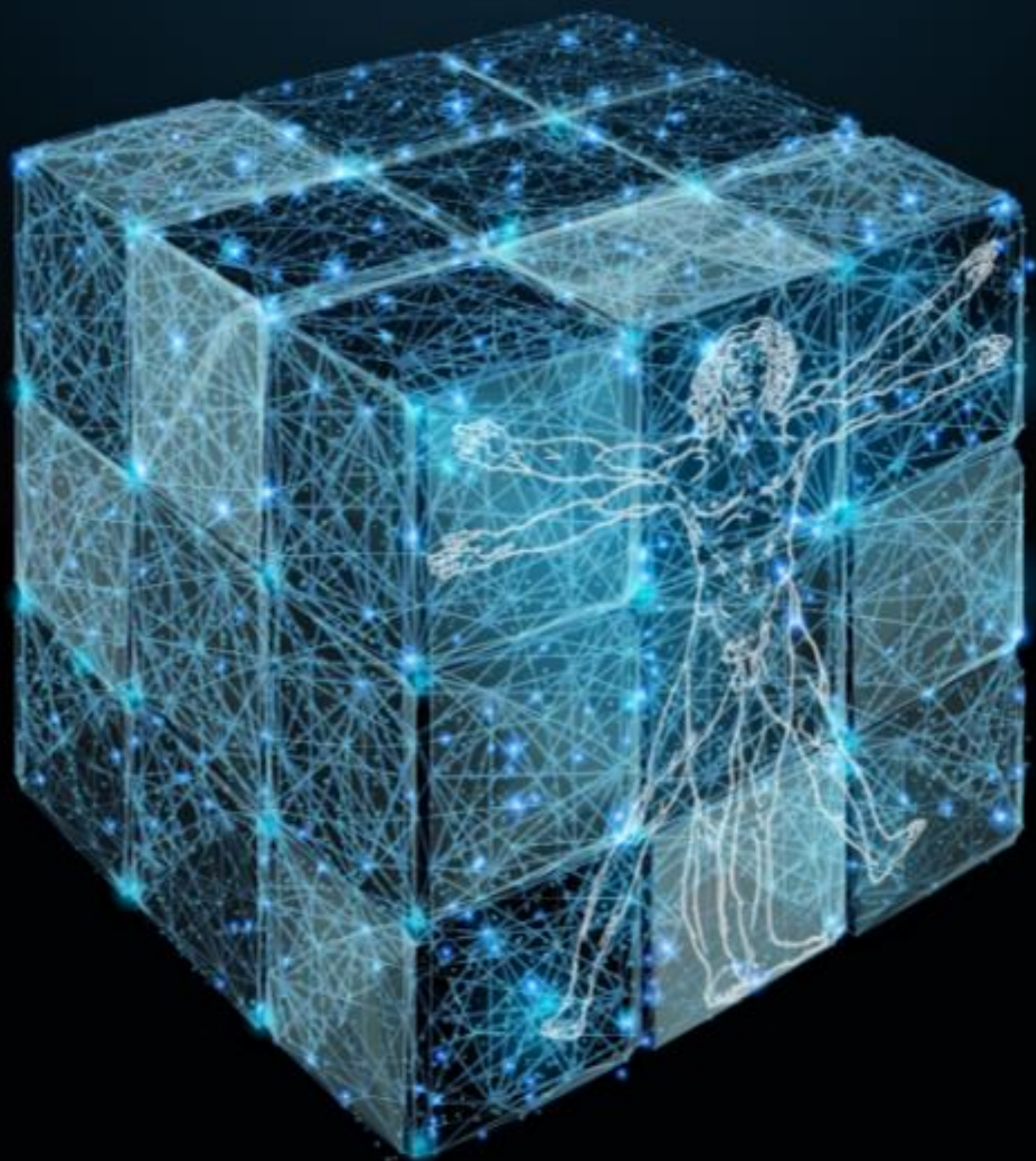


# EXECUTIVE Excellence

Edición española n°154

LA REVISTA DEL LIDERAZGO, LA GESTIÓN Y LA INNOVACIÓN EMPRESARIAL

*Management. The human dimension*



# DEMOCRATIZING INSURANCE THROUGH TECHNOLOGY

MAPFRE is an insurance company committed to innovation and for years it has placed a very strong emphasis on technological assimilation. For very good reason. Digital transformation has become one of the four strategic pillars of the company at a global level, with some 700 million euros allocated to technological projects each year. It has recently established start-up accelerators to promote solutions addressing client needs which can be incorporated into the group's medium-term business strategy.



All these projects are the result of the hard work of its CEO, Antonio Huertas, who has been promoting new technologies. The CEO intends to establish the insurance group as one of the "global leaders in the new technological ecosystem".

Having received a Law degree from the University of Salamanca, Huertas began to appreciate the importance of new technologies during the late eighties, when he participated in a major

technological development program while working in the claims department at MAPFRE Mutualidad. Since then, the CEO from Extremadura has taken on different positions within the MAPFRE structure, at both the national as well as international level. He was the CEO of MAPFRE Puerto Rico and MAPFRE Florida.

In 2004, Huertas returned to the group's main headquarters in Madrid as the CEO of MAPFRE Mutualidad. Since then, he has occupied different positions such as CEO of MAPFRE Automobiles, MAPFRE General Insurance and third Vice President for MAPFRE .

Since February 2012, he has also been patron of the Queen Sofía Foundation, the Princess of Asturias Foundation, the Spanish Association of Foundations, the Carolina Foundation, the Queen Sofía Museum Foundation and the Ortega Muñoz Foundation, among others.

He was the driving force behind MAPFRE 's direct business department initially implemented under Verti and later implemented throughout the rest of the organization through the online sale of insurance.

In terms of internalization, he has promoted the globalization of the company through certain acquisitions such as Direct Line in Germany and Italy, and encouraging the start-up of operations in the Chinese market.

Together with Iñaki Ortega, Director of Deusto Business School, he recently published the book *La Revolución de las Canas, Gestión 2000, (The Grey-Haired Revolution)*, where he addresses the economic opportunities offered by the longevity phenomenon.

**“The digital model that MAPFRE is promoting aims to extend the classic concept of private insurance to the entire population”**

**FEDERICO FERNÁNDEZ DE SANTOS: Experts meeting this year at the European Business Forum agreed that the senior citizen economy potential provides the best business opportunity for the European Union. They state that the purchasing power of those aged over 50 in the top 10 countries of the EU represents the third largest world economy. This is a critical issue at this time and it presents a tremendous business opportunity for the insurance sector. How is MAPFRE going to meet the challenge of the senior economy in this perfect technological storm?**

ANTONIO HUERTAS: The concept of a senior economy is the same one that we coin in the book, *La Revolución de las Canas (The Grey-Haired Revolution)*, and it reflects the transformation that our society is undergoing when it comes to fostering the coexistence of four generations within the business environment.

Twenty years ago, MAPFRE approached the elderly to study what business opportunities they could offer. However, it was poorly focused because this group was considered a dependent economy. We thought that being older meant being dependent, and that forced us to create welfare services that were not specific to our activity.

In recent years, we have realized that being older does not mean being dependent. In fact, quite the opposite. A new older generation has been

created. A generation that has decided to live differently during this new phase of life. They are young in spirit, they are healthy and they want to continue enjoying the same lifestyle as they did when they were young. This is where new business opportunities arise, but to meet them it is necessary to adjust the offer because seniors demand entertainment, cultural activities, and services that in the past were focused on young people.

The older generation has a clear interest in actively participating in society, both in terms of work and as a consumer, but for this to happen, they need to have enough income to do so. In addition, as businesses we must prepare ourselves to face this new reality, to understand that older people continue to be useful and to extend a suitable offer to them that they find attractive. This provides a great opportunity that we are including within in our strategic analysis.

**“Being global means having the capacity to understand the full spectrum of the client's needs, while at the same time, being a financial group with a global presence”**

**“Our international diversification has allowed us to weather the crisis and now everything functions like an extraordinary compensation mechanism”**

**F.F.S.: Within this world of opportunities, I am struck by the concept of the global company adopted by MAPFRE. I believe that it offers a huge advantage, and also that it is a necessity which many companies have not addressed. In this sense, decisions have been made that are truly aligned with what is being done outside of Spain, particularly when it comes to technological development. What types of projects is MAPFRE taking on to differentiate it from other Spanish companies?**

**A.H.:** We are fortunate to be a very diverse company that began in Spain. Forty years ago, those responsible for the company took the initiative to implement an internationalization process, foreseeing that, at some point, it would be one of the driving forces of the company's growth, and they were right. In the 1980s, the decision to establish ourselves in certain countries with significant economic and social difficulties was daring, but the experience we acquired in those markets has allowed us to continue promoting international growth.

In 2012, we decided to define ourselves as a trustworthy global insurance company, and we introduced the global concept from two points of view: client and company. On the one hand, we are able to understand the client's full spectrum of needs, and we can anticipate and manage them. On the other

hand, we aim to be a financial group that has a worldwide presence serving its clients.

This way of working allows us to understand the world in a different way. We not only spot and anticipate trends that exist in other parts of the world, we also demand much more than other insurers who work at a regional or local level. We are passionate about this tension that forces us to be more demanding. We assume extra risk and we see many more opportunities. We are very satisfied with our international diversification, because it has allowed us to compensate and leverage ourselves in relevant markets such as Brazil or North America during the crisis, and now everything functions like an extraordinary compensation mechanism, not only from the revenue perspective, but also in terms of learning and preparing for this new society and the great technological revolution that the client demands.

**“It is necessary to democratize access to digital media so that people can acquire knowledge, skills, and training”**

**F.F.S.: He has said that it is necessary to democratize private health; this also implies democratizing insurance. MAPFRE has taken an important step by creating a new laboratory to promote innovation within the company. At what point is it important to facilitate user accessibility?**

**A.H.:** The accessibility and knowledge of insurance is strong in more mature markets, but this is not the case in less developed countries, especially in those that are experiencing social transitions or significant disruption, such as Brazil and Turkey, or even others that have developed considerably in recent years, such as Peru or Argentina.

Defining what it means to democratize, I mean making tools, services and products available to clients which would have been unthinkable until very recently. Today, access to digital media for the purposes of training and for gaining knowledge and skills is simply remarkable, and it is necessary to extend this accessibility to a large part of the population. Insurance has traditionally



been viewed as a middle or upper-middle class product, but that is not the case today. Those who have more resources can protect themselves, but others need to guarantee the welfare of their families and their income in the face of unforeseen circumstances.

These days, the cost of developing medical tests is ludicrous when we consider how important it is in being able to improve people's quality of life. Here, the importance of technology is paramount. The digital model that MAPFRE is promoting aims to extend the classic concept of private insurance to the entire population. Therefore, clients can access control and preventive mechanisms that will allow them to blend public insurance with quick, simple and economical access to these new technologies. These technologies can only be developed if the private sector collaborates by promoting start-up or research laboratories that allow them to be extended to the rest of the population.

**“A new generation of older people has been created. It is healthy, youthful, and has a strong zest for life”**

**F.F.S.: We are experiencing an exponential growth in technologies, but the majority of companies still think from a linear perspective. However, this exponential growth will have an enormous impact on the field of prevention. Within fifteen years, all children born in Spain will have undergone a study of their genomes and the use of wearables will be much more widespread. How can these advances help reduce the costs associated with people living longer?**

**A.H.:** We should not see these advances as a threat, or feel like there is a big brother watching over us, but instead see them from a positive perspective that will allow us to anticipate certain problems. For example, in Africa they are already able to control certain situations by smartphone at a ridiculously low cost. When all this is standardized, we will have the basic elements necessary that will become part of our monitoring routine which will send us alerts regarding those aspects that we need to change in order to improve our quality of life. This will lower the costs of all those additional services that would have been needed without this assistance, contributing to make health care more affordable

**F.F.S.:** I think the way the book deals with the subject of longevity is very educational. The fight to eliminate infectious diseases has been instrumental in understanding this phenomenon. However, we are now seeing a rise in chronic illnesses. How should we tackle the subject of chronic illness within the insurance sector?

**A.H.:** I would say that we are dealing with the illness of a civilization, even beyond the scope of chronic illness. It is true that we are living longer and

healthier lives, but new risks are appearing as a result of this evolution. For example, walking along a sidewalk was not considered a dangerous activity before, but nowadays it could be because cities have experienced changes that bring an element of risk to this activity. There are also certain illnesses, such as Alzheimer's or some types of cancer, which are definitely products of our current lifestyle.

However, I believe that we are about to see an exponential increase in scientific and medical advances. This will mean that many issues for which we do not have a solution today, will be resolved in time or, at least, addressed in order to minimize their impact and improve the quality of life of people suffering from this type of illness.



There were ailments that a few years ago were barely treatable, but which today can be minimized using simple and non-intrusive methods. This means there will be an increase in longevity which will be accompanied by an environment that allows us to make the most of the benefits of this new society in terms of products, recreational activities and jobs that help the elderly feel useful.

**F.F.S.: MAPFRE is one of the first Spanish insurers to work with blockchain technology. What kind of impact will the use of this technology have on the future of this sector?**

**A.H.:** We need to see how we can make sure that obligations, contracts, services and benefits are carried out as quickly as possible in order to guarantee a full and immediate plan for the client, providers and the company. From this perspective, we believe that in the perfect world, blockchain forms the

basic core element within commercial and service relationships, whereby the immediate provision of those services is guaranteed anywhere in the world. This is the great advantage and transformative power that blockchain offers because it can, in just a few minutes, determine services that can currently take days.

We have started with contracts, because some cases, such as reinsurance, are highly complex. For example, in international consortiums, under our current systems the obligations we assume need a deferral. However, with blockchain, they could be decided and fully secured almost immediately.

**“MAPFRE Group is participating in the blockchain insurance initiative along with 22 other companies for the purpose of exploring the potential of this technology”**

This means that the reinsurance unit of the MAPFRE Group is participating in the blockchain insurance initiative (B3i) along with 22 other companies, with the objective of exploring the potential that these distributed ledger technologies offer to the insurance industry.

## **THE ECONOMIC BENEFITS OF AGING**

Longevity, which is understood as the phenomenon in which a large majority of people reach an advanced age while enjoying good health, is very recent. In Spain at the beginning of the 20th Century, only around 1 in 100 citizens reached 65 years of age. Today, 95% of people exceed this age. Life expectancy has increased and the debate concerning the aging population has forced its way into our society: Is it a threat to the digital society? Will this mean a decline in the social care model? Will this mean an end to the welfare system?

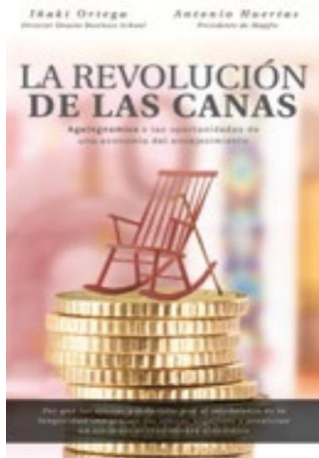
Thanks to medical advances, we live on average an additional 15 years. This has created a new dynamic phase between 50 and 75 years of age which has been coined the "Silver Generation", which brings with it a real revolution for the global economy by allowing millions of people to continue working, saving, creating and consuming.

Iñaki Ortega and Antonio Huertas, authors of *La Revolución de las Canas* (The Grey-Haired Revolution), defend the idea that the aging process brings new and profound socio-economic consequences that will give rise to new opportunities, and will promote the birth of new industries that nobody had ever dreamed of before.



## A NEW DYNAMIC PHASE

This book challenges the reader to reflect on issues that would have been unthinkable a few years ago. How do you reconcile the growth of the workforce which comes about as a result of greater longevity with a period that apparently anticipates growing technological unemployment? How do you reconcile an improvement in human survival with the structure of labor markets and what



impact will this have on social welfare systems? In short, how do you redesign the economy to be able to bring out the most positive aspects of greater longevity and transform them into a model that makes it possible to continue raising the material well-being of its members? Life has traditionally been experienced over three phases: childhood, adulthood, and old age. But now a new phase has been created that exists between adulthood and old age. We now enjoy an extra fifteen years that we did not expect to have and that means we can live for longer, but still have a good quality of life. For this, we will need to make the right decisions and make sure the institutional environment allows this

to be possible," says Huertas.

The book also studies this new context in a multidisciplinary way, analyzing the economic and social consequences associated with longevity. The authors also insist on emphasizing the solutions and opportunities that the constant increase in life expectancy and quality of life brings. "Being happy is closely related to feeling useful and being socially respected. Being active from a certain age is only a problem if you look at it from the perspective of 30 years ago. Today it means working less and in a different way", states Iñaki Ortega, co-author of the book and Director of the Deusto Business School.

**"The Silver Generation means a revolution for the global economy by allowing millions of people to continue working, saving, creating and consuming"**

## NEW DIGITAL SCENARIOS

Technology offers a window of unique opportunities to grow and prosper, but it is necessary to stop talking about problems and begin to see the possibilities offered by this new phase of life. The emergence of this technology will lend a helping hand to sectors such as health and tourism, finance and insurance, urbanism and housing and even the labor market, transforming and offering new scenarios adapted to the increase in longevity. "We see a new educational system emerging that offers wonderful opportunities in a digital environment. We cannot continue thinking about a master class as we are accustomed to, because now it will be necessary to train throughout life in order to keep up-to-date in a profession and acquire skills for new jobs to come. Work life is being extended, but each day it is being enriched with technology and constant

learning, because workers will have to continually retrain to change positions and even change sectors", says the MAPFRE CEO, who also insists on the need to reform the pension system to allow retirees to obtain a decent level of income, even if they come from different sources.

"In 2030, 1 in 4 Spanish people will have the right to a pension. In addition, they will be able to claim for 25 years. With these figures, our public pension system will only survive if we all work more and save more. It is necessary to open the labor market to senior talent, and also allow private companies to become part of the solution," he insists.

**"The concept of *agingnomics* puts together a constructive vision which is open to the economic opportunities surrounding the aging demographic."**

The book coins the neologism ageingnomics, which is a combination of the words aging and economics to summarize what can be seen in this new paradigm. The concept of ageingnomics collects a constructive vision which is open to the economic opportunities surrounding the aging demographic."

According to the authors, "the aging population can help our languishing economic system to recover its vigor and become an economy for all".