



Delivering for consumers in a **digital** age

An Aviva Policy Paper, November 2015

| Retirement | Investments | Insurance | Health |



Introduction

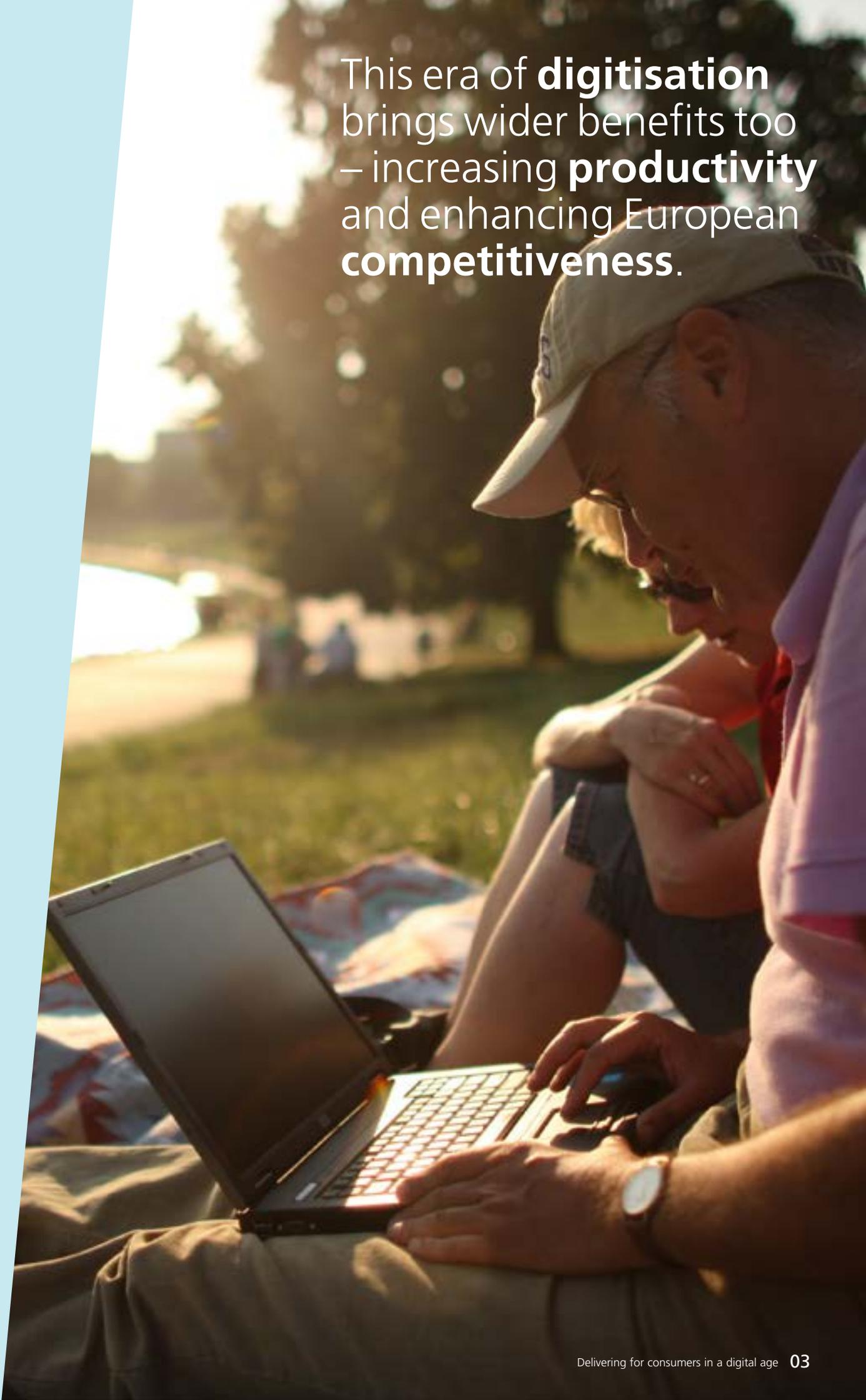
For our customers digital is simply the new reality. Internet usage is rocketing; the proportion of people who regularly use the internet is now over 90% in many EU Member States, including Denmark, Finland, Luxembourg, the Netherlands, Sweden and the UK¹. At Aviva we want to help people explore, buy and manage their insurance and savings products online - any time, anywhere, on any device. We're committed to becoming a truly digital insurer: making sure we're available through digital channels, working on innovative digital products and services and challenging ourselves to always think "digital first".

This era of digitisation brings wider benefits too – increasing productivity and enhancing European competitiveness. The European Commission's Digital Single Market Strategy for Europe highlights the potential for up to €250 billion of additional growth between now and 2019².

For the digital economy to prosper consumers and business need to be equipped with the right tools and regulated in the right way. The EU and Member States have a vital role to play here; policy-makers can support the EU's digital journey with clear political leadership, rules and regulations that are 'digital-proof' and action on skills for the future. It's encouraging that we're already seeing acknowledgement of some of these elements in the Call for Evidence on the EU Regulatory Framework for Financial Services³ and look forward to seeing more discussion within the Green Paper on Retail Financial Services.

To contribute to this debate we've researched what customers actually want and expect from digital technology. As a result Aviva's vision for a digital market in insurance sets out four key areas we believe can help deliver consumers' future expectations: creativity, capabilities, connectivity and confidence.

This era of **digitisation** brings wider benefits too – increasing **productivity** and enhancing European **competitiveness**.



Building a digital future – what consumers really want

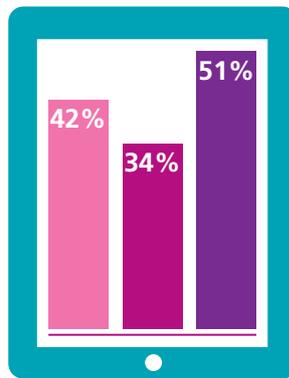
Delivering a digital economy means looking to the future and making sure that business, government and society get the most out of digitisation. At Aviva our focus is on making sure it benefits our customers, which is why we asked more than 17,000 people from across the world what digital means to them as part of Aviva’s regular Consumer Attitudes Survey⁴. Below we often refer to the EU6 which is Aviva’s largest EU markets: the UK, Ireland, Italy, France, Poland and Spain⁵.

Seven trends emerged from what they told us about their financial lives and their digital futures:

#1 Smartphone and tablet use is high in Europe, ahead of the US but behind Asia, showing improvements can be made.

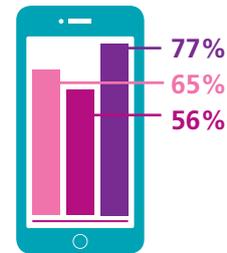
In the EU6 countries, more than four in ten use a tablet, which is higher than across the Atlantic, but less than Hong Kong. For smartphone use, the picture is even starker, with 65% of people in the EU6 using smartphones, compared to 77% in Hong Kong.

Tablet use



■ EU6
■ USA
■ Hong Kong

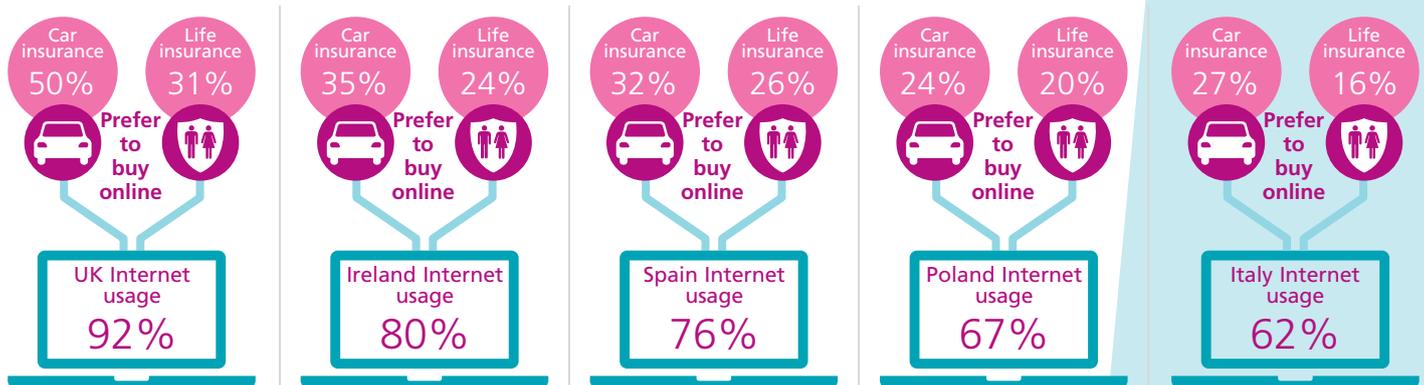
Smartphone use



■ EU6
■ USA
■ Hong Kong

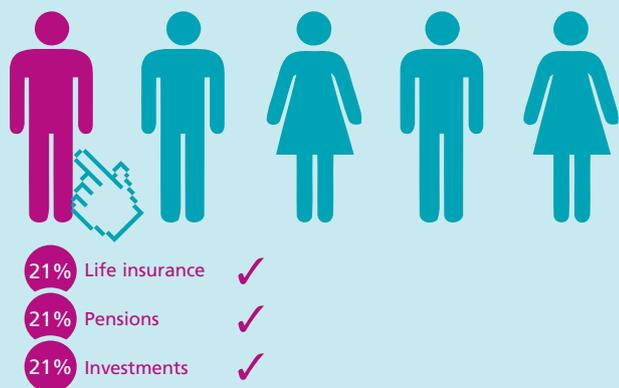
#2 Consumers⁶ in countries with high internet penetration⁷ report a stronger preference to deal with their finances online

In the UK where internet penetration stands at 92%, half would buy their car insurance online and nearly one in three their life insurance. This is a lot higher compared to countries with the lowest internet usage, where less than one in four wants to buy car insurance and less than one in five wants to buy life insurance.



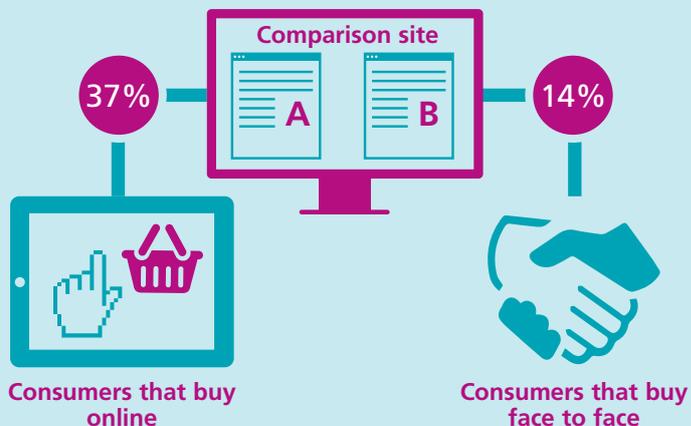
#3 Overall, one in five consumers prefer to buy investment products online:

More than one quarter (28%) of EU6 consumers report a preference to buy their insurance and investment products online. The preferences are fairly even across products, although more prefer to buy their car insurance online (31%).



#6 Consumers who buy through digital channels are doing more research online, including using comparison websites:

For example, customers preferring to buy investments online are looking at 'best buy' websites nearly more than twice as often as those buying face-to-face. They are also more likely to visit the company's website and read about financial products in the press.



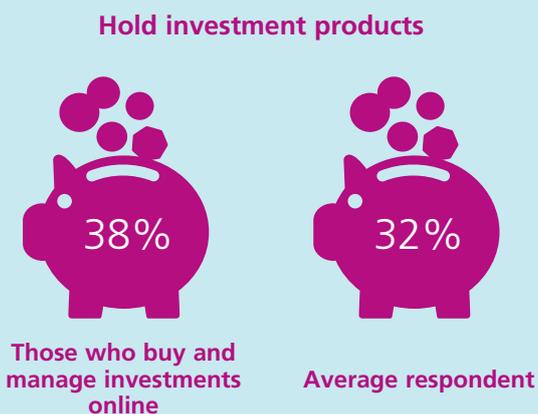
#4 Beyond 'buying' products, digital channels can help service customers better:

More people – almost four in ten – prefer to buy and manage their financial products online – for instance by using an app to make an insurance claim or use a website to make changes to their investments – while just a quarter (27%) do not.



#7 Those preferring digital channels are more likely to have savings and investments than the average:

Those who would like to buy and manage their investments online are more likely to have investments than average. Digital channels could therefore be one route to explore as the EU works on tackling its savings gap; in both savings and investments, EU6 lags behind Asia in terms of products held and 32% do not hold a savings account at all.



#5 We expect digital preferences to increase as younger consumers enter the market.

More young people want to use online channels to buy and manage their financial products than those approaching retirement. We can therefore expect digital preferences to strengthen as younger consumers, who have a greater preference for digital interaction, enter the market.



Accelerating digital change in insurance – four priorities to enable a digital future

To make sure our customers and society get the digital services and products they want and need in the future, we need to do much more. Policy-makers and businesses must work together so that we get the best of a digital single market. To reach this goal we would like to offer four main areas to prioritise for the future.

CREATIVITY
Enable it



Creating innovative products and services enabled by smart, agile regulation and regulators

CAPABILITIES
Build them



Helping Europe skill up to create and adopt digital solutions and increase our digital aspirations

CONFIDENCE
Facilitate it



Making sure customers know that the online world is one they can trust

CONNECTIVITY
Deliver it



Giving everyone access to the digital single market through high quality digital infrastructure



1. Creativity

Creating innovative products and services enabled by smart, agile regulation and regulators

In a digital economy, consumers expect – and rightly so – to get products and services in a quick and easy way anywhere, any time, on any platform. EU rules and regulations can help achieve this by being tailored to support firms and governments as they develop innovative digital solutions that work for the European Union’s 550 million customers.

A first step would be to make sure rules are written for a digital age. For instance, there are currently references to wet signatures and paper documentation in many financial services regulations, such as the Insurance Distribution Directive and the Packaged Retail and Insurance based Investment Products Regulation. This will become increasingly irrelevant at a time when firms want to communicate with customers through other channels such as email, web pages, videos and online PDFs. We would welcome future reviews of EU financial services legislation ensuring that rules are digital friendly and encourage EU Impact Assessments to have a ‘digital check’.

Case study

Why not Skype with your insurer?

In June 2015 Aviva Poland introduced a ‘Virtual Branch’ where customers can chat with a branch consultant online through Skype. The online branch gives customers the opportunity to talk with a consultant quickly, at any time when they need it, and can remain anonymous whilst asking questions. If they go ahead and buy a product, the branch can help fit the content to customers’ needs based on specific steps as part of the Skype conversation. Since the launch the branch is visited digitally by 2100 people on a monthly basis.

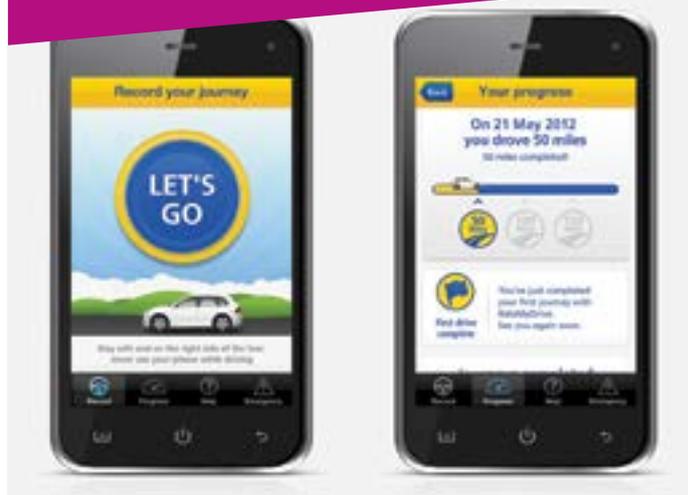


Another enabler would be regulators giving firms space to develop innovative digital products in a safe environment. We welcome the new ‘Regulatory Sandbox’⁸ initiated by the Financial Conduct Authority (FCA) in the UK which will allow businesses to test innovative solutions without immediately incurring all the normal regulatory consequences of pilot activities. It will also be important to champion a digital approach by regulators more widely, both at EU level and in Member States, in the way that ‘Project Innovate’⁹ has put digital innovation on the map at the UK’s FCA.

Case study

Discounted motor insurance with Aviva Drive

Launched in 2012, the ‘Aviva Drive’ app uses smartphone technology to record a motorist’s driving style – covering their acceleration, braking and cornering. After 200 miles of driving, the app will give the motorist an individual driving score, which will be used to calculate a personalised discount the motorist has earned – up to 20% off their Aviva premium¹⁰.



Finally, customers and business would be helped by more digital public services across Europe; 64% of citizens say they use or would like to use social media to interact with their government¹¹. Digital public services can also drive private innovation, for example by opening up public digital identity verification and documentation to private sector customers as well.

Case study

Access a GP on the phone with Babylon Health

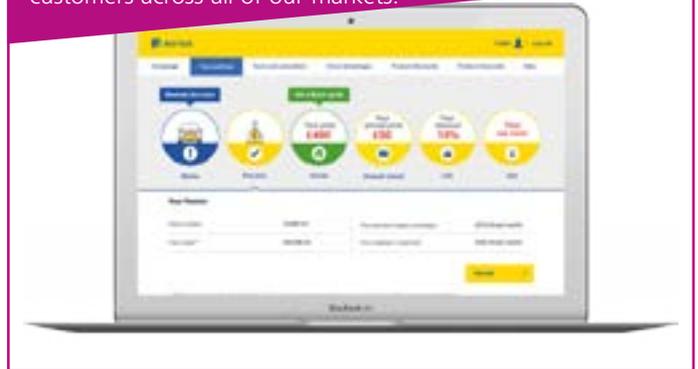
Aviva Ireland is rolling out an innovative virtual health service, the Babylon app¹², to some of their customers. Customers can book video or phone consultations in seconds with GPs and clinicians, without the need to visit a surgery. The service is available 12 hours a day, six days a week, and customers can also ask any health related questions via text. Prescriptions can be posted or collected from a local pharmacy and if symptoms need further investigation, Babylon provides instant referrals to specialists and diagnostic tests. The app also features a symptom checker that offers customers clear advice and a monitor function that checks health and fitness vitals to help customers monitor and improve their health.



Case study

Giving customers access to MyAviva suite of digital assets

Aviva launched MyAviva in the UK, which gives customers the opportunity to easily manage, explore and buy all of Aviva's digital products and services in one place – and 1.6m customers have already registered. We have also launched this in France – Aviva et Moi – and look to develop this for customers across all of our markets.



The EU can help support creativity by:

1. Ensuring that existing and future financial services regulation is 'digital friendly'.
2. Encouraging regulators to have a 'digital champion' promoting the breakdown of barriers to digitisation and supporting innovation across regulatory and supervisory activities.
3. Using the 2016-2020 EU e-government action plan to encourage public sector digital solutions that can also drive private innovation.



2. Capabilities

Helping Europe skill-up to create and adopt digital technologies and increase our digital aspirations

We will not achieve productive growth in the digital economy unless Europe provides support for digital entrepreneurs, has a workforce with commercial digital skills and high aspirations, and a population who knows how to navigate a digital environment.

As recognised by the Digital Single Market Strategy, shortages of Information and Communications Technology professionals in the EU could reach 825,000 unfilled vacancies by 2020 if no decisive action is taken¹³. The EU Digital Single Market Strategy recognises we still have 'a long way to go' in Europe to tackle the skills gap¹⁴. Some positive initiatives are already underway, such as the 'Grand Coalition for digital jobs', 'EU Code Week' and 'Opening up Education'.

Case study

Girls can code

Aviva has worked with charity partner, Beyond the Classroom, to run a "Techathlon" where girls aged 11-16 came up with ideas for an app, learnt about coding and pitched their ideas to a senior business panel. At Aviva we want to show young girls how the digital world can empower them and that they can, and should, look at digital as an engaging and achievable career option.

The event took place at Aviva's Digital Garage in London – a campus for Aviva's digital business.



We want to see more successful role models who will inspire young generations to increase their ambitions. The digital skills agenda should also have strong commercial links so that technical start-ups are converted into productive, commercial successes. Building on a digital workforce, Europe should also aspire to be the home for digital entrepreneurship. For financial services

this means making Europe a leading continent for FinTech – an industry where new and traditional players use technology to facilitate change, disrupt and complement existing ways of doing things, for example with new payment methods or peer-to-peer finance.

Case study

Investing in emerging tech-businesses

To further our innovation strategy we have created a corporate venture fund which will look to invest £100m over five years in early stage high growth potential companies. By taking investments in digitally-led young businesses we will bring insights, opportunities, propositions and technology back into Aviva to accelerate our strategy in a constantly changing and disruptive world. Early investment focus has been on the 'internet of things' and the impact it will have on insurance business models.



The EU is already becoming a place of preference for FinTech; 17 of the Top 100 FinTech companies are based in the EU¹⁵ and FinTech financing activities are increasing¹⁶. This will ultimately help support innovation for customers across the EU, but there's still a way to go to catch up with the US.

We need inventors, but we also need to be adopters. For digital to succeed consumers should feel comfortable using an app on a mobile phone or interacting with a webpage – and there is evidence that some customer groups are at risk of being excluded from a digital world¹⁷. Many Member States have financial capability programmes to help citizens develop the right skills and navigate the financial market place. These programmes could help citizens to access financial services via digital means.

The EU can help support capabilities by:

1. Investing in robust methods for the forecasting of future digital skills needs and monitoring current digital financial capabilities.
2. Working with Member States, universities and business to identify how routes to gaining digital skills can have stronger commercial links.
3. Identifying and removing barriers to start-up and scale-up new and existing FinTech businesses within the EU, and share best practice from FinTech centres across Europe.

3. Connectivity

Giving everyone access to the digital single market through high quality digital infrastructure

For Europe’s digital economy to accelerate, people and companies must be able to connect quicker, better and more innovatively with what is offered online, whether they live in Rome or Stockholm, in cities or the countryside.

A key challenge for Europe is helping people increase their access to digital products and services by getting more people online. For the EU6 internet usage¹⁸ is at 76%, but internet usage differs across European countries. It ranges from 96% (Denmark) to 54.1% (Romania). This places the EU average well below Asian equivalents with Hong Kong at 74% and Singapore at 76%. Similarly, while 51% of Spanish people regularly use smartphones, only 37% of Italians do, highlighting the current fragmentation of the market.

Case study

Capital to connect

Aviva Investors is investing in digital infrastructure across Europe to make sure people can get online with their mobile phones, tablets and computers. For example, in 2013 we invested in a ten year deal to finance an optical ‘Fibre to the Home’ broadband network for over 174,000 homes in the Netherlands.



Aviva welcomes the Digital Single Market Strategy’s recognition that for digital networks and innovative services to flourish, the EU requires “high-speed, secure and trustworthy infrastructures” and therefore the need for the EU to be “incentivising investment in high speed broadband networks”¹⁹. A significant effort on digital connectivity is needed to lift Europe to the top of the podium on digital connectivity. This will involve private investors but also targeted public funds such as the Investment Plan for Europe.

The EU can help support connectivity by:

1. Creating an environment that facilitates insurer investment in digital infrastructure.
2. Supporting public and private investments which target not just access but also quality improvements - updating or maintaining existing infrastructure will be as important as developing new infrastructure to achieve a digital economy.
3. Considering how a flourishing Capital Markets Union can increase capital investment into the digital economy
4. Directing financing from the European Fund for Strategic Investment into projects to build Europe’s digital connectivity.



4. Confidence

Making sure customers know that the online world is one they can trust

A digital economy needs to operate in a safe and secure way to ensure people have trust in their online transactions. However, this is threatened as cyber attacks and digital failures put personal data at risk. Four in ten Britons say they have been affected in some way by data breaches (42%)²⁰. Businesses are also feeling the impact of data breaches. In the UK 74% of small businesses had a security breach in 2014-15, rising to 90% for large businesses²¹ and the average cost of a breach for a small business is £75k-£311k. This has led to firms taking up insurance; 27% of small businesses and 39% of large businesses have insurance to cover them in case of a data breach.

Governments and private sector should continue to work together to ensure systems are safe. The European Agenda on Security 2015-2020²² along with the agreement and implementation of the Network and Information Security Directive are steps in the right direction.

Case study

Aviva's Cyber Insurance

Aviva's Cyber Security Insurance for small and medium-sized companies was launched in June 2015 in partnership with US cyber support company IDT911. The insurance gives all companies education and support around preventing breaches, but also covers costs associated with a cyber breach; dependent on the level of cover this could include the cost of forensic investigations and response as well as 3rd party liability.



There is also more that can be done by firms and policy-makers to help build customers' understanding of big data and how companies and governments use this for the benefit of the consumer. As the Digital Single Market Strategy highlights, big data and cloud computing is central to the EU's competitiveness, "a catalyst for economic growth, innovation and digitisation across all economic sectors". At the same time public opinion shows people are cautious about how their data is being used. A recent UK study²³ found two-thirds of respondents sometimes opt not to buy a product or service because of concerns about the security and privacy of their personal data. We believe that customers should be able to easily know how their data is being used, what they consent to and be able to withdraw information and transfer it easily.

The EU can help support confidence by:

1. Continuing with the establishment of a public-private partnership on Cyber Security in the area of technologies and solutions for online network security, encouraging better supply of secure solutions by EU industry and stimulating the take up by businesses, governments and citizens.
2. Working with the private sector to develop interoperable standards for data transfers.

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¹ World Bank, Data, [Internet users \(per 100 people\)](#)

² European Commission (2015) [A Digital Single Market Strategy for Europe](#)

³ European Commission (2015) [Call for evidence: EU regulatory framework for financial services](#)

⁴ Aviva's Consumer Attitudes Survey (2015) was conducted between 12th February and 10th April. All data referenced in this document is taken from results specific to this period. Over 17,000 consumers in 17 countries including: UK, Ireland, France, Poland, Spain, Italy, Turkey, China, Singapore, Hong Kong, Indonesia, Canada, USA, India, Lithuania and Vietnam. Regional definitions are as follows: EU6: UK, France, Ireland, Italy, Spain, Poland; North America (NA): USA, Canada; Asia: Indonesia, China, Singapore; CAS12: UK, France, Ireland, Italy, Spain, Poland, Turkey, Indonesia, China, Singapore, Canada, USA. Interviewing was conducted among adults aged 18 years and over and was completed online in all markets except China and India where a mixed methodology of online and face to face research was undertaken. Data are weighted to reflect the adult population aged 18 years and over and to ensure consistency with previous waves. Research in Taiwan, Vietnam, Lithuania and Hong Kong was concentrated on urban areas. This research was carried out by IPSOS in accordance with the requirements of the International Quality Standard for Market Research. ISO 20252-2012. For more information about the data, please see data annex [here](#).

⁵ Our 2015 survey analysis excludes Lithuania, where Aviva have operations, as we do not have comparable data for Lithuania from previous years.

⁶ Interviewing for Aviva's CAS survey is conducted online. Please see technical note for details.

⁷ World Bank, Data, [Internet usage per 100 people](#)

⁸ FCA (2015) [Regulatory Sandbox](#)

⁹ FCA (2015) [Project Innovate](#)

¹⁰ Aviva (2015) [Aviva launches its new Aviva Drive app](#)

¹¹ Accenture (2014) Accelerating Europe's Comeback. Digital Opportunities for Competitiveness and Growth

¹² Aviva (2015) [Aviva steps up digital innovation with virtual health service partnership](#)

¹³ European Commission (2015) [A Digital Single Market Strategy for Europe](#)

¹⁴ European Commission (2015), [A Digital Single Market Strategy for Europe](#)

¹⁵ EY (2015). Landscaping UK Fintech. Seven in France, three in the UK, two in Italy, one in Germany, Spain, Denmark, Belgium, and Luxembourg. [Landscaping UK Fintech](#)

¹⁶ Accenture (2014) [The Boom in Global Fintech Investments](#)

¹⁷ FCA (2015) [Occasional Paper No. 8: Consumer Vulnerability](#)

¹⁸ World Bank, Data, [Internet usage per 100 people](#)

¹⁹ European Commission (2015) [A Digital Single Market Strategy for Europe](#)

²⁰ Comres (Accessed on 23/11/2015) [Digital security: life's a breach](#)

²¹ HM Government (2015) Information security breaches survey

²² European Commission (2015) [New European Agenda on Security](#)

²³ The Chartered Institute of Insurance (2013) [The big data rush](#)

