

Unlock the power of information in insurance



By [Bruce Taylor](#)

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There are three indisputable facts about the insurance industry. Firstly, it's a USD4.3 trillion global business with premium revenues in emerging economies growing at 11% year-on-year. Secondly, the World Insurance Report 2012 states that cost and efficiency are the critical levers of performance in the insurance industry today. And, thirdly, business agility, operational efficiencies and policy administration transformation are critical to remaining relevant and competitive.

With these three factors in mind, there are various information and communications technology (ICT) services and solutions that can be implemented to help insurance organisations evolve and modernise their operations.

Insurance companies that partner with an ICT service provider should never underestimate the importance of that service provider being able to understand the insurance industry's day-to-day challenges. With the requisite knowledge comes the ability to create and enable supporting solutions that help meet industry needs, while addressing client-facing challenges, business challenges and operational challenges along the way.

Insurance Vertical Framework

The insurance industry is highly complex and evolved, which means that any ICT partner has to be intimate with the complexities and operational vision of its insurance clients. Dimension Data has developed an Insurance Vertical Framework that focuses on the vital details of the insurance business and charts how ICT solutions can be used to enable the insurance sector to derive more power from its information. The framework looks at the primary and secondary functions of the insurance value chain, and then focuses on contextualising the challenges and drivers of insurance against it in an easy-to-deliver and understand manner.

The South African insurance industry shows a high level of development, sophistication and regulation. Furthermore, the South African sector also has strong links with the major insurance markets of the UK, Europe and the US.

The insurance industry is facing tough times due to economic conditions, as well as legislation and regulation that drive tougher trading conditions. This has resulted in consumers with less capacity to spend at current levels, many of whom often choose either not to insure at all, or to reduce their coverage. The consumer is now adopting a "value with caution" approach to buying, which has resulted in reduced gross written premiums in the sector.

What this means for the bottom line is that insurance companies across short-term, life and health care have had to rethink their key business drivers. Legislation is becoming increasingly consumer driven. This, coupled with the shift in consumer buying patterns, calls for strong leadership in the insurance business.

Leadership and business drivers

We see several key leadership and business drivers in the industry, including the need for insurance organisations to remain competitive by achieving sustainable, profitable growth and driving down costs. Long-term insurers are also experiencing lower investment returns, driving the need to focus on achieving product profitability through improved process efficiencies and a reduction in core operational costs. This is underscored by an increase in premium volumes and the need to ensure regulatory and legislation compliance.

Another key driver is the need to enhance client satisfaction and quality interactions to reduce churn and increase sales. Complementary to this is product development that drives innovative and faster time-to-market for new, innovative product sets. An increased operational efficiency and agility across all business processes is imperative to drive a faster, higher quality response to clients.

These drivers are setting the direction for the way the insurance business is evolving. It's not simply about setting new drivers for the insurance business, but also adopting the correct balance between driving the business outcomes and balancing the key challenges that face the industry. Insurance companies that manage this leadership challenge will grow stronger and emerge from tough trading market conditions resilient and competitive.

It goes without saying that insurers must be flexible and innovative. ICT and information management can help support these requirements. The complexity often creeps in because there are many influencers that change the way insurance operates in the market. These can be external forces, such as political and economic factors, or internal ones, such as operational and commercial constructs. In many cases, they are driven by the consumer.

Dimension Data is continuously applying its knowledge and expertise to deliver ICT-based solutions against the key challenges that insurance businesses face on a daily basis. These are derived from sustainability, profitable growth, expansion and cost reduction, to lower investment returns that drive the need to achieve profits through efficiencies. Dimension Data has contextualised the insurance industry, to enable ICT solution delivery, into three categories, being consumer, commercial business, and operations, each of which is focused on driving a number of key business enablers:

- **Consumer:** Focus on actors and mediums that are required to drive a more customer-centric approach to insurance, therein building true transparency.
- **Commercial:** Focus on aspects required to run a long-term sustainable business model for insurance companies. Many of the day-to-day support value chain functions are covered in this component of the contextual model, e.g. HR, finance, payroll, legal, etc.
- **Operations:** Focus on driving the effectiveness, efficiency and agility of the insurance business to enable a more cost focused and agile operation.

Once these contexts have been considered and mapped out, Dimension Data aligns its fit-for-purpose business solutions to enhance value for the insurance business, while reducing cost and streamlining operations.

ABOUT BRUCE TAYLOR

Bruce Taylor is GM: vertical solutions of Dimension Data Middle East and Africa.
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