieve and maintain profitable operations over the long run. Instead, employees tend to focus on sustaining existing products and services. Such behaviour will not support innovation.

II. Unsupportive performance measurement system

Organizations that have a culture of innovation will measure management’s performance based on their ability to create new value-added products, services and ideas. As well, the extent to which they do this with staff rather than independent of their staff, demonstrates a clearer understanding of the use of an innovation process versus management directive. This can be demonstrated in their regular division, department or unit meetings. To what extent are meetings focused on exploring new ideas? How many of our staff are genuinely interested in and willing to pursue new ideas? Are they trained to understand the innovation process? Is there an aggressive effort in the organization to build new opportunities based on the development of new services and products?

Innovative cultures permit all levels of staff to try new things. Cultures that repeatedly impose punishment on staff members, for failure or errors resulting from experimentation, are bound to stifle creativity or innovative thinking.

Where there is an absence of celebrating creativity and ideas one finds that innovations rarely have a vibrant creative environment to thrive. In contrast, organizations where the most talked about stories revolve around creativity, inspire others to follow suit, building a culture of innovation.

III. Lackluster leadership

According to Seth Waugh, CEO of Deutsche Bank Americas, culture is a critical factor in promoting innovation and such a culture is initiated by the leadership. Business leaders stimulate innovation by offering incentives to workers, creating an environment, and setting expectations. About high performance leaders, Waugh notes, "You must have people with that hunger to always learn, who are always open and who think about things in a different way. You always have to reinvent yourself tomorrow".

IV. Hiring the wrong employees

Having employees that are committed to focusing on customers can make a real difference. Intuit, a software company, ensures that the new hires understand the company's Holy Grail: A Happy Customer. Customer focus, wherein Intuit makes a difference in the customer's lives, is the everyday mantra practiced by everyone in the company. It is demonstrated in their practices such as: interviewing and hiring the right employees who believe in customer first, postage-paid "Customer Suggestions" included with every copy of software (and follow through on the suggestions), answering service and technical support calls for at least four hours each month, "follow me home" research wherein marketing and engineering staff literally follow a customer home and watch them install and use the software. They also have: a data base to track continuous customer feedback, a customer advisory panel consisting of loyal customers providing feedback on new products, features and quality, and focus groups to conduct
market research on how customers buy and use software to manage money and finances. I will suggest that our industry also look at this critically in improving our customer relationship.

V. Absence of a process to track and develop innovative ideas

Organizations that have a culture that supports innovation are often customer focused, value-driven and strategic. They ensure that their operating strategies are developed through interactions with their employees, customers, partners, vendors, suppliers and consultants. They review market trends and identify, through benchmarking, what is required to out-perform their competition.

Peter Linneman, Wharton finance professor and founding chairman of Wharton’s real estate department, has a more real world perspective. He says that, there is no magic, "Aha!" moment in most innovation. According to Linneman, “It’s just all hard work - showing up every day in the morning, studying plans, walking around seeing what other people are doing. If you wait for ‘eureka’, you are never going to have innovation.”

Every organization undergoes innovation or else it is not successful. It is just a matter of degree. The essence of innovation is discovering what your organization is uniquely good at, what special capabilities it possesses, and how it can take advantage of these capabilities to build products or deliver services that are better than anyone else’s. Every organization has unique strengths. Success comes from leveraging these strengths in its own service or product market place.

Expectation of Stakeholders in the Insurance Industry

First and foremost, the insurance industry needs to understand how to operate around innovation by leveraging on technology to meet stakeholders’ expectations. Insurance companies must first consider their strategic imperatives and how they can make a holistic transformation through people, process and structure. The next step is to identify the technologies that are best suited to their unique circumstances. Every company should strive to improve enterprise productivity by reducing complexity and then drive a more agile IT environment that will be an enabler for business growth through the use of emerging technologies. Let me now consider the expectation of the stakeholders in our industry as I have identified earlier.

1. Shareholders - Dividend payout

It is customary for shareholders of companies to expect to be paid dividend at the end of each financial year, but a lot of firms listed on the Nigerian Stock Exchange have not been meeting expectations in this regard. Only 75 out of the 190 companies quoted on the Nigerian Stock Exchange paid dividends to shareholders in 2011.

Shareholders expect the business to be highly profitable and should offer good returns. They also expect some degree of control over the board, to be able to oust members who do not perform as expected. Most importantly, shareholders expect to be kept well informed of business activities. Today, there is growing discord with shareholders. This has led to demands and lobbying for new laws on ethical conduct, management to be held
liable for business losses and greater accountability for losses to be placed onto those who caused them.

Shareholders are also demanding greater protection of investment, as well as greater returns. While companies rely on share value and retainership of shares held by lenders, ordinary shareholders rely on returns not share value. In fact, constant share re-issuing and stock splits water down the returns to small investors, leading to greater calls for control to stop what many see as over issuing of shares.

All shareholder groups expect and now demand government action to restrain directors to pay themselves large sums and "retirement payments". Shareholders wish to have greater control on management appointments and remunerations for salary earners. Not just annual meetings.

2. **Customer/Policyholders Expectation**

Customer service is all about expectation. A business that offers a fast response or a personal service is setting up an expectation. If that company does not fulfill its promise, its customers will be disappointed.

This fundamental facet of customer service can be demonstrated in more detail with the example of a customer, who is influenced by a number of different things to form an opinion about what they might expect from your organisation.

- They have word-of-mouth ideas (referrals) from their friends or colleagues.
- Through experience of other service providers (competitors) they have some idea of what the competition might be offering.
- They may have past experience of your organisation
- They probably feel that their needs are unique to them.

These differing opinions distil into their customer expectation. There is the possibility that a number of gaps creep in between the customer service the customer expects to receive from you and the customer service they perceive they get from you.

The best way to wow customers is to ‘under-promise’ and ‘over-deliver’. If you know you can deliver in 24 hours, promise 72 hours and your customer will be pleasantly surprised when you call with an early delivery time. Good customer service comes from a ‘can do’ attitude. This is about being able to achieve things, being solution orientated, being happy and being prepared to go that extra mile.

’Can’t do’ people are identified by their blaming, cynical and discouraging attitudes; people that give justifications to customers such as ‘it’s not my fault’ or ‘well, it’s company policy’. Such attitudes cost companies because customers want to be served by people that can solve their problems, not by those that have a long and frustrating list of excuses.

3. **Board, Management and Employees**

The Board, Management and Employees are those directing the ship of a company and it is expected that they should be compensated for the services rendered to the
company. Such payment must be timely and provide at least minimal benefits, providing tangible proof that people in this category are gainfully employed. People work for myriad of reasons, but most of these reasons figure into three core factors: entertainment, feel appreciated, and earn money.

Employees, and even the board and management often expect their jobs to provide a certain level of social interaction. Going to work is a chance to reconnect with friends and acquaintances. Human beings need this interaction. In most situations, this need is not necessarily incompatible with productivity and efficiency. People work better when they’re happy, and interacting with other people is a way to be happy. The challenge for us is to keep such interactions appropriate for the workplace.

Though expectations vary among individuals, three basic needs are common to most people:

• To engage in work that is interesting and that provides a sense of accomplishment
• To feel that the job offers economic stability
• To grow toward personal potential

However, we must note that these categories of people also have intangible expectations of their organizations. They expect fair treatment, a safe working environment and the inspiration to become fully engaged in their work.

4. Regulatory Authorities

Having a sound corporate governance programme in place is a corporate imperative in today’s regulatory climate. It has become necessary as it does enhance the company’s reputation with investor, creditors and other stakeholders. The regulatory authorities like NAICOM as in the case with Nigeria expects; directors of board to fully comply with their roles, duties and responsibilities, management conforming to their roles, duties and responsibilities towards the board, shareholders’ ability to positively influence the performance of the firm, having an ideal board composition, knowing the board size necessary for effective decision making and boards having an effective Audit Committee.

Furthermore, financial returns are expected as at when due in line with the approved standards using the IFRS accounting standards. I am aware that this has posed a great challenge to many of us in the industry, but believe me, it is the way to go if we must justify our continued stay in business.

More importantly, as a good corporate citizen, it is expected that tax rendition must be done and payment of levies and dues paid promptly to the relevant regulatory bodies and associations with oversight function in our industry.

5. Associations and Partners in the Distribution Value Chain

Every day, as insurance companies, it must be the continuing goal to exceed the expectations of our partners in the value chain like brokers, agents, loss adjusters, risk surveyors, etc with the insurance products and services we put on offer. Our pricing must be right and the products and services must meet the expectations of their growing, exceptional client base while also pavina for their services prominently.
The needed support in the area of training and provision of adequate equipment and appropriate technology should be provided particularly for our agents to enable them drive greater penetration at the retail end of the market.

6. The Public

The public which is our host community expect us as an industry to be socially responsible. We are expected to honour ethical values and respect people, communities, and the natural environment in addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders.

Experience has shown that more companies than ever before are engaged in serious efforts to define and integrate CSR into all aspects of their business, with their experiences being bolstered by a growing body of evidence that it has a positive impact on business economic performance. Stakeholders including shareholders, analysts, regulators, activists, labour unions, employees, community organizations, and the news media are now asking companies to be accountable not only for their business performance but also the level of their involvement in CSR issues.

Although companies’ involvement in CSR attracts huge cost particularly to us in insurance, the benefits inherent will more than compensate for business in the long run. A company that engages in CSR will succeed in enhancing its brand image and reputation because customers are often drawn to brands and companies with good reputation in CSR related areas. No doubt, this will ultimately increase sales and customer loyalty and reduction in cost of advertisement and engaging huge number of workforce to sell its products and services.

CONCLUSION

Distinguished audience, for decades, people talked about the tremendous potential of our market. But it is the current generation that we all belong that can help fulfill this potential. I must confess that I am committed to supporting this cause through innovative business thinking based on sound technology. I will like to conclude by appealing to you all to implement this cause and support our respective organisation in achieving the theme of this conference. We can’t really change what is going on around us until we start changing what is going on within us. We may not have done much in the past, but the future looks bright and there is still a lot that we can do to improve our industry greatly.

In the words of Zig Ziglar – “how you see your future is much more important than what happened in your past”. Now is the time for us as an industry to rise to the challenge of mediocrity by deploying our knowledge base to the development of our industry and the financial sector as a whole. Insurance must take its pride of place in the financial sector of our economy. The choice is really ours.

I thank you all for your rapt attention. Once again, I commend the West African Insurance Companies Association (WAICA) for this laudable programme and I do hope
that the knowledge we have shared today will be applied in the development of our industry.

Thank you and God bless.

WALE ONAOLAPO
REFERENCES


