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INSURANCE THROUGH THE LENS OF AGILE SYSTEMS THINKING



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“We can't impose our will on a system. We can listen to what the system tells us, and discover how its properties and our values can work together to bring forth something much better than could ever be produced by our will alone.”

- Donella Meadows, Environmental Scientist

The pioneering environment writer's words aptly sum up the principle of systems thinking in a nutshell. A buzz in the IT world, agile systems thinking is extensively used in product development. The services arena is now seriously embracing this concept. It is interesting to look at the promise of systems thinking in the insurance world of products and services.

Systems thinking may just be the answer to re-designing insurance models, products and services in a changing business landscape.

Where, how and with whom will the business compete? How will the

company cater to an aging population on the one hand, and to millennials with different expectations on the other? Quality of life and well-being could rule the life insurance segment, while data and risk mitigation could be the focus for Property & Casualty (P&C) insurers.

Products and services should also be designed with additional considerations — how customers should be segmented and targeted, how underwriting processes should be re-designed, and how sales and policy administration can be simplified.

This calls for an outside-in strategy. Fundamental drivers regarding customer behaviors should be embedded into the product. Key areas of management practice should be addressed to bring about the changes much before the products are developed.

Specifically, the following questions should be looked at:

- What is the aim and thinking behind the product or service?
- Why is this product or service important?
- What can be done to make it better?



Thinking from the Customer Perspective

As a service and knowledge-based business, the insurance industry should aim to promote learning and align its thinking with customers' needs and perspectives. After all, this is where the 'work' happens.

P&C carriers thus should transform core systems to improve business agility and increase efficiency throughout the risk lifecycle. For instance, they can design the product to enable better speed-to-market and information gathering for applying analytics. Systems thinking in policy

administration should look at improving business operating models, empowering agents for better customer service, and enabling faster and better-informed claims outcomes.

Systems thinking challenges assumptions and paves the road for 'what if' questions about possible future behaviors. Thus, re-work becomes ongoing design refinement. It improves speed-to-market with shorter 'ideation-through-design' phases, and the confidence to cycle back to make changes. Agile systems thinking

helps develop insurance products and services with the following advantages:

- It stays centered on the customer
- Helps re-evaluate strategies for a changing marketplace
- Strategically prioritizes for regulatory changes
- Takes digital transformation to the next level
- Makes cyber security a top strategic priority
- Effectively closes the talent gap



Creating Stakeholder Confidence

With its holistic approach to products and services, agile systems thinking weaves all the stakeholders and their environments into the system. It lends the confidence to think and act in new ways to do the right thing by customers. For example, Metromile, an insurtech company, places sensors (called the Metronome) in customers' cars to track their driving habits and charge insurance premiums tailored to the number of miles a customer drives.

With suppliers, agile systems thinking leads to collaboration of ideas, information and support for a customer-focused experience throughout the purchase and claims journeys. Such collaboration leads to growth opportunities across

geographies through:

- Speedy responses and decision-making
- Clear insights to compete at the right points in the value chain
- Enhanced customer profiling and improved customer experience
- Automation of routine underwriting

The approach of global insurer ClimateWise on climate change is an example of systems thinking. The company has gone beyond merely factoring climate change into risk predictions and mitigation of risk exposure. Working with partners, ClimateWise drives to reduce climate change risks, understanding well that climate change impacts insurance payouts in the long run.

The rise of the shared economy has resulted in an emerging cultural shift to collective group ownership. Friendsurance in Germany has been quick to address this with its business model of group-based insurance, where friends and family share a risk pool for cars and other types of insurance.

Within the organization, systems thinking cascades down the hierarchical ladder. Leaders eliminate barriers and improve systems that limit high performance. Managers solve problems through analysis and corrective actions. And teams collaborate to enable speedier delivery, higher quality and productivity.



Future of Possibilities

With strong growth rates, emerging markets are gaining more weight in the international insurance industry. Increasing interest rates and demographic shifts could revitalize the life insurance segment in industrialized countries as well. Systems thinking enables companies to rethink concepts of mobility, risks and asset ownership as applicable to a digital environment and changing demographics.

While idealism and innovation are easier to implement in startups and smaller organizations, larger organizations should balance them

with a healthy dose of practicality. Decision-making in an unfamiliar and rapidly changing environment calls for agility that optimizes and solves problems in a lasting manner without creating additional and related problems. Systems thinking enables larger organizations to bring in continuous innovation without many hurdles.

It is a future of opportunity and promise for insurers. Possibilities abound to engage closer with customers and become a more valued and intrinsic part of their lives. However, companies will have to address the challenge of

capitalizing on opportunities in a more open and potentially less loyal marketplace. The good news is that they will have more data for insights to create smarter solutions covering a broader range of needs.

In designing a future-proofed business strategy, the question is not about how much change is required, but how quickly businesses respond to continual changes. It's obvious that organizations that leverage agile systems thinking to design faster, holistic and more responsive products and services will emerge as clear winners.

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