EXCERPT FROM THE WORLD INSURANCE REPORT 2009 CASE STUDIES

WORLD INSURANCE REPORT 2009

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Leading Insurers

are Focusing on the Key Enablers of Multi-Distribution

CHAPTER 4

HIGHLIGHTS

- Leading insurers have acted swiftly and deliberately to build the multi-distribution capabilities they need to excel, and to become agile and flexible enough to meet emerging challenges and capture new opportunities.
- Insurers are also tackling two associated enablers of successful strategic execution: customer ownership, and leadership and organizational design. Notably, these two enablers can really propel the multi-distribution strategy if effective, but can also present significant challenges, and undermine strategy if ignored.
- Case studies show how leading insurance providers are investing in key capabilities in a bid to develop a high-performing multi-distribution business.

Figure 4.1 Case Studies—Summary

	Maturity Stage	Summary
ITGI	Multi-Network Capabilities	Formed in 2000, ITGI is a joint venture between a Japanese insurer and a leading Indian fertilizer manufacturer. The case study underlines the importance of a multi-network strategy to secure market access and growth in the diverse Indian insurance market.
ING	Multi-Access-Point Capabilities	ingauto.be was launched with a vision to be a fully integrated multi-channel motor insurer. ING recognized demand from customers for a new approach to insurance and responded with a multi-channel proposition that has enabled it to reposition itself in the Belgian market.
KBC	Mutualization of Functions	Three Belgian financial institutions merged their banking and insurance operations to form KBC to drive a more integrated bank-insurer multi-distribution model. KBC operates under a single management structure with reorganized and shared operational functions. Building on what was a highly innovative business model, KBC was able to realize synergies between the bank and insurance networks.
Genertel (Part of the Generali Group)	Centralized Intelligence	The Genertel case study provides a leading practice example of how centralized intelligence has been used to successfully align the insurers multi-network strategy, more effectively meet its customers needs, and compete on both price and service quality.
If	Network Cooperation	A key success factor in If's multi-distribution strategy is the way the insurer has used the complementary strengths of each network to support its overall distribution objectives. Each network has a clearly defined role during the customer life cycle. The relationship with the customer moves between networks over time and the value proposition is tailored to each customer segment.

MULTI-NETWORK APPROACH IS ESSENTIAL TO SECURE CUSTOMER ACCESS

As noted in Chapter 3, insurers—especially multi-product carriers—understand the importance of a multi-network presence, and have invested in those capabilities to secure wider access to markets that are becoming increasingly diverse and fragmented. In particular, insurers must now cater to customers who are rarely loyal to a single type of network, because as networks are proliferating, customers are increasingly willing to switch to secure greater choice, convenience, and benefits[10].

As a result, multi-product insurers that are targeting a greater share of customer wallet may need to rethink their network strategy, especially if they rely on a single network type. The ITGI case study shows how ITGI pursued a multi-network strategy in the Indian insurance market.

[10] Capgemini World Insurance Report 2008.

CASE STUDY

IFFCO TOKIO General Insurance: Emerging Market Multi-distributor Combines Traditional and Non-Traditional Networks

The Indian insurance market was opened up to foreign and private competition in 1999, following the introduction of the Insurance Regulatory and Development Authority (IRDA) Act 1999. IFFCO TOKIO General Insurance Company (ITGI) was formed in 2000 as a joint venture between Indian Farmers Fertilizer Co-Operative Ltd (IFFCO) and TOKIO Marine Asia Pvt. Ltd.

IFFCO is owned by more than 40,000 cooperative societies and is a leading fertilizer manufacturer in India. It has done pioneering work in the rural countryside to improve the conditions of communities across India, and the objective of the insurance venture was no different. The JV aimed to reach out to customers who have traditionally lacked adequate access to insurance coverage. The IFFCO brand name was also critical to the success of the venture. As well as being a leading fertilizer conglomerate, IFFCO had established a reputation of trust and confidence for its socially responsible approach.

ITGI adopted a multi-distribution strategy consisting of tied agents, brokers, bank branches, alternative networks and a distribution company of its own—IFFCO-TOKIO Insurance Services (ITIS). In the Indian market, a multi-distribution approach combined with a national presence is essential to penetrate the wider market. While the tied agents, brokers, bank branches and alternative networks focus predominantly on the urban market, ITIS' main focus is small- and medium-sized towns of up to 100,000 people.

ITIS developed two distinct distribution models to gain access to this market. One is the 'Lateral Spread Model' through which the company targets small- and medium-sized towns. Since the entire operation is ITIS-managed, it is a low-cost model. For instance, salaries are nominal while performance is highly incentivized. The other model is a cooperative approach known as 'Bima Kendras', and locates one or two trained local officers at IFFCO service centers where farmers buy fertilizer—a strategy that keeps infrastructure and set-up costs to a minimum. Notably, both models are also interrelated, with the Bima Kendras reporting to the Lateral Spread centers.

ITIS has faced a number of challenges, including the widely dispersed rural population, limited infrastructure for the distribution of insurance products, high start-up costs, a shortage of skilled professionals, and relatively low levels of insurance awareness among the population.

ITIS has also been particularly innovative in meeting the needs of the rural market by launching a personal accident product for farmers who are automatically covered when they purchase IFFCO fertilizer through the Cooperative Society. The sales receipt has been modified to act as the proof of coverage to simplify the insurance-sales process and minimize costs. As well as providing essential coverage for farmers and their families, the product is also helping raise insurance awareness in rural communities.

ITGI's multi-network approach and its use of innovative networks to target different segments of the market have enabled the company to develop a leading position in the Indian insurance market. Its innovative approach to distribution has also helped to deliver year-on-year profitable growth. Premiums grew from 2,133 million Rupees (€33 million) in 2002-03 to 12,350 million Rupees (€190 million) in 2007-08.

OPPORTUNITY STILL EXISTS TO LEVERAGE MULTI-ACCESS-POINT INTEGRATION

Insurers have developed a variety of new access points over time. However, they have typically responded in a fairly ad hoc manner—reacting specifically to customer demands for greater access and convenience, the emergence of new technologies, or initiatives by competitors. There is still potential for many to integrate new and existing access points more fully to realize even greater benefits from channel integration.

The opportunities in access-point integration are considerable. Integration provides customers with a greater level of flexibility, convenience, and choice, and enables them to switch between access points across the product life cycle. It also allows insurers to manage distribution in a more cost-effective way, and optimize customer profitability. For example, one Italian insurer we interviewed has successfully integrated its point-of-sale branch, Internet and call-center access points to enable customers to perform any activity on any channel.

Insurers are also being pressed to incorporate into their distribution models the kinds of new technologies now appearing in many other market sectors. For example, emerging technologies like Web 2.0, mash-ups[11] and real-time business intelligence could help insurers to respond more effectively to growing customer demand for mobility, convenience and personalization. For instance, one leading global insurer we interviewed is leveraging a new generation of browser-based user interfaces in its multi-distribution strategy. These tools, so far more prevalent in other sectors, could help bring insurers and distributors closer to their customers.

Overall, our analysis shows that while insurers have been actively adding access-points, many may still need to make sure that access-point integration and the services provided to customers are aligned with the overall multi-distribution strategy.

[11] A "mash-up" is a web application that combines data from more than one source into a single integrated tool.

CASE STUDY

ING Belgium: An Integrated Multi-Channel Approach to Insurance

Launched at the end of 2007, ingauto.be was seen as a catalyst by ING to re-position itself in the Belgian insurance market, replicating parts of the successful model established by ING Direct in the banking sector. The aim was to launch a fully integrated multi-network motor insurer and firmly position ING as a leading player in that segment of the Belgian market.

ING believed that it needed to differentiate itself from other insurers if it was to achieve its target of attracting 250,000 new customers within 5 years. Market research indicated that customers had specific requirements. In particular, customers wanted to be able to choose which channel to use at all times and not be forced to choose one channel over another. They wanted access to a personal contact for support during the purchase process, even if they had started the quotation process online, and they wanted a simple and easy-to-use website. ING also recognized that car insurance is a low-involvement product, so customers are highly price-sensitive, and expect a low price if switching providers.

ING Belgium also understood the need for a low-cost business model, which provided straight-through processing across all networks and maximized online underwriting decisions, with minimal need for back-office intervention. A new distribution platform was developed, which provided full transactional capabilities for HomeBank, ING's bank branch channel, the Internet and call center operations.

The platform was designed to provide functionality that enables the customer to obtain a quotation online, call the customer contact center with queries using their reference number, and then complete the transaction in the branch network if preferred. This flexibility immediately proved popular with customers and enabled ING to use its bank branches effectively to convert a higher proportion of enquiries into sales than it was achieving through the Internet. The multi-channel capability has also proved highly effective in cross-selling other ING insurance and banking products not yet offered through ingauto.be.

ING was able to meet its customers' price expectations by using an innovative pricing model, which was new to the Belgian market, but was based on a model developed by ING in Canada and the Netherlands. It uses different rating processes and underwriting parameters to calculate customer premiums, enabling ingauto.be to provide a more competitive price to low-risk customers.

Ingauto.be was launched with a high-profile marketing campaign that aimed to raise awareness immediately and create a new position for ING Insurance in the minds of customers in the Belgian market. Since its launch, ingauto.be's growth has exceeded expectations, attracting nearly 65,000 new car insurance customers.

The concept is a prime example of the use of synergies, actively promoted globally by ING. As a result of ingauto.be's success, the strategy has since been largely replicated at ING Postbank in The Netherlands.

IT MUTUALIZATION IS A CRITICAL ENABLER, BUT IS THE TOUGHEST TO REALIZE

"Mutualization" standardizes and shares across networks operational functions such as marketing, IT and commercial management, which previously existed in multiple but independent forms across the organization. Mutualization thus eliminates duplication and creates efficiencies to drive business performance and enable innovation.

As we noted in Chapter 3, many insurers have supplemented their networks and channels through acquisitions, evolving e.g., from a mono-network distribution model with a pure intermediary focus to a multi-network distribution model targeting both intermediaries and direct distribution. Not surprisingly, then, the propagation of new physical and non-physical networks, often with separate systems and processes, has created significant integration opportunities and challenges for insurers.

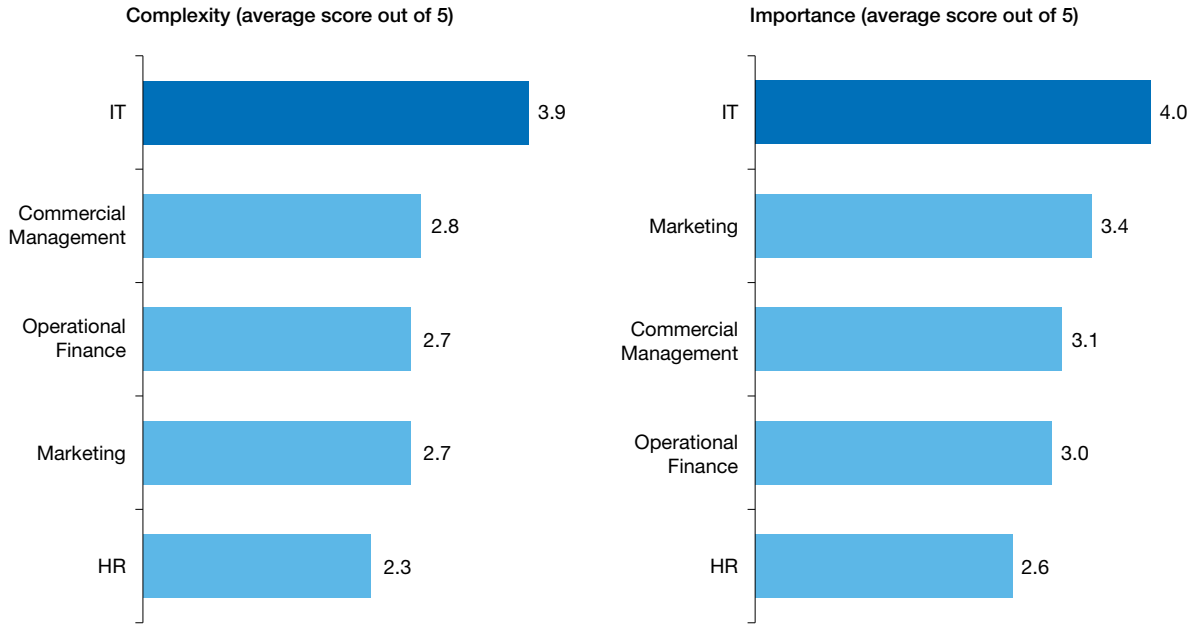
In particular, our research shows, mutualization of IT holds enormous promise for multi-distributors—especially those that have grown through multiple mergers and acquisitions—but it is also the most complex distribution-related function to mutualize (see Figure 4.2).

One leading Swiss insurer told us its multi-distribution strategy was delayed significantly by problems it encountered when trying to migrate its life insurance business onto a single distribution platform from multiple legacy policy administration systems. This example illustrates a common challenge for insurers: how to grapple with the limitations of legacy IT distribution systems and inflexible business processes, while trying to meet the increasing demands placed on them. Furthermore, it reinforces the need for an open architecture and agile IT system to support a multi-distribution model.

Many insurers also pursue IT mutualization as a discrete strategy in the on-going pursuit of a more integrated and industrialized business. For example, one leading Norwegian insurer we interviewed was faced with multiple systems across its distribution networks (e.g., tied agent, brokers, direct network), so implemented a major transformation program to move all policies to a single platform. Other support functions, such as marketing, finance and HR were also centralized to shift the organization from a federated business model to a divisional one.

Notably, our research shows that implementing a multi-distribution strategy does not necessarily mean replacing separate systems with a single distribution system that is adopted by all networks and support functions. The ultimate goal is to generate a seamless flow of information between the insurer and its distribution networks, but there is more than one way to integrate an organization's many separate systems.

Figure 4.2 Insurers See IT as the Most Important Aspect of Mutualization for Furthering Multi-distribution, but Concede it is also the Most Complex



Note: Scale 1 = low and 5 = High
Source: Capgemini analysis, 2009

CASE STUDY

KBC Bank & Verzekering: Mutualization of Internal Functions Delivers Organizational Alignment and Creates a Platform for Growth

In 1998, three major Belgian financial institutions merged their banking and insurance operations to form KBC Group. The new company had a legacy as a strong player in the Belgian small- and medium-sized corporate banking and private insurance market. The main aim of the merger was to increase the group's overall revenues and market share, and lower its cost base by utilizing the complementary strengths of the bank and insurer to propel KBC Group's multi-distribution strategy.

The merger allowed KBC to act as a single company, with the merged bank and insurance operations operating under unified governance—with reorganized and shared ("mutualized") operational functions, including finance, marketing and HR, supporting the distribution function. KBC also focused on aligning internal communications and training to help foster a common culture.

Mutualizing the IT function was an essential pillar of the bank-insurance integration. KBC conducted a comprehensive and structured post-merger due diligence process for IT, aiming to leverage collaboration between the bank and insurance teams to choose IT investments that could be shared on one common IT platform.

This collaborative approach led, for example, to the joint decision to create a unified customer database—a tool that was seen as a key success factor for the project. Furthermore, in instances where one or the other team's IT system or software was not mutually acceptable or optimal, the teams made joint decisions about which systems and software to adopt.

Bancassurance has been, and continues to be, the focus of KBC's distribution strategy, since KBC considers the collaboration between banking and agent network to be vital to the Group's long-term success.

By creating a strong vision and ensuring clear top-down management communication, KBC Group has integrated its IT systems and organization to deliver what it considers to be competitive advantage on multi-distribution. This advantage is evidenced by products and marketing strategies that are dynamic and flexible, and result in better, faster servicing of customers, and a more consistent customer experience due to the sharing of data among networks.

As a result, KBC has been able to sustain its market share and rankings in saturated markets, and cost efficiencies have been captured from all regions. KBC has also rolled this approach out successfully to other regions, such as Poland, where it has been able to retain its brand power, and increase the rate of customer acquisition.

CENTRALIZED INTELLIGENCE CAN UNLOCK THE POTENTIAL OF MULTI-NETWORK DISTRIBUTION

Insurers that have implemented high-performing multi-distribution models are more likely to score well on centralized intelligence. These insurers understand the importance of harnessing their information assets from across the organization to enhance customer understanding and develop effective segmentation approaches, tailor product and pricing strategies, and align distribution networks.

As insurers seek to shift their focus from cost efficiency to innovation and business optimization, we see clear evidence that many look to exploit their information assets. However, the low scores for centralized intelligence overall suggest many insurers can still execute on this count more fully and effectively.

In a recent Capgemini survey[12], more than 80% of senior executives acknowledged that information exploitation was a critical driver of business performance and was seen as an organizational priority. Our research shows leading insurers are addressing three key areas to develop effective centralized intelligence strategies:

- Performance Management—developing the frameworks and tools needed to define, establish, cascade, monitor and refine key performance measures.
- Information Sharing—aggregating and sharing information across the organization, including distributors, to support business goals.
- Single View—establishing processes to create a single view of information from across the organization related to a specific entity (e.g., customer, product or network).

However, our research also identified common barriers to centralized intelligence, including information systems, information quality, policies and procedures, and organizational culture. Quite often, the networks themselves are reluctant to share information. This makes it essential for insurers to demonstrate the value of information-sharing to distributors, which typically enjoy the greatest proximity and intimacy with customers.

Our research also shows insurers that achieve high scores for centralized intelligence do so because they are taking a more assertive approach to developing and applying those capabilities. For example, these insurers are using sophisticated customer segmentation strategies, based on behavioral profiling in some cases, to differentiate their distribution networks to target distinct segments and needs[13].

Also, leading insurers are increasingly looking to increase the cost efficiency of their networks and optimize customer profitability by positioning and equipping networks to fulfill different activities across the customer life cycle. For instance, physical networks are being used to service more complex products and customer requirements, while non-physical networks cater to those who prefer self-service.

Importantly, sophisticated customer intelligence capabilities can also enable insurers to determine the right access-point mix for their customer base. For example, one European insurer we interviewed uses shared information on sales costs per network to position tied-agent, broker and Internet networks to serve different customer segments.

Similarly, one European non-life insurer we spoke with differentiates the level of service available to its customers based on their lifetime value, as part of a broader strategy to increase customer share-of-wallet. It developed a new service center to cater to lower-value customers, freeing up tied agents to increase their frequency of contact with higher-value customers. This initiative reduced the average number of high-value clients served by one agent from 1,400 to 450.

Overall, the low scores achieved on centralized intelligence offer a clear indication that most insurers still have room to exploit the value of their customer information more fully to improve business performance, and potentially generate competitive advantage.

[12] The Information Opportunity Report (Capgemini, 2008).

[13] The World Insurance Report 2008 identified four distinct customer segments: *Traditionalists, Opportunists, Indifferent and Average Users*, and discusses how each segment has different purchasing behaviors and preferences in terms of network usage.

CASE STUDY

Genertel (Generali Group): Multi-Network Strategy, Driven by Customer Intelligence

Genertel is a leading direct insurer in the Italian market. Launched in 1994, Genertel was the first Italian insurer to operate directly through a call center, initially offering only motor insurance; it quickly developed a reputation for customer loyalty and innovation.

With the emergence of new competitors and new distribution networks, Genertel has evolved from a mono-channel insurer offering only motor insurance, into a multi-network, multi-product insurer, offering both life and non-life products. At the center of this strategy has been the ongoing drive to innovate in order to meet the changing expectations of its customers.

This focus has enabled Genertel to grow at almost double the rate of other Italian insurance providers. The alignment of its operating model and focus on operational efficiency has delivered a combined operating ratio that is almost 10% lower than traditional providers.

At the core of Genertel's multi-distribution strategy has been its use of customer intelligence to transform and align its business model to meet the needs of its customers continually. Genertel recognized that its customers were demanding greater product choice and higher levels of service and wanted greater choice of interaction points with their insurance provider. Genertel responded by expanding its offering from motor insurance into new product categories, first non-life and now life products through a multi-network distribution model.

Genertel's approach is underpinned by its multi-distribution platform, which supports its three main distribution networks: call center, Internet, bank branches, as well as emerging networks such as supermarkets and other alternative networks. Customer information is stored centrally and can be accessed in real time across networks. This standardized approach supports effective network cooperation, allowing customers to move among channels—call center, Internet and branch network—at any time and at any stage of the product life cycle.

A flexible rules-driven customer intelligence database ensures that new customers are offered the right product across each distribution network according to Genertel's customer-segmentation strategy. This centralized approach ensures that customer intelligence is maintained at the heart of the organization and is accessible to each distribution network. This information is also used across the organization to align product development and pricing with Genertel's customer-segmentation strategy.

Meeting Customer Needs through a Differentiated Approach to Service

Genertel's integrated model has provided the flexibility the insurer needs to position its networks to meet the different needs of its customers. The Internet is positioned as a self-service tool, offering a wide range of functionality across the product life cycle; while the bancassurance network and call center are positioned to support more complex service requests. This approach was seen as critical by Genertel in balancing efficiency and effectiveness in meeting customer service expectations.

Key to Genertel's integrated distribution model and service delivery has been its emphasis on efficient and standardized processes in the front and back office. Significantly, this has enabled Genertel to compete on both price and service quality. Genertel's multi-network model, combined with the application of customer intelligence throughout the organization and a focus on service excellence and process efficiency has enabled Genertel to grow faster than the market and its competitors, and achieve higher levels of customer satisfaction and loyalty.

ADDRESSING CUSTOMER OWNERSHIP ACROSS DISTRIBUTION NETWORKS IS A PRIORITY

Nearly 50% of insurers we interviewed identified customer ownership as the main obstacle to effective cooperation among networks. Insurers that have established cross-network cooperation have done so in part by successfully addressing the issue of customer ownership within their organization. Issues of customer ownership are especially likely to become a management priority for the many insurers that have developed from a series of relatively independent distribution networks (with separate objectives, target customers and product offerings) into distribution models designed to facilitate greater cooperation.

Certainly, we found distributor resistance to multi-distribution is fueled by fears of financial loss and concerns relating to the ownership status between the network and customer will change. Those insurers that have managed to establish cross-network cooperation have done so in part because they have established clear principles, often aligned with incentive strategies that ensure transparency and clarity across each network.

Our research revealed insurers are employing a range of incentive and remuneration strategies to facilitate network cooperation—sometimes reinforced with penalties for failing to comply. For instance, one Norwegian insurer we interviewed has achieved strong cross-network cooperation in part by penalizing networks that fail to cooperate appropriately. The penalties include lost access to existing clients and portfolios and to new-client opportunities. The insurer maintains that a tied agent must earn the right to keep a customer portfolio, and will lose that right if he fails to deliver on his network obligations.

Still, positive incentives are a more common approach to encouraging network cooperation. Insurers are using many tools, including rewarding performance based on key indicators, setting commission structures based on customer types, and offering one-time fixed payments and non-monetary rewards. These approaches can be used on an ad hoc basis, or aligned more thoroughly with the strategic objectives of the insurer.

One Polish life insurer we interviewed employed incentives to motivate agents who feared they would lose customer ownership and business under a multi-network model. The insurer offered a fixed payment to any agent that redirected customers who could be better served through the call center. In Italy, a bank-owned insurer we interviewed has taken a strategic approach by combining KPIs with short-term commissions as part of its strategy to ensure cross-network cooperation.

Ensuring clarity and consistency of customer ownership is a key enabler of effective network cooperation, so insurers will need to seek to align long-term objectives with suitable incentive structures, underpinned by clear operating principles. Our analysis shows those insurers that have adopted clear and well-communicated incentive structures score well on multi-distribution maturity, and demonstrate industry-leading cross-network cooperation capabilities.

In short, while tactical initiatives are beneficial in the short term, a more strategic approach, which is embedded into the organization's goals and ultimately its culture, will yield sustainable benefits for multi-network cooperation.

SEVERAL COOPERATION APPROACHES ARE EMERGING

To increase their customer wallet share, especially in markets where customers have high levels of equipment (typically buying multiple policies from multiple providers), insurers know they need to enable cross-network cooperation across the full range of insurance activities (informing, sales and service).

However, our research shows insurers cannot thrive by simply increasing the number of networks under their umbrella. Insurers also need to facilitate effective cooperation among networks so customers can be driven to a given network when buying a certain product or when seeking specialist advice.

Cross-network cooperation is clearly still in its very early stages (see Chapter 3), but enough insurers have made some progress for us to assess a few of the different cooperation approaches already being used.

CASE STUDY

If Insurance: A Cooperative Network Provides a Model for Growth

If P&C Insurance is a fully owned subsidiary of Sampo plc, and is a leading insurer in the Nordic and Baltic countries. It grew out of the insurance businesses of Norway's Storebrand and Sweden's Skandia in 1999. Sampo P&C's operations were integrated with those of If in early-2002. Following the merger, If's priority was to align key processes and share best practices across the distribution networks of its Nordic operations.

Having achieved this objective the focus was moved to developing a flexible distribution model that could adapt to local market conditions while retaining support functions such as product development and marketing at a Nordic level. When If moved into the new model it followed the same process in all markets supported by a matrix management and support structure to ensure successful skills transfer.

This approach has proved effective in establishing cooperation among the networks across the Nordic markets and in creating a culture that embraces re-using leading practices from across the organization. Cooperation among countries has been supported by the development of formal and informal forums, which include stakeholders from all levels across the organization.

If distributes insurance products through the contact center, franchise and local branch office center, multi-tied agents, Internet, tied agents, bank branches and alternative networks, such as motor retailers, and has positioned each network to target a different customer segment. A key success factor in If's multi-distribution strategy has been the way it has been able to use the complementary strengths of each distribution network to support its overall distribution objectives.

Each distribution network and channel has a clearly defined role during the customer life cycle. As the customer relationship develops over time, the responsibility for managing the relationship is moved between distribution networks and the customer proposition is tailored for each customer segment.

Central to the coordination and maximization of customer communication has been the development of a sophisticated contact-center model, which provides agents with the information and tools they need to develop and tailor solutions. Both technical solutions and culture-building have been central in creating an environment that rewards and encourages cooperation between distribution networks and channels.

If has been able to adopt leading multi-distribution practices, and align its organization to focus on network differentiation and network cooperation to develop innovative products and services for its customers. This enables If to maximize the value of each customer interaction.

If's move to a more integrated business model, with the centralization of support functions, a segmented approach to distribution and a greater focus on developing deeper customer relationships, has enabled the company to develop long-term customer relationships and deliver strong bottom-line performance.

In fact, our research reveals five distinct forms of cooperation currently being used by insurers (see Figure 4.3 for detail).

Most existing cases of cross-network cooperation take one of the first four forms—*Complementary, Collaborative, Gatekeeper or Trusted Advisor*—suggesting insurers are able to use relatively simple models to achieve their early multi-distribution goals. Whereas, the more informal nature of Entrepreneurial cooperation means that it is likely to exist without any direct involvement by the insurer.

The Complementary and Collaborative approaches strike the most effective balance between ease-of-implementation and value generation for the insurer and distributor, and offer the greatest potential for scalability. Furthermore, these approaches represent a more natural progression from existing network set-ups, and conflicts are potentially lower if key issues like customer ownership are clearly addressed.

The Gatekeeper and Trusted Advisor models are more situation-specific, and do not necessarily drive greater maturity in network cooperation as a whole.

Notably, our research suggests that insurers wishing to develop cross-network cooperation benefit by starting with simple and scalable cooperation approaches, combined with strong communication and incentive structures (also see Chapter 5). The right approach will depend on a range of factors, many of which will be specific to the insurer's market context. Importantly, insurers should not be afraid to test multiple approaches until they identify the optimum solution.

Figure 4.3 Network Cooperation Approaches

Type of Cooperation	Characteristics	Assessment
1. Complementary	▪ Typically direct physical networks, (e.g., call center or Internet) and physical networks, (e.g., tied agents) sharing sales opportunities and customer service activities, where one network is better equipped to service the customer. ▪ The process will often be implemented and managed through agreed principles or contracts among networks and other stakeholders.	↑ Scalable approach with which to demonstrate the upside for distributors that cooperate. ↑ Opportunities to increase share of customer wallet. ↓ Implementation of formal contracts can become complex and may prohibit effective cooperation. ↓ Customer ownership needs to be clear and transparent.
2. Collaborative	▪ Cooperation on selling activities between physical networks with a strong product specialization, for instance non-life tied agents and IFA networks.	↑ Provides clear synergies for bank-owned insurers to increase customer share of wallet. ↑ Product specialization removes potential for conflict. ↓ Traditional networks may be more resistant and need to be convinced of the value to their business.
3. Gatekeeper	▪ Where a tied agent functions as a "clearing house", directing customers to the most appropriate network. ▪ This approach is supported through the cooperation of other local networks.	↑ Customer ownership challenges can be addressed and mitigated through incentive structures. ↓ Cooperation is one-way and the potential for scalability is limited.
4. Trusted Advisor	▪ External networks that are empowered to work closely with customers on the "inform" stage, but pass customers to the most appropriate network.	↑ Network is able to develop strong customer intimacy and customer loyalty. ↓ Typically situation-specific and requires significant amount of time to establish customer relationships. ↓ Regulatory environment may not allow this approach.
5. Entrepreneurial	▪ Informal cooperation between networks, often brokers and multi-tied agents, who are looking to maximize revenue-generating opportunities. ▪ No incentive or remuneration provided by the insurer.	↑ Specific distributors already recognize the benefits of network cooperation. ↓ No consistent benefits to the insurer.

Source: Capgemini analysis, 2009

AN ALIGNED LEADERSHIP AND ORGANIZATION LIE AT THE HEART OF A MATURE MULTI-DISTRIBUTOR

Many of the insurers that score well on network cooperation have adapted their organizational models and leadership structures to execute their strategies more effectively. This ensures greater alignment with the overall distribution objectives, and helps to overcome internal barriers associated with network cooperation.

In our experience, the move to a multi-distribution model typically involves a change in the way organizations approach leadership. Many insurers choose to simplify the leadership structure, appointing a single individual who is responsible for all distribution networks. However, several executives told us multi-distribution had required a series of periodic restructurings, suggesting it can be a complicated process to define and set up the right structure. We also observed that many leading insurers pilot several organizational structures in order to progressively acquire experience as they move to the right model.

In fact, seeing as other functions, such as Product Development and Pricing, Strategic Marketing and Customer Service, also need to be adapted to a multi-distribution environment, it seems the organizational shift to multiple networks is unlikely to be minor, and can amount to a major transformation.

A Nordic insurer that we interviewed has taken several years to adapt its organizational structure slowly. A new management model was established to move the organization from a federated structure to a divisional model, with greater control at the center of the organization. This insurer asserted the move was essential to change the organizational culture and create a more integrated business.

Notably, other organizations told us that failing to adapt their organizational and/or leadership structures has been a major obstacle to developing a mature multi-distribution model. For instance, one mature European life insurer reported to us that its siloed distribution model produced behaviors that undermined cooperation.

Of insurers that told us the path to multi-distribution had not been entirely smooth, several cited a lack of senior-management involvement and buy-in as a factor. By contrast, some insurers were quick to recount the positive contribution of management. In one case, the Polish operation of one major global insurer told us management had been critical in minimizing conflicts between networks.

In short, our research shows successful multi-distributing insurers have leaders who understand which capabilities need to be developed, the levers to pull, and the correct time to do so, in order to create the right environment for developing and implementing an effective multi-distribution model.

CONCLUSION

Throughout this report, we have emphasized how insurers can respond effectively to the rapidly changing insurance market by adopting new thinking about distribution and developing new capabilities. Our research shows many leading insurers are already becoming more flexible and innovative and are positioning themselves to take advantage of market opportunities. Providers that fail to respond will increasingly be at a competitive disadvantage, putting their long-term future in doubt.

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