



Improving Business Performance Insurance Service Operations



Competitive free climbers constantly adjust their strategy and execution of rock-climbing moves as conditions around them change. Insurance carriers are much the same today as they negotiate a shifting landscape characterized by increasing customer demands, economic and regulatory uncertainty, and rapid public adoption of new technologies and channels.

For example, life insurers and annuity writers are beginning to realize that sustained growth over time will require fundamental changes in their business models. The goal should be to make more efficient use of scarce resources by improving process efficiency and automation to expand the overall market and to reach underserved consumer segments in innovative ways. This will likely mean transforming their service delivery models and standard operating procedures, and revamping their products, core systems, and distribution options.

Property and casualty carriers face fundamental issues that threaten not only short-term balance sheet results, but also challenge the long-term viability of their operating models. A growing number of insurers face significant organizational disruption, and many have made large-scale investments in technology, replacing core systems for claims, policy administration, and finance. Their chief challenge now is how to leverage new systems effectively and maintain their momentum with innovations in personnel, products, and culture.



Insurance operational excellence today requires more than cost cutting. It's about extending and deepening customer relationships, rapidly taking competitive new products to market, and strengthening the foundation of the business through effective systems and support processes.

Negotiating a constantly shifting insurance landscape demands that insurers rethink their operating models and find new ways to drive operational excellence.

How we can help

Deloitte's Insurance Service Operations practice works with insurance executives to transform disjointed operations into an integrated sales and service delivery system that can support an insurer's ability to identify, write, and retain profitable customer relationships. Our team includes professionals who have led some of the world's top insurance carriers, brokers, agencies, and reinsurance companies. We help our clients in their efforts to improve operations across the following areas:

- **Streamlining legacy processes and supporting technologies** — identifying ways to help improve customer service, employee morale, and cost efficiencies by upgrading policy administration and other systems, streamlining processes, and creating an efficient customer experience across product lines and distribution channels.
- **Operating model enhancement** — assessing process, technology, and organization and performance management against other insurers as well as the company's own strategy and goals to help transform its operating model, including shifting of fixed costs to variable, shedding non-differentiating processes and technology, and increasing focus on growth, distribution, and product innovation objectives.
- **Performance benchmarking** — evaluating carrier performance against industry leaders to identify areas for potentially improving operations and customer service quality while managing costs.
- **Strategic underwriting** — helping insurers create a base of profitable customer relationships by executing more effective risk selection and sound underwriting decisions that help balance risk and price. We also help carriers grow the business by identifying potentially profitable and high-risk customer segments using predictive tools and analytic models.
- **Improved inforce management** — leveraging data and analytic tools and techniques to support cross-sell and up-sell programs, help improve retention, and enhance risk selection capabilities.
- **Claims cost containment** — streamlining and automating claims administration, devising ways to anticipate potential claim losses, enhancing processes for managing third-party suppliers, creating processes to help improve litigation results, and employing advanced fraud detection processes to help mitigate losses.
- **Enterprise cost management** — developing sustainable, cost-effective approaches to managing resources in alignment with the company's strategic goals, as well as striving to refine processes, simplify the organization, rationalize infrastructure, and improve spend management.

Potential bottom-line benefits

Our services often help insurers:

- Improve profitability
- Reduce operating expenses by up to 20 percent
- Increase process standardization and compliance
- Improve system reliability and accuracy
- Lower underwriting loss ratios by up to 7 points in an 18- to 24-month time frame
- Reduce claims costs through improved claims management
- Improve system reliability and accuracy
- Enhance the customer experience (for both policyholders and distribution partners)
- Increase ability to adapt to changing customer demands

Ways to get more value now

- **Stand in the customer's shoes.** Experience what it's like to be a customer by contacting your company through your call center, offices, and website. Do the same for competitors. Talk to customer-facing employees to gain insights into the organization structure and learn what tools can help them meet customer expectations. Use the information gathered to identify areas for improvement—and take action.
- **Refine the company vision.** Revisit the concept of a model customer. What services do they need? How do they prefer to communicate? Which prospective customers should be avoided? Align underwriting practices with targets so applicable coverage is offered at an appropriate price to desired customers.
- **Ask smart questions.** What information would help identify customers at risk of dropping coverage or moving to a competitor? What would help control claims costs or offer more competitive pricing to prospects? Setting tight objectives for research and analysis can help avoid “boiling the ocean” or drowning in interesting, but unusable, information.



The big idea

Operational excellence will be pivotal for insurers as they simultaneously drive new top-line revenue, improve margin performance, and manage the costs associated with organizational and technology transformations.



Learn more

Insurance Service Operations can help insurers navigate today's business climate and promote profitable growth. To learn more about how Deloitte can help, visit www.deloitte.com/us/insuranceserviceops.

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