



"WE REALISE THAT MANAGING INNOVATION IS A KEY SUCCESS DRIVER FOR ADVANCEMENT IN TODAY'S DYNAMIC GLOBALLY LINKED ECONOMY."

CASE STUDIES

CASE STUDY: REI-INNOVATIVE NEW BUSINESS PROCESS FOR METROPOLITAN LIFE

In August 2003 the management of Metropolitan, a large South African Insurance Company, identified a need and an opportunity to improve their business. The opportunity was focused on the New Business process and department. This department is responsible for capturing the client and policy details of new clients as well as policy underwriting.

The company's management and outside stakeholders had identified the New Business processes and systems as being overly complex and too expensive for the lower to middle income business. Traditionally this type of business has high lapse rates and low recurring premiums. At the time, an analyst at Investec, a major South African bank, had the following opinion about Metropolitan, "New Business profitability remains a major concern: as the value added by the massive New Business infrastructure remains negligible." In October 2003 Metropolitan's Retail CEO launched a project, known as the Retail Enhancement Initiative (REI), to address efficiency and effectiveness of New Business processes. Indutech, with its associated international collaborators, was contracted to facilitate the REI project. Indutech used its Enterprise-wide Innovation Management Methodology and software environment (EDEN™) to substantially improve the New Business processes.

PROJECT OBJECTIVES

The main objective of the REI Project was to reduce the complexity and cost of the New Business process thus making the process simpler and more user-friendly for the insurance sales staff (intermediaries) and clients.

The project objectives were:

- Reduce the overall cost of the New Business process
- Reduce the time to issue a policy
- Reduce the administrative burden on the intermediaries and clients
- Improve the accessibility of Life Insurance for the lower end of the market

PROJECT LIFE CYCLE

After an initial pilot project and concept approval in February 2004, simulation models and real life prototypes led to the REI project receiving Board approval in May 2004. More than 80 persons were involved in eight concurrent design and implementation teams and the project was fast tracked so that the full implementation will be completed in December 2006. Due to the prototype approach, introduced by Indutech, the new process was already being used to capture clients' business as early as July 2004. The high-level aim of the project was to develop an innovative New Business process.

THE OLD PROCESS

The old process was based on a traditional paper driven insurance model where the intermediary and the client filled in a paper application form. This form was then captured and checked for quality at a regional office before being couriered to Head Office. The application would be checked again at Head Office and would often be sent back to the regions in order to correct errors or add missing information. Manual underwriting of the policy would take place at Head Office and be based on the medical information on the application form. The old process was time consuming due to the errors in data collection and capturing and expensive due to the number of quality checks required and the large amount of paper which had to be couriered. The levels of legal compliance were also very low.

THE NEW PROCESS

In the new process, which was developed and implemented through the REI project, the intermediary performs the same sales process as before. However, instead of filling in a paper application form, the intermediary phones a dedicated call centre, which captures the client and policy information directly into the Head Office system. The client confirms the information over the phone and this confirmation is used as the client's voice signature. The intermediary is still obligated to fax in any other outstanding documents, but once this is done the policy can be issued.

TELE-UNDERWRITING

The new process also introduced the concept of tele-underwriting to Metropolitan. Medical information is captured directly from the client over the phone and well over 50% of cases are rated automatically and an offer given without human intervention.

BENEFITS

The new process promises to:

- Drastically reduce the time to issue policies
- Reduce the administration burden on the intermediary
- Cut down on courier costs
- Increase the efficiency of client and policy data collection
- Reduce the number of quality checks
- Reduce the administration costs in the regions
- Improve the speed and cost of underwriting
- Reduce the number of policies "Not taken Up" (NTU)
- Increase compliance control

INDUTECH'S APPROACH

Managing innovation in an integrated and enterprise-wide way is the core value offering of Indutech. Indutech supports clients in developing and implementing innovative solutions from which our clients gain a competitive advantage. Indutech's "Innovation Management Methodology" was used throughout the REI project.

DETAILED CRITICAL ANALYSIS

The project was initiated with a detailed critical analysis of the New Business processes and systems. This analysis included financial and process modeling as well as process simulation activities. From this analysis a detailed problem definition was obtained.

RESEARCH AND REFINEMENT

Following a period of intense research, which included interaction with our international collaborators and cross-industry investigations, three possible innovation scenarios were compiled. Business cases for each were developed and presented to the Board which then selected an innovation scenario for implementation. To guide the development and detailed design of this scenario, Indutech assisted Metropolitan in developing a set of governance principles.

DETAILED DESIGN

Several detailed design teams were compiled, each with their respective team mandate and design objectives. At the height of the project over 70 internal and 15 external people were working on the detailed design.

IMPLEMENTATION

The implementation followed the detailed design. This involved training 4200 intermediaries to use the new process. Indutech's main contributions to the REI project were:

- Supplying the innovation methodology

- Conducting critical analysis and identifying main problems
- Researching possible solutions
- Developing innovation scenarios and business cases
- Providing additional capacity through their Business Engineers
- Conducting overall programme management
- Managing project knowledge with the use of Innovation Roadmaps and the EDEN™ software environment
- Constructing prototypes to test new concepts

The Indutech team also worked in close collaboration with Metropolitan personnel on the following activities:

- Developing innovation governance principles and team mandates
- Detailed design of process and call centre
- Evaluating alternatives for implementation
- Developing performance measures
- Measuring performance and performed optimisation activities
- Ensuring adherence to initial innovation scenario

RESULTS

From an innovation perspective the project has been a success. Peter Maynard of the UK based insurance consultancy, SelectX, wrote the following:

“Indutech and Metropolitan have done what very few other financial services companies anywhere in the world could have done: carried out such a thorough overhaul of a part of its business that it amounts to a reinvention.”

The project champion has also stated that, compared to their conventional project management approach, Indutech’s approach sped up the development of the solution by approximately 40%. An important lesson learnt was that the amount of change management activities required, at all levels, should never be underestimated.

From a business perspective the project is delivering. The following has been written regarding the REI project:

- Metropolitan Today Newsletter (October 2007): An extract of the cover story in Metropolitan Life’s internal newsletter explaining the benefits Metropolitan has gained from the Retail Enhancement Initiative (REI) project

“The Retail Enhancement Initiative (REI) – a new distribution and administration system introduced two years ago to enhance efficiencies and reduce costs - helped boost consumer sales nine percent in the first half of the financial year to R265 million”

- Metropolitan Annual Report 2007: An extract from Metropolitan Life’s Annual Report highlighting further benefits of the REI project.
“Thanks to the retail enhancement initiative (REI), which has involved, amongst other things, the installation of an innovative system for issuing new policies, issue costs have been reduced by an inflation-adjusted 23% while turnaround times for both risk and savings products have been substantially reduced, from an average of 20 to 3 days and 7 to 2 days respectively. After significant initial resistance from intermediaries, the vast majority now concur that REI has simplified their business considerably. The need for medical evidence is decreasing thanks to the automated tele-underwriting system that is an integral part of REI. Compliance and conservation statistics are also continuing to improve.”

