Four New Year's Resolutions for Property & Casualty Insurers

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What will the New Year hold for companies in the property & casualty insurance industry?

Some companies are digging in and taking defensive postures—looking to increase their ability to respond to unplanned catastrophes, and to deal with a sluggish economy and declining revenues. Others are pursuing technology-based innovations that offer the potential to improve operations, cut costs, understand and serve customers, and support the business with timely, fact-based information.

Winning a zero sum game

The stakes are increasingly high in the P&C industry because little or no organic customer growth exists to fuel corporate growth. Gaining market share means taking it away from someone else—so the level of competitiveness in the industry is high and will only get more intense.

At the same time, customer expectations regarding service and value are growing dramatically, especially as those customers get a taste of the personalized experience offered up by an online retailer like Zappos or a physical retailer like Nordstrom. Or as customers increasingly experience the level of self-service they get from their airline, for example, where technology-enabled functionality in ticketing and other areas now dramatically simplifies the experience of air travel.

With both of these trends—constraints on growth and the ever-raising bar of customer expectations—the P&C carriers gaining an edge today are those that are employing tools and information to do two things: out-execute the competition operationally and out-serve the competition from a customer perspective.

The common denominator here is information, and the technologies that deliver that information and help translate it into effective goals, decisions and execution. A carrier that is more effective and efficient at managing information can streamline processes, make better decisions, get products to market faster and give customers the sense of being known and served well.

Looking at those goals, however, the problem for many carriers is their legacy systems and software—a technology environment that often handcuffs them, slows them down and forces them down paths that make them less competitive. How do I change my business faster and at a predictable pace? How do I identify new opportunities and then execute on them? How do I become more customer-centric? To do all of these things well requires commitment to four "resolutions" on the part of P&C carriers in the New Year.

Resolution 1: Configure new capabilities and products using a business-driven approach

A carrier's legacy IT environment is frequently an impediment to improving speed to market, something essential to winning within the zero-sum P&C game. What the business needs is the ability to make changes to processes, products and rules rapidly, according to marketplace circumstances, without being bogged down by the long lead times of typical IT development.

Business needs are urgent. An auto insurer may find that the risk factors for a segment of its insured population have risen dramatically, and pricing algorithms may need to change almost instantaneously so that the company itself is not subjected to undue risk. With this business need, there is no time for a month-long or six-month-long system update.

Today's advanced software platforms respond to this need, giving the business the capability to make changes and enhancements based on its own timetable and view of the marketplace rather than being forced into configurations and timetables dictated by legacy IT requirements. Advanced software solutions externalize the rules for processes and products, putting them into a business context. This gives power to the business users themselves to change those rules for competitive advantage.

Broader strategic capabilities or process changes can also be enabled in similar fashion. Perhaps a carrier is looking to enter a new market or release a new product. Perhaps it's a matter of identifying a better price point or determining the best manner of assigning claims. All in all, today's software capabilities can create a more agile and responsive business, one with speed to market as its rallying cry.

Resolution 2: Employ "rapid analytics" to make more effective decisions

It's great to be able to change a business or a process quickly in the pursuit of competitive advantage. At the same time, you want to make sure you're making the right change. And that's a matter of having the capabilities to acquire data—high-quality, timely and relevant data—and then to crunch the numbers readily to steer the business in an effective manner.

Again, legacy systems can interfere with this critical analytics advantage. Many carriers are stuck with systems

that deliver inferior data because such systems are rooted in payment transaction engines or processes driven by the finance organization.

To remedy this situation, carriers can turn to expensive add-ons or to a long-term data warehousing and business intelligence initiative. But another alternative is what we can call "rapid analytics"—a platform that delivers these analytics capabilities within the basic capabilities of the software. The software is built to deliver high-quality data using an integrated data model, also offering analytics and real-time reporting. Decision makers and innovators can manipulate that data to focus effort and resources precisely where they are needed instead of throwing multiple initiatives into the business and marketplace, hoping that one works.

Resolution 3: Use technology to enhance customer-centric service and processes

P&C carriers represent a unique value proposition in the business world. They are among those enterprises that really do not sell a tangible product, but rather a promise—which means they really sell a relationship, with the ongoing obligations and services a relationship implies.

But that hasn't been the traditional perspective of a P&C carrier. Product-centricity, not customer-centricity, has driven their business. To many carriers, "customer" is actually considered an attribute of "product." The ability to understand details across an actual relationship with a real human

being is not possible. Nor do carriers generally have the kinds of self-service technologies that have revolutionized areas such as the airline industry, as noted above.

It's proving difficult for many companies to change their cultural make-up to become customer centric. But even when that happens, legacy processes and technologies may get in the way, especially as carriers want to move to advanced, self-service capabilities.

Here's an example of how the right software platform can help move a carrier toward customer centricity. With the right software capabilities, an insurer can have the ability to support customers across whatever access and interaction channels they prefer—phone, web, etc. The key to this capability takes us back, again, to business-driven configurability: creating rules with enough flexibility to be able to specify different behaviors for different channels when using the same product.

Resolution 4: Drive out inefficiencies and costs

No one needs to be convinced about this resolution, right? In a zero-sum game, a carrier absolutely must cut out costs—relentlessly, year after year. But the cost takeout mindset today needs to be paired with strategic thinking in a unique way. That is, the key to effective cost reduction is to figure out what business capabilities are differentiating and which are not. For those that are not, you might as well share those at an industry level, because they're just table stakes anyway. Like a trucking or shipping

company—whatever capabilities you want to create that differentiate you from the competition, one of them will not be the roads you travel on. Everyone shares the same roads.

So, similarly, there are software "roads" on which everyone is going to travel. Figure out how to use those roads to your advantage. This is a question about how a company is to channel its resources and energy most effectively. Currently, carriers are spending an inordinate amount of time creating capabilities in areas that industrialized industry software has already solved—on roads already built. Leverage those best practices, then move on to some other way to differentiate yourself: better products, better service, better analytics.

Conclusion: Knowing and doing

Today's technology and software capabilities are about gaining knowledge faster, and then doing something differentiating with that knowledge. For a P&C carrier to be more competitive in a zero-sum marketplace, it needs to know more than its rivals. A company should be able to assess what's working and what's not, and then deploy changes rapidly to maintain strategic agility. A carrier also needs to operate more effectively, and to move beyond mere words when it comes to revolutionizing its service capabilities such that customer centricity is not just a slogan, but something deeply engrained in processes and systems.

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