

# Innovation in financial services – a critical strategic enabler

**Published:** Nov 1, 2016 10:00:00 AM South Africa Standard Time

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MMI CEO, Nicolaas Kruger, writes about how organisations can tap into this new world of opportunity and innovation.

Innovation is one of the most desired strategic enablers for modern-day businesses. The future is being shaped by those innovating right now, those not afraid to push boundaries.

The insurance industry is no exception to this rule. An innovative mindset is critical for the industry to change from a traditionally risk-averse culture to one that encourages experimentation and then benefits from the resulting innovation.

Driven by technology advances, the fourth industrial revolution is now in full swing, with stakeholders (customers, investors and employees) increasingly realising the importance of innovation. The next frontier of innovation for the insurance industry will involve utilising multiple technologies in an integrated, holistic fashion.

Technology and innovation have created a new world of opportunity for society, businesses and the individual. Businesses have to adapt and embrace technology and innovation in a way that best complements their products and services, or face being disrupted.

This is highlighted by a Deloitte study on The Future of Financial Services, which points out that the greatest impact of disruption in financial services is likely to be felt in the insurance sector.

There are several technology advances that will dramatically impact and change the insurance industry. One major area will be the omnipresence and increased power of connected devices, ushering in the era of 'the Internet of Things'. The availability of affordable data is an important enabler and will also change the way we communicate with and view our clients, as well as the way we settle their claims.

Exponential technology advances and changing consumer behaviour make it easier for innovative new players to enter the marketplace. This ease of entry is a potential challenge to the insurance industry and to proactively address this challenge, we have created our own disruptive innovation focus, called Exponential Ventures. This business unit aims to take advantage of innovation and turn it into powerful opportunities for MMI's long-term growth.

Exponential Ventures has already made important investments in the future of MMI by partnering with Fintech venture capital firms including internationally with Anthemis and locally with 4Di Capital; investing in Fintech startup TaxTim and assisting with the development of a technology hub in Johannesburg called the Tshimologong Precinct. MMI is not alone in appreciating the potentially disruptive role that Fintech startups play in the financial services industry. According to CB Insights, global funding of

Fintech startups in the first few months of 2015 reached US\$11.2 billion, nearly double the funding of the previous year.

Collaboration between regulators, incumbents and new entrants will be required to understand how new innovations change the risk profile of the industry, according to the Deloitte study. Many leading organisations are seeking to respond to evolving customer demands and differentiate themselves from the plethora of new, more agile competitors. To do this, insurers and intermediaries will need to navigate their own path to success through bold steps and partnerships.

We need to explore this new world of opportunity and learn how organisations can tap into new sources of innovation, accessing new ideas from employees, customers, investors and partners both within and outside the industry. MMI Holdings has over 17 000 employees and we encourage them all to innovate, using technology as a key driver of innovation. The MMIgnite programme is a platform that encourages employees to get involved in innovation campaigns across all divisions. Employees are able to get updates and questions on current campaigns from all divisions and can actively participate in problem solving. They can also post projects on which they are working and receive input from their peers to improve their projects.