Insurance Operations Guide

Insurance Operations: Managing Change for Maximum Results

A guide to seamlessly update processes and systems

Insurance companies are complex organizations managing multiple levels of service and product offerings, so there is always a risk of varying degrees of costly inefficiency. As experts in operations consulting for insurance companies of every size in every industry, we have developed tools to help carriers streamline their processes, seamlessly implement new systems, and start achieving greater value from their operations.

In this guide, our operations and technology experts share insight on how to strategically manage change in processes and systems.

Everyday Operations: How to Update Internal Process for Maximum ROI

Even small bumps in profitability can have a major impact, both long- and short-term. In our experience providing insurance support services, we have discovered that there is plenty of low-hanging fruit that insurance companies can begin to capitalize on, beginning immediately.

Here's how.

Start with Quick Wins

You might be familiar with the Pareto Principle, also known as the "80/20 Rule". This is the idea that 80% of your organization's problems stem from the same 20% of root causes. Address these causes and experience exponentially improved results. This is especially true in the insurance industry, since so many aspects of an organization are so deeply interconnected. Many insurance companies recognize that they have an efficiency problem but have no idea where to begin. We say: find the quick win and start there.

Take an inventory of your operational processes and separate your core processes from your supporting services. Your core processes are those that directly contribute to your customers' experience with your company. Supporting processes are all the ancillary functions that surround your core processes.

Once you separate your core and supporting processes, create a ranking scale of core processes from least to most dysfunctional (i.e. those that cost too much, take too long, or receive the most customer complaints). Then rank the same items based on the amount of resistance you expect to receive when making change. Finally, evaluate your core processes based on the amount of investment (time or money) required to improve the process.

Find the processes that rank highest in dysfunction and lowest in resistance, time, and cost. These are your first priorities. By evaluating based on these criteria, you can reduce a list of potentially hundreds of areas for improvement to two or three that you can address right away. Once you have tackled the issues that are easiest to fix, you should move on to those that require deeper investments of time and resources.

Get Staff Buy-In

As insurance providers, your business is necessarily financially-focused. However, keep in mind that at its core your operation revolves around people–your customers and your staff. During many of our insurance operations consulting projects, we see companies fall short of their process improvement goals because they forget to address the strong psychological component that surrounds change.

The most successful companies carefully build staff buy-in before and during change implementation.

This can be done a number of ways:

- Solicit input from staff about what they think needs improving and why
- Demonstrate the direct connection between their feedback and process updates
- Discuss proposed solutions before implementing to uncover potential resistance
- Provide sufficient training for new processes
- Establish clear goals and offer incentives for process adoption

Remember that change takes place from the top down. Leadership must clearly communicate the vision and context for change, and must consistently reiterate this message until the change becomes institutionalized.

.

Bring in Expert Help

Many companies contract an outside party to evaluate their processes and find ways to achieve greater value. This can reveal areas for operational improvement that have become so entrenched in an organization as to become nearly invisible. We recommend that you work specifically with insurance support services specialists, instead of a general business process management partner, due to nuances specific to the insurance industry. General consultants can only provide general advice.

Outside insurance operations consulting partners also bring discipline to the process. They facilitate communication between departments, gather and interpret organization-wide input and can act as a conduit to ensure that important information makes its way up the chain.

Whether you hire an insurance operations consulting firm to evaluate your hypotheses about whether a particular change is a smart investment, or you turn over the entire project for soup to nuts implementation, a third party can often be more effective in evaluating ways to uncover hidden value in your operations and helping you achieve it.

Take a Holistic Perspective

When it comes to process improvement, there's an old saying, "Don't try to boil the ocean." That is, if you attempt to tackle everything at once, you'll likely become overwhelmed and shelve the whole project. Instead, take a holistic look at your desired changes and how they impact your customers, staff and operations and start where you can make measurable gains right away. Remember that progress is all about incremental improvements.

New Systems: How to Ensure Seamless Implementation

Carriers who have not been through complete development and implementation of a new system tend to underestimate the time, attention, and project management expertise it takes to smoothly roll out a system that works seamlessly with the other systems already in place. During our decades of providing project management and insurance technology consulting, we find that there are no universal "best practices." However, there are good practices that everyone should try to follow.

Here are some of the most common mistakes we see and our suggestions for better alternatives.

MISTAKE: Thinking that your in-house staff has the bandwidth to properly oversee your new system rollout. In-house teams already have full slates and might overlook crucial details that can compromise the project.

BETTER ALTERNATIVE: Partner with insurance experts who can bring a fresh perspective. They will evaluate the details of your system roll-out to spot hiccups before you begin. They can also create achievable timelines and budgets, helping all parties stay on track to meet these expectations.

MISTAKE: Relying on an inexperienced project manager. Project management is about more than just watching the schedule and staying organized. Successful project management requires scope management, HR management, and experience in risk, quality and procurement management.

BETTER ALTERNATIVE: Since there are many moving pieces and many specialized disciplines to take into consideration, it's wise to trust an experienced project manager who has the insurance technology consulting expertise required to successfully implement new systems specifically for insurance companies.

MISTAKE: Drafting an ambiguous or incomplete scope of work before beginning the project. Poor planning reveals surprises that must ultimately be sorted out down the line. These can delay deployments and cause budgets to balloon.

BETTER ALTERNATIVE: Carefully define your scope of work before engaging vendors. Make sure that all stakeholders understand what's in and what's out of scope before awarding a contract, and encourage them to draw to your attention any gaps or points of confusion.

MISTAKE: Adopting an ad hoc or informal approach to planning. Scattered planning results in reacting to problems as they arise, not charting a proactive course of action.

BETTER ALTERNATIVE: Ask your insurance technology consulting expert to give you a realistic picture of what to expect while you draft your scope of work. Make sure you account for all aspects of your current systems that need to be updated before integrating with your new systems.

MISTAKE: Doing things the way they've always been done. A "business as usual" approach can cause you to overlook important details or blind you to new practices, which can result in the marketplace leaving you behind.

BETTER ALTERNATIVE: To remain both efficient and competitive, insurance companies must maintain the flexibility to adapt to new situations. Simply relying on practices that have worked in the past can cause you to miss out on opportunities for greater efficiency or profitability.

MISTAKE: Jumping to a solution before properly assessing the issue. Rushed decision making leads to costly oversights that can stall a project or force a complete reevaluation down the line.

BETTER ALTERNATIVE: Undertake a proper discovery period to correctly assess your project needs and evaluate the costs and benefits associated with project decisions. Create a game plan that makes sense and make sure everyone is on the same page before you start the project.

MISTAKE: Hastily selecting a vendor. Partnering with the wrong vendor can cost you time and money. You might end up deep in a project and be forced to throw good money after a bad vendor experience in an effort to get your project back on track.

BETTER ALTERNATIVE: Take the time to properly vet your vendors. Ask them specific questions about their experience in the particular lines of business you are planning to write. Look for areas where they push back. You don't need a team of yes-men. You need experienced professionals who tell you the truth, no matter what.

MISTAKE: Remaining with the same vendor. Legacy partners can also get mired in their own systems and might not stay current with technology changes or industry advancements, causing you to lose out on important opportunities.

BETTER ALTERNATIVE: Ask your current vendor to bid alongside new vendors. If you have a personal relationship with your current vendor, request an unbiased third party from your team to handle the interviews and compare proposals. Take their assessment into strong consideration when deciding if your current vendor measures up or if you should partner with someone new.

There are as many ways to implement a new system as there are individual insurance companies. Use these guiding principles to help you make more thoughtful decisions as you develop new ways of serving your clients.

Need more guidance on your internal operations?
Call Perr&Knight at (888)201-5123 Ext. 3 to discuss how we can help your implementation proceed more smoothly and assist in finding value in your existing processes.

www.PerrKnight.com.

PERR&KNIGHT