IT'S TIME TO DELIVER REAL VALUE TO THE CUSTOMER

Paul Ring of Websure uncovers the drawbacks of failing to embrace change in an ever-evolving industry and how to adapt your business strategy so that you're no longer playing catch-up

An unintended consequence of the insurance industry's stricter regulatory environment is the growing pressure on captive managers to raise service levels. Increasing regulatory demands have made clients realise that in practice they are not receiving an adequate level of service. Archaic business practices and inefficient processes are holding the sector back and impeding the delivery of responsive, accurate management information (MI). The time has come to innovate or die.

Change has arrived

During 2015, we worked closely with a business partner who decided it was time to evolve its offering. There were commercial pressures forcing change, but also an internal aspiration to upgrade. Although it was committed to producing clear, accurate management information, in practice meeting this commitment was labour intensive, involved complex processes and was open to human errors and inaccuracies.

Faced with a more challenging regulatory environment, clients were starting to demand a more efficient approach that could deliver clearer reporting, better MI and improve customer service. The industry must be prepared to step up and deliver the promised exemplary levels of service.

The bold step was taken to implement a new technology platform. The system supports the full business life cycle; from complex underwriting through to claims management, bordereaux and MI. The outcome has been a smoother work flow and substantial processing efficiencies. From a single database, our partner can now manage its complex portfolio.

Paul Ring

Paul Ring joined Websure as implementation and operations director in 2006 before progressing to managing director in 2008. He has 25+ years' insurance and IT technology sector experience and has managed and delivered technology-enabled business solutions for a number of the leading insurance companies across the captive, Lloyd's and global reinsurance markets.

This forthright decision allowed our partner to go beyond client concerns and deliver a new standard in customer service. Their clients can now receive more effective risk assessment decisions, better solvency modelling and timely reporting. The portal-based access to the platform can give multi-national clients visibility on their entire business operation no matter the global location.

For our business partner, the new platform has enabled them to secure new business in emerging markets. The ability to demonstrate the levels of service they can deliver in practice is a powerful tool.

Are you a leader or a follower?

In the coming months, this pattern of behaviour is likely to be repeated across the industry. Of course, for some the adoption of more efficient working practices will be proactive and driven by general commercial pressures. Others may be forced to act in response to the potential loss of specific business. The visionary businesses that lead the way are likely to set the pace and standard for the rest of the industry. The question for captive managers is whether to be at the forefront of change, or a tardy follower.

Historically, rising transaction volumes have been the primary driver for captive managers to adopt technology. Compliance has now superseded that pressure. Light captive regulation is gradually being replaced by Solvency II, or Solvency II equivalence.

This change in regulation is driving a change in corporate governance culture. Captives are under pressure to deliver more accurate information in a timely manner. It is no longer good enough for multinationals to simply rely on reinsurers to provide information about their aggregate exposures in the event of a major loss. This information needs to be more easily accessible and more effortlessly interrogated. In addition, the complex demands of their business - multi-currency, multi-tax, multi-operation, and true multi-language capabilities – have to be met. Captives and their parent companies are demanding more efficient business processes, greater control and lower operational costs.

Broadly speaking, captive managers provide similar services, so differentiation is important to stand out from the crowd. Technology is not just an enabler, it is a powerful differentiator.

An end to the balancing act?

It is astonishing that in today's trading environment many captive management firms continue to manage their businesses on spreadsheets, general ledgers and by manual processes. They have been reluctant to embrace new technology and it could be argued that they restrict customer service excellence. Ultimately, this limits the value that can be delivered to the captive parent.

This situation is beginning to change as managers start to grasp the benefits that technology can offer. Efficiency and accuracy are two of the most important. Automated processes deliver operational efficiencies with less scope for human error because of the checks and balances built into the system, and the reduction in manual intervention and rekeying of data. Not only is important data easier to access, there is greater confidence in its accuracy. These operational improvements bring with them savings.

The cost of reporting to regulators and clients falls. Replacing multiple spreadsheets with a central repository of structured and validated data reduces the compliance burden and makes reporting to stakeholders an easier task. Indeed it is possible to extend access to this data directly to clients via online portals.

There are knock-on effects of a simpler process in terms of underwriting and risk management. By having a more accurate and timely picture of an aggregated position, underwriters can make clearer choices about the rating factors to be applied and the amount of facultative cover needed. Claims become easier to handle because the terms of cover are readily available, while reinsurance and recoveries are calculated more easily and with greater confidence in the accuracy of the data.

A look to the future

Overall, the business becomes capable of handling greater volumes with the same, or sometimes, fewer resources. This results in improved business margins. Most important of all is the fact that clients can receive the level of service and attention to their business they require.

The adoption of technology and the raising of client service standards will provide the industry with a platform for continued growth. Captives are no longer simply wealth transfer mechanisms. They are starting to take on risk. Parent companies are looking to reduce their reliance on reinsurers and brokers and there is a desire for more internal control.

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For captive managers this means being able to adapt to different captive structures such as ILS or PCCs, and to emerging jurisdictions and territories. The ability to manage complex claims effectively will become important. Looking ahead at the 'internet of things', managers who can work with clients to gather data from across the business that will feed into the underwriting and risk management process will become leaders in their field.

In its 2016 US property-casualty insurance outlook report, EY identified and ranked the six major external factors that would impact the insurance industry during the year. The degree of impact was rated from the highest – rated 10 – to the lowest – rated 0. Technology was first on the list and was rated at 10. The report said: "Digital technologies are 'redefining the insurance market' and will affect most business areas and pricing models."

Technology is no longer a subject that captive managers can ignore. In order to survive, the very least that managers need is a system that automates processes. For those looking to thrive, a system with the flexibility to accommodate underwriting and capital innovations, new territories and new governance environments will be essential.

Aon's 2015 Global Risk Management Survey showed an increase in captive owners in the Asia Pacific region, increasing from 17% in 2013 to 23% in 2015. Globally, the same trend was seen.

There are huge opportunities for those captive managers who can innovate and embrace technology to deliver not only a service their clients are now demanding, but to go beyond and deliver benefits that will help their clients prosper, and new business to be won.