

## Balancing the scales

*Toward a stable and dynamic insurance future*

*After the storm, the financial world is searching for a new order. While banking institutions are wondering where they will make money in the future, the insurance industry has always felt secure in its stability. Insurers are facing a different issue: how to balance the fundamentals that shaped the industry and made it strong with the dynamics created by an empowered customer and an uncertain global environment.*

In an increasingly integrated financial world, where banks sell insurance products and insurers invest huge sums globally and offer products once considered the domain of wealth managers, all-in-one-finance as the ultimate goal of the insurance industry looked like a given. But what does “financial services” actually mean for customers, both private and corporate? How does the insurance industry differ from other financial services companies? How is it the same? What disruptors and trends will affect the future of insurance? And what part will the continuing global financial crisis play in shaping this future?

A recent IBM Institute for Business Value survey of more than 8,000 insurance consumers and 150 insurance business executives found a strong industry with quiet doubts – secure in the role as

calculator and bearer of risk, but still unsure of what other goals to pursue and niches to fill. As one interviewed executive noted: “Some people want to insure a car, and some people want to purchase mobility – we know how to do the former but are still trying to solve the latter.”

In our findings, the landscape of insurance balances around four fundamental variables:

- Long-term policyholder needs versus short-term capital market requirements. This variable affected even those insurers not publicly owned, albeit indirectly, due to their investment portfolio and competitive pressures
- The regional nature of the insurance business versus the growth potential of globalization

- The prudence and conservatism that keeps the industry anchored versus the vision and innovation necessary to assure a healthy future development
- Providing value to insurance customers versus the imperative of managing the customer portfolio towards sustainable returns.

Additionally, the study findings point to specific action points for insurers to work on:

*Improve customer analytics.* With the financial crisis destroying so much wealth, we expect customers to increasingly scrutinize all financial providers that impact their money or assets. Good customer relationship management has always been about getting the right information to the right place at the right point in time.

*Improve flexibility and integration.* Steady growth and increased industry consolidation have led to a multitude of cumbersome legacies in systems, processes and organizations. To be responsive – to changing regulation, demographics, innovation and competitive action – these legacies have to be overcome. In various projects we have seen around the world, the use of componentization and multi-tier paradigms for back-end operations have been showing cost and efficiency benefits.



*Specialize intelligently.* One size does not fit all, and customers care less about one-stop shops and more about proficiency than conventional wisdom generally allows for. For insurers and financial services providers in general, this means that a clear profile for each service line is important.

Of course, no single recipe is likely to work – in the end, having a successful place in the competitive insurance landscape of the future is about finding the right weights and balancing the scales.

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- **Selected Insurance Sector Solutions:** Insurance Operations of the Future, Business Analytics Optimization (BAO) Strategy and Advanced Customer Analytics, Information on Demand, Connect with Customers in New Ways (IBM Smarter Planet)

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