The 4th Industrial Revolution
Entering another era of massive change

Navigating the next industrial revolution

<table>
<thead>
<tr>
<th>Revolution</th>
<th>Year</th>
<th>Information</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>1784</td>
<td>Steam, water, mechanical production equipment</td>
</tr>
<tr>
<td>2</td>
<td>1870</td>
<td>Division of labour, electricity, mass production</td>
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<tr>
<td>3</td>
<td>1969</td>
<td>Electronics, IT, automated production</td>
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<tr>
<td>4</td>
<td>?</td>
<td>Cyber-physical systems</td>
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The 4th Industrial Revolution
Key characteristics

- **Extreme automation**
  - Implications for jobs (repetitive, non-personal)
  - Implications for income inequality
  - Artificial Intelligence (AI) will become a pervasive feature of our society

- **Extreme connectivity**
  - Drive new business models
  - Social impact as communication is further democratised

- **Supply side and demand side disruption**
  - Massive changes in value chains
  - Bespoke products integrating/connecting with other devices and industries
  - Rapidly changing consumer expectations
‘The changes are so profound that, from the perspective of human history, there has never been a time of greater promise or potential peril.’

Dr Klaus Schwab, Founder World Economic Forum

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**The 4th Industrial Revolution**

**Financial services (Promise and Peril)**

- Unprecedented computing power
- Cost of data storage
- Extreme connectivity
- Proliferation of sensors  
  - Electronic  
  - Human

- Process automation  
  - Improved value for money  
  - Jobs
- Refined underwriting  
  - Improved risk management  
  - Social solidarity
- Artificial intelligence (assistance / pure)  
  - Improved quality and consistency of advice *and* service  
  - Herd mentality
- Redesign of IT architecture  
  - Agility and lower cost  
  - Cost of transition
Regulatory Impact

4th industrial revolution also challenging to regulators

- Across various industries, e.g.:
  - Uber; drones; autonomous cars; 3D printing; blockchain …

- Challenges from:
  - Revolutionary nature of change
  - Speed of change
  - Globalisation

- Financial services:
  - Intangible product
  - Regulatory design quite business model specific
  - Partnerships with non-traditional players

Positioning the Group

Responding to the tech frontier
Key responses
How we see things

1. **Significant investment and success in existing environment, e.g.**
   - Online capabilities (portfolio accessibility, native mobile apps)
   - Self-servicing, single ID across the (South African) group
   - Intermediary software (real time quotation, straight through processing etc.)

2. **4th Industrial revolution demands a different approach**
   - We don’t know what financial services will look like in 10 years’ time

3. **Two broad streams**
   - Transforming ‘back-office’ operations
   - Respond and shape changing consumer expectations and needs

Innovation in the “back office”
Preparing the business for the tech frontier

1. **Sanlam is investing in foundational capabilities**
   - We are investing in IT and data systems / architecture that:
     - Empower businesses to continuously innovate in their existing portfolios
     - Transform the value of existing portfolios
   - Business transformation:
     - Eradicate the current IT / Business way of work
     - Collaboration will be key
   - Allow the back office to respond to front office innovation

2. **Approach to data management**
   - Enabling advanced analytics
   - Leading the charge towards a new way of working
Client interaction innovation

- It starts with a good idea. However
  - A good idea alone is not good enough
  - Good ideas are increasingly difficult to recognize

- Today, successful disruption is a combination of
  - Design (client led, not tech led)
  - Speed to market
  - Agility to learn and adapt rapidly
  - Culture which enables an agile environment

The technology frontier approach to innovation
- Collaborative
- Innovation through iteration

Sanlam Design Studio
Leading the charge

- Recently established Sanlam Design Studio

- Unit is separate from traditional Sanlam businesses,
  - leverages off the Sanlam skills, competencies and infrastructure

- Mandate:
  - Identify concepts and opportunities, build and deploy lean prototypes rapidly

- Once deployed
  - learn → iterate → improve → pivot or expand

- Culture
  - Higher risk tolerance
  - A learning mind-set
  - Acceptance of some inevitable setbacks
Go Cover
Our first experiment

- Highly innovative insurance app
  - Buy instant accidental injury and death cover on your mobile phone
  - On demand and on the go

- Cover for 24 hours:
  - From as little as R10 per day
  - Up to R1m cover

- Native app in App Store or Play Store
  - Launches end of October

- Enables a range of new possibilities to explore

Our first experiment
From Sanlam Design Studios