



Insurers must invest €1 in 10 in the capabilities and culture required to become client-centric organizations with sustainable financial performance

New BearingPoint Institute Report: Interviews with 25 top international insurance firms show that the industry must invest in its business and IT architecture to become more adaptive to the fast-changing operating environment

Looking at the share price development of 25 top international insurers over a four year period between 2009 and 2013 shows that a small number of companies are outperforming the market average with an increase of 300%. In our survey comprising personal interviews with executives and managers from these companies 84% of the companies that we categorized as “outperforming” said that a strong contributing factor in delivering good performance was having an adaptive operating model.

In the new BearingPoint Institute study “The adaptive insurer: finding the extra 10%”, the authors investigate what an adaptive operating model looks like; what insurers with a legacy of “built-to-last” systems and processes must do and how they can fund the necessary program of change with low yields taking their toll.

Only few examples of innovation in the insurance industry

Despite relentless change, the paper argues that there have been relatively few examples of innovation in the insurance industry. Two examples are the pay-as-you-drive application by a leading UK insurance group, which helps motorists control the cost of their insurance by making informed choices about when, where and how often they use their car, and the dental insurance product by a leading German insurance group that could theoretically be bought while a patient sat in the dentist’s chair. Behind the scenes of these products were intensive customer analyses, fast product development processes, flexible core insurance systems and targeted marketing and sales strategies. But according to the BearingPoint research most companies are still doing business like its 1985 and are struggling to deal with the unprecedented challenges of adapting to the low-yield financial environment, the changing demographics and the increase in customer needs and demands, especially on mobile devices.

According to the survey there is much talk in the boardroom about creating strategies centered on clients rather than products, and there is an understanding of new trends and market shifts. But it is not getting filtered down into real organizational change, and short-term cost-cutting is still the primary response to market pressure. The paper’s authors, Matthias Roeser,

Partner at BearingPoint Zurich, and Martin McKenna, Partner at BearingPoint Dublin, say that while operational efficiency is important, too much short-term expense trimming could actually be counterproductive, weakening the ability to respond to the changing market environment where digital-first operators are sneaking into the space. The authors argue that out of the 10 euro an organization is looking to save in short-term efficiency, 1 euro of that should be invested into the capabilities required for mid-to-long term adaptability.

Matthias Roeser: “Time is running out. If organizations already underperformed when their strategic reviews were running in two-year cycles, their challenges only increase as cycles move to six months or even shorter.”

But becoming an adaptive organization is not a “corporate initiative,” the authors say. Rather it is a multi-stranded journey involving “deep cultural change”.

Martin McKenna: “Adaptability cannot simply be bought off the shelf or implemented as a corporate initiative; deep cultural change is needed.”

How can insurers reshape their business model?

The BearingPoint research highlighted three key areas that would turn the dial the most with regard to becoming adaptive, or open-to-change: strong customer orientation, rapid product and service development, early warning indicators.

The paper offers actionable insight into how insurers can embed these characteristics into future operating models. These include:

- Streamline internal processes to follow customer journeys rather than product and service delivery cycles
- Connect all your channels, from mobile to call center, for a smooth and seamless customer experience
- Build a flexible IT structure to enable the rapid creation or modification of new and enhanced products and features
- Empower your workforce to work in different ways through engagement, education, new incentive structures; give them the autonomy to act with initiative

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says Matthias Roeser, Partner at BearingPoint Zurich