



Highlights:

IBM has worked with hundreds of insurance companies that are striving for the efficiency and agility that can be achieved through information-led transformation.

There are distinct steps that can progress insurance companies along the path to transformation, each providing its own return along the way. Visionary thinkers will use this strategic insight to transform their organization by four imperatives:

- Increase flexibility and streamline operations
 - Optimize multichannel interaction
 - Create a truly customer-focused enterprise
 - Optimize enterprise risk management
-

Insuring the Future of an Industry

Driving insurance industry growth through informed insight

Pressure on the insurance industry is coming from all directions. Insurance companies are finding themselves caught between conflicting forces, as demand slumps in mature markets and distribution challenges constrain growth in emerging markets. Meanwhile, the investment needed to combat these issues is threatened by low interest rates and volatile investment returns. And insured risks are becoming more complex and harder to control, subject to still-evolving regulatory requirements while costs are increasing for both claims settlement and servicing.

This perfect storm of industry challenges demands an immediate and comprehensive response from industry executives who must find new, creative ways to contain costs, accelerate time-to-market and improve product design and customer service. To succeed, insurers need to manage actuarial, financial, operational and IT risk in a holistic manner, and find synergies between them to help increase business agility and lower costs.

They also need to rebuild the broken trust between the insurance industry and its customer base. In fact, 90 percent of all insurance CEOs picked getting closer to the customer as their most important strategic initiative in the next five years.¹ Today's policyholders are very different than in the past; they are increasingly sophisticated in their knowledge of insurance products and want to do business through multiple channels, including social media. They also want more dynamic products that are easier to understand and personalize. This is why the customer strategies of the past—endlessly swapping disloyal and dissatisfied customers by competing over rates alone—will not satisfy these savvy consumers and will not lead to sustainable retention or significant growth.²



Smarter Insurance

Point of view

Though daunting, all of these industry needs are utterly achievable. After all, this is an industry that relies heavily on digitized information: the ones and zeros that define risk, inform product development and help companies better understand their customers. Yet, the insurance industry is surprisingly behind the times in this regard. Across most organizations, data remains segregated in disparate, disconnected systems. But with so much pressure on this industry, the days of underutilizing data, its most valuable resource, are over. In fact, the ascension of data as the primary source of actionable insight is already driving forward-thinking insurers toward an information-led transformation.

The elements of the information-led transformation

IBM® has worked with hundreds of insurance companies that are striving for the efficiency and agility that can be achieved through information-led transformation. While the idea of transforming the entire company may at first seem overwhelming, there are distinct steps that can progress insurance companies along the path to transformation, each providing its own return along the way. These are the four imperatives of information-led transformation in the insurance industry:

- Increase flexibility and streamline operations
- Optimize multichannel interaction
- Create a truly customer-focused enterprise
- Optimize enterprise risk management

Increase flexibility and streamline operations: In a proactive insurance environment, leaders dynamically realign to market challenges and actively manage their customer base, resulting in an increase in revenue per customer and reduced operating costs. They streamline their businesses by looking for opportunities to combine processes along functional and geographic boundaries. There are clear short-term benefits to this approach, such as the elimination of redundant resources and simplification of the business. But other, less obvious long-term benefits from consolidating multiple control points to a more singular management capacity can also improve business flexibility.

This can only occur when IT systems are modernized and made more flexible. Current systems used by many insurers are extremely costly and inhibit the full potential of data analytics. In an industry rife with consolidation, each acquisition has only added to the complexity of many firms' information infrastructure, creating a patchwork, manually-intensive approach to business processes and functions. For example, one large property and casualty insurer embarked on a modernization project that resulted in a 40-percent increase in new business quotes, and a 50-percent increase in time-to-market. Rule changes that once took five months now take less than one week, and the company was able to gather underwriting decisions at multiple points and proactively segment unacceptable business.

Smarter Insurance

Point of view

Optimize multichannel interaction: Satisfied customers lead to more business and stable growth rates. That means driving increased customer satisfaction through all channels by improving electronic data capture and enabling a consistent experience. It also means being highly responsive and adaptive to changes in and around the customer base, such as demographic changes, expanded engagement expectations and mobile technologies; working to build nuanced customer insight; and then acting on it across all channels. Consistency of delivery and enrichment of the customer's experience are now required for all insurers. Customers expect to access real-time online views of status, quickly reach call centers and engage with insurers over multiple mediums, including Facebook and Twitter. In other words, insurers need to engage the customer wherever and whenever the customer chooses, and each interaction must be optimized using reliable, relevant data.

For example, a U.S.-based insurer wanted to take advantage of the wealth of stored information about both customers and agents to improve the call-matching process, with the goal of retaining customers and increasing the profitability of those relationships. The solution yielded a 119-percent increase in saving customers that were calling to cancel, and a 25-percent reduction in agent attrition. The higher retention led to lower agent acquisition and training costs, as well as improved customer service.

Create a truly customer-focused enterprise: Insurers now have the ability to effectively predict customer behavior and lifetime value while improving retention and profitability. That means insurers can understand the customer well enough to have the right discussions about their risk and offer compelling, customized products. Improving how customer data is gathered, analyzed and acted upon can also guide product development and more nuanced sales and services. The most successful customer strategies are built on an acute awareness of each and every customer interaction, from initial search results, to reading a review of an agent, to paying a bill. Insurers that are serious about getting closer to their customers are foregoing conventional channel development and, instead, focusing on quality interactions.³ For example, a large Asian multi-line firm created customer-specific treatment strategies to identify and act on key sales, service and retention "moments of truth", or key customer interactions, driving a 34-percent increase in customer value. It also increased first-contact resolution from 56 percent to 82 percent in nine months. In addition, there was a 30-percent increase in lead close rate.



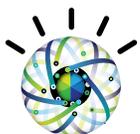
Optimize enterprise risk management: In such a competitive environment, reducing costs for risk monitoring, analysis and reporting is critical. Continuing financial uncertainty shows the importance of integrating and operationalizing risk management across an organization. Insurers are investing in systems to enable an integrated approach to handle the most complex financial risk analytics challenges. In spite of those challenges, industry leaders are going beyond compliance reporting, instead moving toward a truly holistic risk management approach. The key to their success is linking finance and risk performance to support risk-adjusted decision making. For example, by pursuing “selective market expansion” by building risk and fraud analysis into underwriting and claims processes, Infinity Property & Casualty transformed its claims process and reduced fraud referral time by 95 percent. The company also improved the success rate on fraud investigations from 50 percent to 88 percent while earning \$12 million in subrogation recoveries.

Insurance is an industry that runs on information, and it is not an exaggeration to say that those companies that get the right information to the right people at the right time come out ahead. At IBM, we have been helping insurance companies improve their information technology by understanding the client’s business needs and developing solutions to move their organization forward.

The insurance industry is no stranger to taking calculated risks, and the risks it chooses to assume are the difference between winning and losing. But in today’s pressure-packed market, the biggest risk is not acting at all. That’s why the most innovative companies are taking bold action, using analytics and integrated systems to guide their decisions and the servicing of their clientele. These leaders think big and act quickly, and they’re already on the path to making insurance smarter.

For more information

For more on information-led transformation in the insurance industry, please visit ibm.com/insurance.



© Copyright IBM Corporation 2012

IBM Corporation
Route 100
Somers, NY 10589 U.S.A.

Produced in the United States of America
January 2012

IBM, the IBM logo and ibm.com are trademarks of International Business Machines Corporation in the United States, other countries or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or TM), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. Other product, company or service names may be trademarks or service marks of others. A current list of IBM trademarks is available on the Web at “Copyright and trademark information” at: ibm.com/legal/copytrade.shtml

The content in this document (including currency OR pricing references which exclude applicable taxes) is current as of the initial date of publication and may be changed by IBM at any time. Not all offerings are available in every country in which IBM operates.

The client examples cited are presented for illustrative purposes only. Actual performance results may vary depending on specific configurations and operating conditions. THE INFORMATION IN THIS DOCUMENT IS PROVIDED “AS IS” WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTY OR CONDITION OF NON-INFRINGEMENT. IBM products are warranted according to the terms and conditions of the agreements under which they are provided.

- 1 IBM Institute for Business Value, Capitalizing on Complexity: Insights from the Global Chief Executive Officer Study, 2010, <http://public.dhe.ibm.com/common/ssi/ecm/en/gbe03297usen/GBE03297USEN.PDF>
- 2 Chad Mitchell and Shruti Gupta, Achieving Customer-led Growth in Insurance – Three steps to improve retention and improve growth, IBM 2011 <http://public.dhe.ibm.com/common/ssi/ecm/en/gbw03148usen/GBW03148USEN.PDF>
- 3 IBM Institute for Business Value, Powerful Interaction Points, Saying goodbye to the channel, Christian Bieck, 2010 <http://www-935.ibm.com/services/us/gbs/thoughtleadership/ibv-gbs-insurance-interaction.html>



Please Recycle