

## INSURANCE INDUSTRY: TRENDS AND CONCERNS

The life insurance industry has always been adept at transforming risk into opportunity. In today's unsettled business climate there are many risks for insurers to manage, and with the need to drive out operational inefficiency a major concern, the risks associated with unnecessary operational costs and cumbersome processes are coming into new focus. These new areas of risk awareness go much deeper than mere headcount reduction and regulatory compliance, and include:

### THE COST OF PRODUCT COMPLEXITY

How many complex products and customizable product features can a portfolio incorporate before the cost of supporting them outweighs the benefits? Product development and marketing are just the start; servicing multiple complex products through their lifecycle requires significant investment in IT and administrative support that may be greater than the business can profitably sustain. On the other hand, moving to a streamlined portfolio of standardized products and turnkey support is not appropriate for organizations that have built their business model on offering outstanding customer service and extreme flexibility in customizing products and services. For each organization, finding the right balance of product complexity, flexibility and simplification calls for a careful assessment of both short term and long term scenarios.

### THE COST OF NOT GOING PAPERLESS

Effective paperless processing converts paper input into usable, searchable data at the earliest possible point in the process, and streams it through the organization as needed. High-quality, well-indexed scans and electronic signatures supersede paper originals, which can be shredded rather than stored – and may not exist at all, if paperless processing begins with paperless input (e.g. online enrollment).

Many of the costs of clinging to paper processing are obvious: the cost of the paper itself, of printers, copiers, fax machines, and all their attendant supplies and maintenance, of mailing and shipping, of housing in-use paper files in accessible office space, of off-site document storage, retrieval, and destruction. There are also obvious risks: vital paper documents can get lost, damaged, or destroyed, and it may be difficult or impossible to track one down if it's not where it should be.

Just as important are the costs and risks of paper-based processing. Every time a person has to touch paper to perform a task, or hand off paper to someone else, a risk exists that something won't be done right, or timely, or at all. The simple physical manipulation of paper to obtain necessary data or verify signatures can be time-consuming, and managing workflow in a paper-based environment is challenging and cumbersome. Preparing packages of paper for mailing incurs a cost in time and labor to assemble and quality-check; while maintaining accurate address records and tracking package delivery are non-negligible expenses,

and sending a package of sensitive information to the wrong recipient can be a very expensive mistake. And dependence on paper means that processes are probably not optimized to enable data to flow cleanly through the multiple systems the organization relies on. Redundant data entry, processing time lags, cumbersome reporting processes, and repetitive manual quality checks drag down both process efficiency and effectiveness.

And increasingly, customers expect to do business electronically. Online banking is ubiquitous; online self-service is increasingly common for all kinds of business; if someone can apply for a mortgage or manage their investments online, why should they not expect equal ease in dealing with a life insurance carrier? Only a few years ago, insurers could assume that the market of retirees was largely computer-illiterate, or at least indifferent – but today's retirees are computer-savvy and demanding, and if an insurer makes it hard for them to do business, they'll take their business to a carrier that makes it easy. This is even more true for the younger generations who are just getting into the insurance market. Paper processing builds an effective barrier to keep them and their money out.

### THE COST OF EXCESSIVE REPORTS

In this era of Big Data, vast amount is created and captured in the course of business and finds its way into databases, data warehouses and other repositories to be transformed into various metrics and reports. Operational m, customer reporting, performance metrics, and all sorts of complex analyses and tabulations are routinely produced at all levels of the organization. Some of them are generated automatically, others are easily created with a few parameters, many may require a great deal of manual effort to assemble and manipulate.

However reports are created, whoever they are delivered to, whatever they may (or may not) be used for, one thing is true: old reports never die, unless someone kills them. They just continue to be created as they always were, because very often the people responsible for making them have no idea who actually needs them, and no way to determine whether they continue to be used. A production report that was innovative and valuable to someone in 1996 may not have been useful to anyone since 2002, but operational inertia means it still sucks up four staff-hours every quarter, because nobody was in a position to notice and tell them to stop. New metrics don't replace the old ones, they just pile on top.

The result: data overload, report clutter, and a lot of wasted effort. Which is not only costly, but can actively diminish the information value of the reports that really matter, and reduce the ability of management to make informed decisions and develop effective strategies. Periodic evaluation of all reports to determine which ones are currently needed and which can be dumped or significantly overhauled is an essential project to keep the organization from drowning in its own data.