

Adapting Your Business to Deliver in a 'New Beginning' for Life & Pensions

Abstract

Charles Darwin said: "It is not the strongest of the species that survives, nor the most intelligent. It is the one that is the most adaptable to change." Although said in the 19th century, these words are quite relevant even today, especially for the financial services companies. While we cannot change what has happened, we can learn, evolve, and adapt to be best placed for a "new beginning" as we transition from the ongoing COVID crisis.

This white paper sets out five critical areas that the life insurance & pensions industry should consider if it wants to adapt to these changes and create a "normal" that is better than what we experienced in the pre-COVID era.

Introduction

This is not the first time that the life insurance & pensions industry has faced economic, financial and social disruptions that have upended market assumptions and forced a BFSI business model re-evaluation. However, the impact of COVID-19 is beyond what most companies have experienced before. While many executives hope to return to pre-crisis conditions and familiar modes of operation, they must stay prepared for what lies ahead.

The goal should be to take investments, experiences, and learning that come out of responding and adapting to challenges, and emerge more resilient, agile, and customer-focused. This not only requires strategic investments in digital platforms, which enables access to advanced analytics and systems, but also calls for a comprehensive reassessment of business models and customer propositions.

By addressing the five priority areas outlined below, the life & pensions (L&P) companies will be well-placed to leverage the robust digital tools and gain more insight into customer behavior and needs.

Challenges

COVID-19 and the associated risks/restrictions have driven changes in the behaviors of L&P customers – be it employers, businesses, advisers or end-users. Not only have the ways they operate changed but their economic environment has also evolved significantly. When an organization experiences this level of change and uncertainty, it is good to consider stress testing and review every aspect of the business to ensure it can operate most effectively.

Some key challenges that L&P companies face include:

- Obsolete business models that focus on products instead of customers.
- Archaic distribution models that are devoid of digital capabilities.
- Complex and outdated operating environments that hinder decision making.
- Proliferation of manual and paper-based processes that resist automation.
- Difficulty in adapting to or withstanding market shifts and downturns.

- Inability to convey trust, dependability, and purpose to stakeholders.
- Inflexible workplace and employee propositions.

Recommendations

We recommend the L&P companies take advantage of this transition to assess five key focus areas – all of which demand strong digital capabilities as well as in-depth customer insight and the ability to act quickly on them. These should be the priorities for companies that seek to be better positioned to compete and win in a still-uncertain future.

Focus Area 1:

Review Your Business Model

The core element of any enterprise is the business model. Typically, this includes identifying who it will interact with, the value proposition it offers, and the resulting financial model.

In response to a massive economic shock, rising levels of unemployment, and the disproportionate impact on specific groups of workers and sectors, the L&P companies need to review how they can support various customer segments. This would also require reviewing their value propositions and reconsidering the balance between functional and emotional elements.

Financially, businesses and customers alike may be unable or unwilling to support their pensions schemes or long-term savings in the same way as before COVID-19. Their contributions might have reduced, investment returns suffered, and financial wellness deteriorated within their employee/member bases. Reviewing these impacts, along with factoring in the decisions reached regarding the broader business model, is vital.

Focus Area 2

Review/Reinvent Your Customer Proposition

Customers suffered an economic jolt during the pandemic and had to change how they behave and engage with their life and pension providers. Everyday interactions have become more challenging to undertake, and emotionally, people are nervous about their health and the economic impact of events on their finances.

The L&P companies should consider redesigning their life insurance customer service and pension customer service to show different

stakeholders that they care about their current and future financial situation. Building trust is the key area on which the L&P companies should focus. Giving customers more information, “nudging” them by leveraging behavioral economics principles, and putting them back in control of the decision-making process will build trust and help customers adjust to the new normal in the life insurance & pensions industry.

A key input into this redesign will be to segment the customer base by understanding their different drivers, financial situations, behaviors, and goals. These will have changed as a consequence of the pandemic. Deployment of user-centered design will ensure propositions are intuitive and user-friendly. Besides, simplifying and rationalizing the existing product portfolio will facilitate more dynamic risk management.

Focus Area 3

Redesign Your Distribution Channel Capability

COVID-19 has restricted the ability of customers to engage with L&P companies. Logistical challenges with written communications and health issues associated with sending and receiving/processing paper documents have changed customer attitudes and increased the trend of digital engagement during the course of the insurance customer journey.

Broadening the ecosystem through which companies can connect with customers has become crucial to survive and thrive. Hence, creating a digital-first distribution capability has become increasingly important.

The more the interactions and transactions are performed online, the lesser the pressure on businesses and stakeholders. Enabling straight-through processing across the insurance customer journey, including marketing, application processing, onboarding and servicing, will improve speed while reducing failures, follow-ups and operating costs.

Focus Area 4

Respond to Accelerating Trends

In 2018, TCS defined its Business 4.0™ model, highlighting four critical behaviors that businesses need to adopt to take their propositions to the next level. COVID -19 has accelerated this challenge for businesses, requiring them to show greater resilience, adaptability, and purposefulness. The key focus areas for L&P companies now should be:

Delivering Quicker and Exponential Value – With COVID-19 likely to be around for some time, businesses need to think out of the box to allow their stakeholders to engage with them efficiently and effectively. Building a culture of innovation will be necessary for this behavior to become part of business-as-usual.

Driving Personalized Engagement – Using data in innovative ways will become key to personalize interactions with stakeholders in this increasingly digital world. The L&P companies typically have important data locked in legacy systems or paper/filing cabinets. Now, it is essential to develop capabilities to mine this data.

Improving Communication with Stakeholders – Reaching out to and connecting with stakeholders has never been more critical. Finding engaging ways to communicate with stakeholders will be key to building long-term trust. Increasingly, the regularity and clarity of the communications sent out will be the area of potential differentiation.

Strengthening Purpose and Ethical Credentials – In unsettling times, stakeholders value clarity of purpose and strong ethics. The changes in the ecosystem over the lockdown were significant and left all stakeholders surprised at how speedily issues such as pollution and greenhouse gases can be impacted. It has inspired a desire among many to partner with businesses with a societal purpose. Accentuating this will be vital to building that connection and trust with existing and new customers.

Driving Greater Financial Wellness and Education – A key ingredient to driving economic recovery and “getting back to normal” will be confidence. L&P companies have an opportunity to help build this confidence by enhancing the understanding of customers about their existing financial positions and helping them make the right financial decisions.

Focus Area 5

Build a More Robust Knowledge Enterprise Workplace Proposition

COVID-19 has led to a significant disruption in the worker proposition and influenced how, where and when teams operate. The pandemic has also transformed human interactions, with physical and mental wellbeing now taking centerstage.

The life insurance & pensions industry needs to flex the people proposition, the processes and technology they use and their partner proposition to set the foundation for end-to-end transformation. While interim steps have been put in place to enable businesses to operate, the more fundamental steps are yet to come to ensure a compelling and empowering employee proposition.

Working remotely in cross-functional teams with effective tools for speedy decision making will be essential for businesses to respond to the current dynamic environment. The L&P companies will now need new tools to facilitate engagement, bring about organizational changes for cross-functional work, and ensure greater training on digital/always-on processes.

Conclusion

Changes in the business environment have offered L&P companies an excellent opportunity to build a more customer-focused, trustworthy and efficient business. Adapting to operate in this environment will not happen overnight, and several interim/transition states need to be built, tested and evaluated along the way. Each of these five focus areas must be considered as a whole rather than in isolation for businesses to deliver a new resilient normal that is better than the past.

About The Author

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