

Insurance Reinvented: Value-Added Services



People matter, results count.

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1 Introduction

The insurance landscape has certainly been in flux over the last few years. Insurance customers now have more choices than ever before regarding price, delivery, coverage and provider for their insurance needs—and these providers aren't always other insurers. Customers now have the ability to buy insurance from non-traditional players who deliver these choices differently, in addition to providing innovative options for the policies they offer.

In recent years, business has been characterized by rapid change and a blurring of lines between industries that were not traditionally related. Technology is enabling new business models that do not fall within traditional regulatory boundaries, resulting in lower barriers to entry in various industries and making cross-industry movement easier.

This has led to a situation where financial services firms are grappling with the threat of competition from new FinTech firms and technology giants who have a strong brand presence. The World Insurance Report 2016 Voice of the Customer survey found that globally, 23.4% of Generation Y customers were likely to purchase insurance from technology firms such as Google if they entered the industry. This number went up to 47.1% for affluent Generation Y customers. Thus, while insurance firms have a strong brand in the industry, the relatively stronger brand presence of technology firms due to their daily customer engagement makes them a force to reckon with.

Insurance firms have typically been at a disadvantage compared to banks and other financial institutions, as their presence in customers' lives has been confined to relatively infrequent transactions, such as policy renewals/changes, premium payments and claims, which are insufficient to generate positive longer-term associations. However, insurers appear to be slowly changing this situation by providing value-added services.

Technology is not only improving the customer experience, it is re-writing the very nature of the industry. Insurers now have access to large amounts of data from wearables, telematics, and other sources that can be used to improve business decisions. It is all about change, and it is up to insurers to innovate to retain and grow their customer base by leveraging technology—learning from, and collaborating with, FinTechs to stay one step ahead of a changing marketplace.

Insurers have started offering customers a range of innovative, value-added services related to their health, lifestyle, or property management. As these services require more regular interaction with customers and a more positive context for engagement, they give a great boost to the brand that the insurers build with customers. Insurers are now positioning themselves as risk managers and partners in customers' daily lives, and—in the process—are also gaining a deeper understanding of their customers, which can help them provide better services.

As traditional insurance business models face risk of obsolescence due to the advent of connected technologies, value-added services may well answer the call for a reinvention of the insurance sector.



2. The Value-Added Services Landscape in Insurance

Value-added services include the non-core services in an industry or the enhancements made to the core product or service offered to the customers. In industries which face increasing commoditization or competition, value-added services are often leveraged to differentiate a company's offerings from its competitors. This trend is increasingly seen in the insurance industry where insurers are offering a range of value-added services to their customers in addition to the core insurance product.

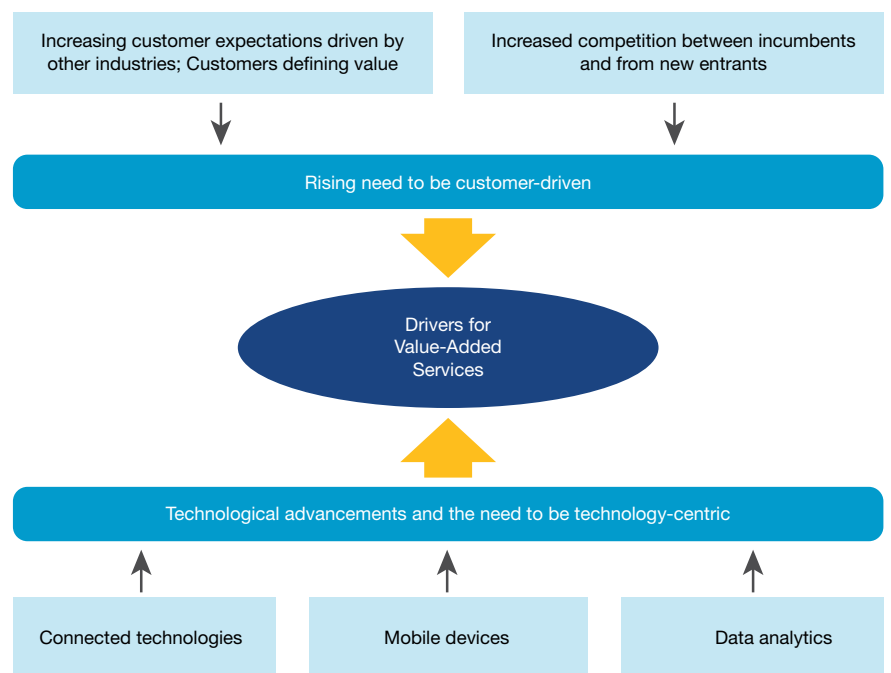
2.1. Drivers for Value-Added Services

The trend of value-added services is being driven by changes in both the demand and the supply side. On the demand side, there is a compelling need for insurers to be customer-driven in their approach around products and services. Customers are now defining the value, and their definitions are highly colored by their experience in other aspects of their lives. They bring forth these expectations to their insurance interactions as well, driving a greater need for insurers to support quick, convenient, and personalized transactions.

To some extent, the market-expectations gaps are now being filled by a range of InsurTech firms that are entering the industry with innovative offerings; especially at the customer interfaces across the insurance value chain. This, in turn, is fueling greater competition in the industry, leading to further emphasis on a customer-centric approach that can differentiate the firm in a competitive market.

A combination of supply and demand forces has given rise to insurers providing innovative services around the core insurance offering.

Exhibit 1: Drivers for Value-Added Services



Source: Capgemini Financial Services Analysis, 2017

On the supply side, connected technologies and advanced analytics are making it possible for insurers to derive better insights and connect with customers on a more individual basis. Through smartphones and connected technologies such as home sensors and wearable devices, insurers can get real-time data on customer risk exposure and respond with timely interventions at any sign of danger. Data analytics and the ability to tap diverse data sources are enabling insurers to offer useful apps that help customers with different aspects of their lives.

This combination of supply and demand forces has given rise to insurers providing innovative, value-added services around the core insurance offering throughout the customer lifecycle, and not just at specific touch-points.

2.2. Categories of Value-Added Services

Value-added services in insurance can be assigned to one of four categories:

- **Self-Service** - This category includes services where insurers equip customers with tools and techniques to better manage their insured risk, which may also include the customer's property or their health. These services create a win-win situation for insurers and customers, as customers feel empowered to manage their own risk while reducing the cost of service for insurers.
- **Advice and Assistance** - This category includes services that provide customers with timely assistance in case of need as well as with information that can help them better manage their lifestyles, property, or funds. These services are also generally geared towards preventing or mitigating risk while simultaneously engaging more with customers.
- **Anticipation of Customer Needs** - Some value-added services are designed to fill gaps in the customers' overall journey by anticipating their needs and catering to those needs by providing life-stage based offerings. Insurers can gain greater 'wallet share' by acquiring customers' 'mind share' through such value-added services.
- **Collaboration and Engagement** - Value-added services for collaboration and engagement are primarily focused on fostering deeper customer relationships. By providing truly differentiated services, insurance companies can improve both customer acquisition and retention.

Together, these value-added services enable insurers to play a more significant and consistent role in the customer's overall insurance journey.

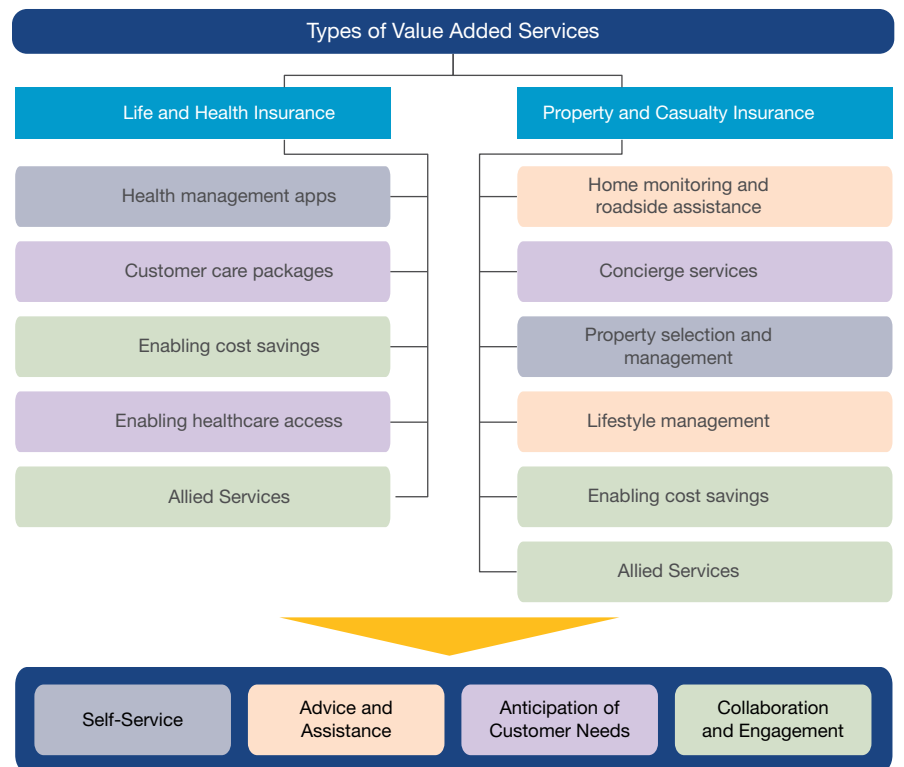
Value-added services are enabling insurers to play a more significant and consistent role in the customer's overall insurance journey.



3. Value-Added Services Being Explored Today

As shown in Exhibit 2, insurers are providing a range of value-added services in the life and health and the property and casualty markets across the four previously defined categories.

Exhibit 2: Types of Value-Added Services in Insurance



Source: Capgemini Financial Services Analysis, 2017

3.1. Life and Health Insurance

Health Management Apps

Health-management apps are generally designed to help customers:

- learn more about diseases and health conditions;
- adhere to prescribed medication or treatment through timely reminders;
- track their health through wearable devices, and
- share health data with clinicians for advice.

Some apps are also designed to help customers set health goals and measure their progress. Customers can then be rewarded for achieving specific goals, thereby incentivizing healthy behavior.

Through health-management apps, insurers can enable customers to proactively mitigate risks while also engaging with customers on a more regular basis.

Exhibit 3: Examples of Health Management Apps

Reflexion Health's product, Vera, is a patient interface that aims to increase a patient's adherence to their physical therapy exercises by coaching patients through their exercises. The system then sends performance data and other information back to the clinicians for review – Pennic, 2014.

Cigna has partnered with BodyMedia to use the latter's armband tracker as a diabetes prevention and management tool. The device will record the patient's physical activity and other physiological data which will then be transmitted to healthcare coaches for further customer engagement and guidance – Comstock, 2013.

Customer Care Packages

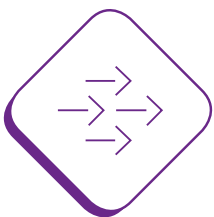
In some cases, insurers are going beyond offering only an insurance policy by providing a complementary package of services that can ensure complete care of the customer's health and safety. This is done by creating an ecosystem equipped with devices and network facilities that help manage different aspects of the customer's life or health. Such value-added services may involve partnerships with Original Equipment Manufacturers (OEMs), and some extra services may be monetized.

Apart from enabling customers with proactive risk mitigation, a package of services like this can provide insurers with a strong competitive differentiation as they can now develop unique offerings that can be easily differentiated in the market. Customer care packages create a "services ecosystem" that can increase customer retention.

Exhibit 4: Examples of Customer Care Packages

State Farm's Connected Care program helps create an ecosystem which allows senior citizens to stay independently. The program enables customers to be equipped with care through fall detection technology and medical alert devices, medication sensors and reminders, and remote control of lights and thermostats by the customer's family – State Farm Website.

Along with its dental insurance product, Beam Technologies also provides customers with an Internet-connected toothbrush, dental floss, and toothpaste. Data from the toothbrush is used to provide customers with tips on how they can improve their brushing and the firm also takes feedback from customers on its other products so as to provide customers the right type of product for their specific need – Higginbotham, 2015.



Enabling Cost Savings

A valuable add-on service that insurers can provide to customers is to provide tools that enable greater cost savings. This is a popular value-added service that is gaining traction in the banking industry and will be valued by insurance customers as well. As per the World FinTech Report (WFTR) 2017 Voice of the Customer survey, having access to a "transparent fee structure" was one of the most important "Moments of Truth" for customers, highlighting the need for offerings in this area.

Offerings that enable cost savings are an effective means to improve customer acquisition through an attractive value proposition. They may also play a critical role in improving customers' loyalty towards their insurer by enhancing customers' experience in an area important to them.

Exhibit 5: Examples of Cost Savings Services in Health Insurance

Cake Health helps customers manage their insurance-related expenses by providing suggestions on how they can use the free services in their plan, explanation of surprise invoices, and tips on negotiating bills. The firm thus aims to bring transparency to consumer health insurance plans and help customers transition to the new individual-focused health insurance system – Rucker, 2012.

Blue Shield of California provides Walkadoo, a tool that can connect to a number of wearable devices, such as Fitbit Zip and FitLinxx Pebble, to track customers' fitness information. If users complete their daily step goals set by the tool then they are eligible to participate in a lucky-draw competition conducted by Blue Shield. The prize amounts range from \$10 to \$100 and are received on customers' prepaid MasterCard – "Walkadoo", Blue Shield of California Website.

Enabling Healthcare Access

Apart from proactively mitigating risks through health-management apps, insurers can continue to mitigate the severity of the claims incident by enabling easy healthcare access for customers when they face a health condition. This is done through tools that provide customers with information on the most suitable healthcare options available, or by providing easy access to medicines and healthcare facilities.

As such services cater to an important customer need—receiving timely healthcare—firms providing these options can stand out among the competition in the market. Enabling timely healthcare access can significantly enhance customer experience while also reducing claims costs by minimizing the impact of the claims incident.

Exhibit 6: Examples of Enabling Healthcare Access

The Humana Pharmacy mobile app enables customers to refill their prescriptions anytime, anywhere from their mobile phone and also request mail delivery. Users can scan the barcode of their pill bottle to refill prescriptions or set up automatic refills, track their prescription orders and current stock, and also receive price alerts for spending above a certain pre-defined limit – Humana Website.

The medical teleconsultation offering by AXA Assistance provides customers 24/7 access to AXA's team of doctors and nurses for remote consultations. The doctor can send prescriptions if required and can direct the customer to an appropriate medical care provider in case of emergency treatments. Thus, the firm ensures that customers are able to access care even in unusual circumstances – AXA Assistance Website.

A few insurers are exploring services that assist customers with other aspects of their life that may not be related to risk at all.

Allied Services

While most value-added services are directed towards helping customers in risk mitigation or providing assistance at any stage in the customers' lifecycle, a few insurers are exploring services that assist customers with other aspects of their life that may not be related to risk at all.

Allied value-added services considerably expand the scope of offerings that can be explored by insurers. By providing a really unique and useful offering that is also available to non-customers, insurers can gain access to new markets and build a strong brand with them. Allied services are also useful in building a deeper engagement with existing customers and obtaining a better understanding of customer preferences.

Exhibit 7: Examples of Allied Services

MetLife's Infinity app provides a digital repository for users to share photos and videos with their social network. The app also enables users to store important personal documents such as passports or financial documents securely on the cloud – Sheridan, 2015.

MassMutual Insurance has developed a 3D virtual fantasy game called 'Save! The Game' to teach children the difference between needs and wants. As part of the game, children collect money and preserve it by not spending on unnecessary expenses. The insurer thus provides users with a useful tool to engage as well as educate their children – Golia, 2010.

3.2. Property and Casualty Insurance

Home Monitoring and Assistance

A value-added service for home insurance that is currently attracting a high degree of interest is home monitoring and assistance. Insurers are partnering with Original Equipment Manufacturers (OEMs) to incentivize customers to use smart home sensors that can alert customers of any danger in advance so that property damage can be prevented or minimized. Some insurers also provide customers with assistance in such cases, or they provide tools that help the customer understand and avoid the risks present in their home.

Exhibit 8: Examples of Home Monitoring and Assistance Services

Allianz has partnered with Panasonic to provide better service to customers. In case of any danger in the customer's home, the Panasonic sensors used by them will send alerts to the user's mobile device, as well as to Allianz. Allianz will then dispatch repair teams to address the issue quickly and mitigate the damage caused – Allianz Website.

Nationwide's 'Make Safe Happen' app allows customers to record the age of their children and obtain a safety checklist along with specific advice for each room in their house. Caregivers can also use the app to make purchases of safety equipment from Amazon and add reminders to their calendar – Heft, 2016.

Roadside Assistance

Many insurers have also started providing roadside assistance to customers in case of accidents or other emergencies. This includes repair assistance, emergency calling, stolen-vehicle assistance, and even temporary accommodation in some cases. Some of these services are monetized as they incur significant costs for the insurer.

In addition to helping insurers address customer risk in a timely manner, these services can also provide an additional revenue stream when the services are monetized. As these services are beneficial to customers and insurers, they create a win-win situation. By making roadside-assistance services available to non-customers as well, insurers can also benefit by gaining access to a new core-policy customer base through the service.

Exhibit 9: Examples of Roadside Assistance Services

Allstate's Good Hands Rescue mobile app connects customers with a select network of countrywide providers with GPS-enabled feature to quickly locate the customer's car as well as share real-time updates on the resolution. The app is free and open to non-customers as well, with users paying only for the services they avail – Allstate Website.

Bajaj Allianz offers its customers a range of value-added services such as 24/7 call assistance, battery/ fuel/ spare keys assistance, and Keys & Locks Replacement Cover. Additionally, if a car meets with an accident or a breakdown, repairs for which will take more than 12 hours, the firm will provide hotel accommodation for the occupants for a maximum of two days and two nights – Bajaj Allianz Website.

Concierge Services

In addition to assistance services, insurers have also started providing concierge services that help customers with related transactions.

In addition to assistance services, insurers have also started providing concierge services that help customers with related transactions. For example, along with travel insurance, the insurer can also offer to manage flight and hotel bookings and plan the itinerary. In auto insurance, insurers can offer trip-planning assistance or the option to manage customer activities in advance by making a call or booking a meal at the destination.

While these services are not related to customer risk, they provide insurers an opportunity to better engage with, and understand, their customers. They may also provide an additional revenue stream (if monetized).

Exhibit 10: Examples of Concierge Services

As part of the Platinum Elite program of the Allstate Motor Club, customers can avail of personal concierge services such as trip planning assistance, call-ahead service to inform of delay in prior engagements, and so on. The package is part of the Allstate's paid membership program, thus providing an additional revenue stream for the firm while enabling customers to access more services – Allstate Website.

Along with its travel insurance plan, Travel Guard offers concierge services to customers. This includes restaurant reservations, ground transportation coordination, floral and gifting services, and a range of other services that enable the customer to execute their travel plans smoothly – Travel Guard Website.

Property Selection and Management

Insurers are increasingly helping customers select and manage their insured property. Tools that help customers better maintain their insured property create a win-win situation as insurers also benefit from lower claims costs by preventing property damage.

Property selection tools prove to be an effective means to engage with new customers and also help market the insurer's product by sharing information on their quotes for that property.

Exhibit 11: Examples of Property Selection and Management Services

Hartford Steam Boiler, a division of Munich Re, has partnered with EnergySavvy to offer HSB HomeWorks coverage for home equipment breakdowns. It provides customers with a proprietary website, myhomeworks.com, which has tools for customers to analyze their energy usage data and obtain tips that could help them extend the life of covered home equipment – Golia, 2013.

With State Farm's CarCapture app, customers can take a photo of the back of the car to obtain instant information on its make and model, find its market value, locate a dealership in their area, and also obtain information about auto financing through State Farm Bank as well as get a State Farm auto insurance quote. Thus, the app also serves as an effective marketing tool for State Farm's products – Heft, 2016.

Lifestyle Management

Lifestyle management services are value-added services that help customers manage aspects of their lifestyle that have an impact on their susceptibility to risk. For example, driving-feedback apps that track the customer's driving behavior and share tips to improve their driving habits and apps that help customers manage their routines during long trips or adverse weather. These services allow insurers to regularly engage with customers while also mitigating risks proactively.

Exhibit 12: Examples of Lifestyle Management Services

Esurance has launched the DriveSafe teen driver safety program that helps parents monitor their teen children's driving behavior through a telematics device. This can be done by setting preferences on their personalized Esurance DriveSafe site where they can opt for customized alerts for unsafe driving behavior and review trip details – "Esurance Unveils New Technology To Tackle Texting And Driving Problem Among Teens", 2013.

Security First Insurance's Security First Mobile app helps customers plan their routine in case of adverse weather conditions. The interactive hurricane tracking feature helps the customer plot their property address on the map and check an active storm's projected path. It also shares information on Red Cross shelters and evacuation routes – Heft, 2016.

Enabling Cost Savings

In the Property and Casualty (P&C) market, auto insurance is an area in which insurers are exploring value-added services that enable cost savings for customers. Customers can access apps that help them save on fuel expenses, optimize their trips, and obtain information to prevent incorrect parking. By also making these apps available to non-customers, insurers can attract potential auto-policy customers.

Exhibit 13: Examples of Cost Savings Services in Auto Insurance

The Fuelcaster tool by Esurance provides users with a forecast on gas prices and recommendations on when they can fill up to gain cost savings. It also provides them with information on prices at different gas stations in the area so that they can identify the cheapest option. The app is available for non-customers also – Glenn, 2016.

Metromile offers the street sweeping alert app which uses internal city information to check where sweeping is scheduled and inform the user 12 hours in advance regarding the same. This helps customers plan their car parking accordingly and avoid any tickets – Glenn, 2016.

Allied Services

Like the life and health insurers, P&C insurers are also exploring the benefits of offering allied value-added services. These services may help customers with aspects of their life that are not directly related either to managing risks or their insured property. By offering unique apps that are useful for customers, insurers can reach out to new customers and obtain a chance to provide them a superior experience and showcase their capabilities as a firm.

Exhibit 14: Examples of Allied Services in P&C Insurance

Progressive's Art App offers a collection of contemporary art that users can browse through. The app allows users to learn more about the artists, create their own gallery, and share artwork with their friends. Thus, the app enables Progressive to engage with a wider market of potential customers and showcase their innovative capabilities – Beck, 2013.

Metromile's mobile app includes a trip optimization feature that helps users track their trip details, such as speed and time taken, so as to identify the changes they can make to optimize their trips. The app also helps users remember where they parked their cars and the ideal path to reach their cars quickly – Metromile Website.

4. Weighing the Pros and Cons

Value-added services carry significant benefits for both insurers and customers. However, before they are implemented, there are some key challenges to be addressed in order to maximize their effectiveness.

Value-added services help insurers in customer retention, customer acquisition, lowering claims costs, tapping new revenue sources, and achieving competitive differentiation.



4.1. Benefits of Value-Added Services

- **Customer Retention:** Value-added services can help in improving customer retention by enhancing customer experience through regular and meaningful engagement. As the insurance ecosystem is rapidly changing to include new players in the customer interface, customer retention will require a renewed focus by insurers to compensate for their decreased control of customer acquisition.
- **Customer Acquisition:** Value-added services also provide insurers greater scope for customer acquisition by opening new channels for reaching potential customers. By providing useful mobile apps or digital tools that are not necessarily related to insurance, but find high utility value among users, insurers can gain access to new prospective customers to whom they can cross-sell the insurance product. Mobile apps and digital tools are also a very cost-effective means of customer acquisition as compared to more traditional marketing channels.
- **Lower Claims Costs:** As many of the value-added services are directed towards proactive risk mitigation, they can also help lower the overall cost of claims for insurers by helping customers avoid the risks in their daily lives. Value-added services, especially self-service tools, enable insurers to lower their cost per policy – an important metric; particularly for life insurers.
- **Additional Revenue Streams:** Some value-added services can be monetized and therefore provide additional sources of revenue. With traditional insurance models likely to become obsolete—driven by forces such as the blockchain and connected technologies—exploring potential new sources of revenue may become very important for insurers.
- **Competitive Differentiation:** Insurers can also leverage value-added services as a means for competitive differentiation. Providing innovative and useful services can help insurers stand out among their competitors and gain greater customer mindshare.

4.2. Challenges of Value-Added Services

- **Data Security and Privacy:** Most value-added services involve regular tracking and storing of customer information. As such, they involve concerns around data security and customer privacy. Insurers must be sure to address these aspects when designing the value-added services offerings.
- **Cost of Implementation:** Value-added services may have significant costs associated with implementation and support if they are not purely app-based. They may also involve physical back-end infrastructure and operations. If the value-added services are not monetized, it is important to ensure that the services' costs do not outweigh the benefits.
- **Identifying the Right Portfolio of Services:** Though there is no limit on the type or number of value-added services that an insurer can offer, it will be important for insurers to identify the right portfolio of services that will help them achieve their business goals.

- **Mapping Services to Appropriate Segments:** In order to fully tap the benefits of their value-added offerings, it will be important for insurers to map the services as per the specific characteristics of the target market and customers' level of comfort with digital Do-It-Yourself (DIY) tools.
- **Legacy Systems and Process:** An area of challenge for traditional insurers is the limitations of legacy systems and processes. These can pose a constraint to the implementation of value-added services, which generally require real-time data tracking and advanced analytics.

4.3. Snapshot of Value-Added Services by Benefits

When we map the different types of value-added services (refer to Section 3: Value-Added Services Being Explored Today) with the specific benefits offered by each, we find that the following types of services are the most attractive for insurers in terms of the number of benefits they offer (see Exhibit 15 below):

- Customer care packages
- Enabling healthcare access
- Home monitoring and assistance
- Roadside assistance

Exhibit 15: Snapshot of Value-Added Services by Benefits

	Customer Retention	Customer Acquisition	Lower Claims Costs	Additional Revenue Stream	Competitive Differentiation
Health management apps	✓		✓		
Customer care packages	✓	✓	✓	✓	✓
Enabling healthcare access	✓	✓	✓	✓	✓
Home monitoring and roadside assistance	✓	✓	✓	✓	✓
Concierge services	✓	✓		✓	✓
Property selection and management	✓	✓	✓		
Lifestyle management	✓		✓		
Enabling cost savings	✓	✓			✓
Allied services	✓	✓		✓	✓

Source: Capgemini Financial Services Analysis, 2017

5. Lessons from Other Industries

5.1. Banking

Personal Financial Management Tools

One of the most popular types of value-added services in banking is personal financial-management tools. They typically include mobile apps that help customers track their spending patterns by different categories and meet their budgeting goals. For example, Simple's¹ mobile app allows customers to create financial goals, budget their expenses, and provides them with a 'Safe-to-Spend' amount based on their financial commitments.² Similarly, Moven's³ mobile app helps customers assess their spending patterns in real time by providing a view of overall spending by category and comparison with average spending behavior for each transaction the customer makes.⁴ KeyBank's MyControl Banking app for checking account customers allows customers to visualize and estimate their bank balances in advance.⁵

Allied Services

Like insurers, banks are also exploring value-added services that support customers with transactions that are not directly related to banking. For example, U.S. Bank has created an app to simplify the customer's shopping experience: the Peri app allows customers to scan print ads so that they can make the purchase online immediately.⁵ Similarly, the 'My New Home' app by Chase simplifies customers' home shopping experience by enabling customers to search for homes based on location, record photos and videos of their options, estimate mortgage payments, and connect with Chase mortgage bankers.⁶

America First Credit Union's mobile app provides customers with location-based information on offers for retail purchases. The app allows customers to scan a vehicle's VIN to check its retail and trade-in value and also search for a vehicle through the built-in location tool.⁷

In this way, banks are extending their value chain to increase their scope of involvement and customer mindshare. Customers generally interact with banks only during the payment stage for a product purchase. Through such offerings, banks are now placing themselves one step ahead and connecting with customers in earlier stages of the product purchase as well. This may also make it more likely that customers will engage with the same bank for their further transaction requirements too.



1 Simple is a digital banking platform, now a part of BBVA

2 Simple Website. Accessed December 2016. <https://www.simple.com/>

3 Moven is a digital bank founded in 2011

4 Ryan, Philip. 2013. "Moven Emphasizes Personal Financial Management Tools in New Video". Bank Innovation, June 27, 2013. Accessed December 2016. <http://bankinnovation.net/2013/06/moven-emphasizes-personal-financial-management-tools-in-new-video/>

5 "Five Mobile App Features that Show Yes, Banks Can Innovate". American Banker, August 18, 2014. Accessed December 2016. <https://www.americanbanker.com/slideshow/five-mobile-app-features-that-show-yes-banks-can-innovate>

6 "Chase Introduces New Mobile App to Make Home Buying Easier". Business Wire, November 13, 2012. Accessed December 2016. <http://www.businesswire.com/news/home/20121113007209/en/Chase-Introduces-Mobile-App-Home-Buying-Easier>

7 "America First Credit Union adds Location-Based Offers". Business Wire, June 24, 2014. Accessed December 2016. <http://www.businesswire.com/news/home/20140624006087/en/America-Credit-Union-adds-Location-Based-Offers-Loans>

5.2. Telecommunications

Mobile Service Providers

Mobile service providers were one of the first industries to explore the concept of providing value-added services. Initially, value-added services in telecommunications involved providing features such as caller tunes, ringtones, and multimedia in addition to basic phone services. These value-added services have expanded to include the purchase of movie tickets and multimedia streaming. For example, the Vodafone Music app allows customers to stream music and video for free and download content for a basic fee.⁸

Messenger Apps

Another category of value-added services being leveraged by telecommunications providers is messenger apps. Messenger apps are increasingly being equipped with more capabilities so as to create a complete service ecosystem, which customers can use to procure their “daily life” requirements. For example, WeChat by Tencent in China goes beyond providing communication-related features, allowing customers to make P2P payments, in-app purchases, and play games.⁹ Similarly, Whatsapp offers customers a range of features such as the ability to share documents, create calendar events, and share the user’s location through GPS.¹⁰ By providing a comprehensive package of services, firms are able to leverage the customer’s specific data to create greater customer retention.

8 Bafna, Sanjay. 2013. “Vodafone India Launches ‘Vodafone Music’ Android App and WAP Portal”. *Telecomtalk.info*, December 18, 2013. Accessed December 2016. <https://telecomtalk.info/vodafone-india-launches-vodafone-music-android-app-and-wap-portal/112147/>

9 Zhang, Kevin. 2015. “Wechat – Leaving Money on the Table or Disrupting Social Platforms with Innovation?”. *Harvard Business School Website*, December 10, 2015. Accessed December 2016. <https://rctom.hbs.org/submission/wechat-leaving-money-on-the-table-or-disrupting-social-platforms-with-innovation/>

10 Loi, Elissa. 2016. “26 WhatsApp features you didn’t know you had, let alone could use”. *Stuff*, March 30, 2016. Accessed December 2016. <http://www.stuff.tv/sg/features/19-whatsapp-features-you-might-not-be-aware>

6. Recommendations for Insurers

To summarize, value-added services are of increasing relevance to insurers and may well become one of their core offerings as traditional insurance models may be outmoded by connected technologies. When planning near-to-medium term strategy with respect to value-added services, areas of consideration for insurers may include the following.

Insurers can leverage mobile apps as a very effective and cost-efficient channel to provide innovative value-added services

- **Tools for Financial Education and Planning:**
 - Customers find insurance to be complex and are increasingly demanding more information transparency. Insurers can provide apps that support financial education and also leverage their investment expertise to advise customers on financial planning.
- **Risk Advisory Services:**
 - Risk-advisory services, wherein insurers can act as risk-management partners for customers even in personal lines, is one of the most attractive type of value-added service for insurers as it leverages their expertise in risk management.
 - Risk-advisory services can also help insurers focus proactively on loss prevention, rather than just reacting as a reimbursement agent.
- **Comprehensive Package of Services:**
 - Providing a comprehensive package of services, such as to help customers maintain their health or manage their property, can improve customer retention (through “lock-in”) and provide additional revenue streams for the insurer
- **Exploring Services Along Vertical and Horizontal Value Chain:**
 - Insurers can expand their scope of offerings along the vertical value chain; for example, distribution of property such as home sensors and cars or car accessories.
 - Offerings can also be expanded along the horizontal value chain with allied offerings similar to concierge services.
- **Leveraging the Mobile Channel:**
 - Mobile apps are a very effective and cost-efficient channel through which innovative, value-added services can be provided. They can also have a greater reach than other channels due to their portable nature. This is an important channel for insurers to explore when planning their value-added offerings.
- **Leveraging Data from Value-Added Services:**
 - As insurers stand to gain a wealth of customer data from the value-added services they provide, they should also plan their strategy on how this data can be used most effectively.
 - As customers have varied expectations—even in the degree of self-service they prefer—data from value-added services can be leveraged by insurers to tailor and personalize their offerings.



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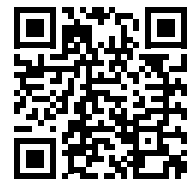
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