

# Make change happen: Getting insurance providers ready to better serve low-income households

## Briefing Note

In order to serve low-income and emerging consumers effectively, insurance providers need to make significant changes to the way they do business. Changes can include finding cost-effective ways to understand the needs of a new market segment, reaching clients through different distribution channels, managing expenses to accommodate for lower margins per policy, and building systems to tackle large volumes of transactions. Insurers may also need to make changes to how they recruit, train, incentivize and retain their staff, how they structure their organization, the technologies they use, and the partners they work with.

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Starting a change process for an insurer can be daunting, especially given the difficulties in making the business case to serve this market segment. Successful implementation of change requires that the process is managed carefully with a systematic approach.

This Briefing Note presents a process that can be used by insurers to initiate and manage the changes required to serve low-income households. The six-step process was tested with six insurance providers that went through a change journey.

### STEP 1: IDENTIFY THE DESIRED FUTURE

Clearly define the destination before embarking upon the change management project. The more specific and detailed the end-goals – referred to as the “desired future” – the greater the chance of achieving them. An insurer must understand the current internal and external situation, define a clear vision and milestones, and build an understanding of the low-income market among management and staff. In all the cases that we have studied, the desired future was developed by senior management and was aligned with a broader organizational strategy.

### STEP 2: SECURE BUY-IN

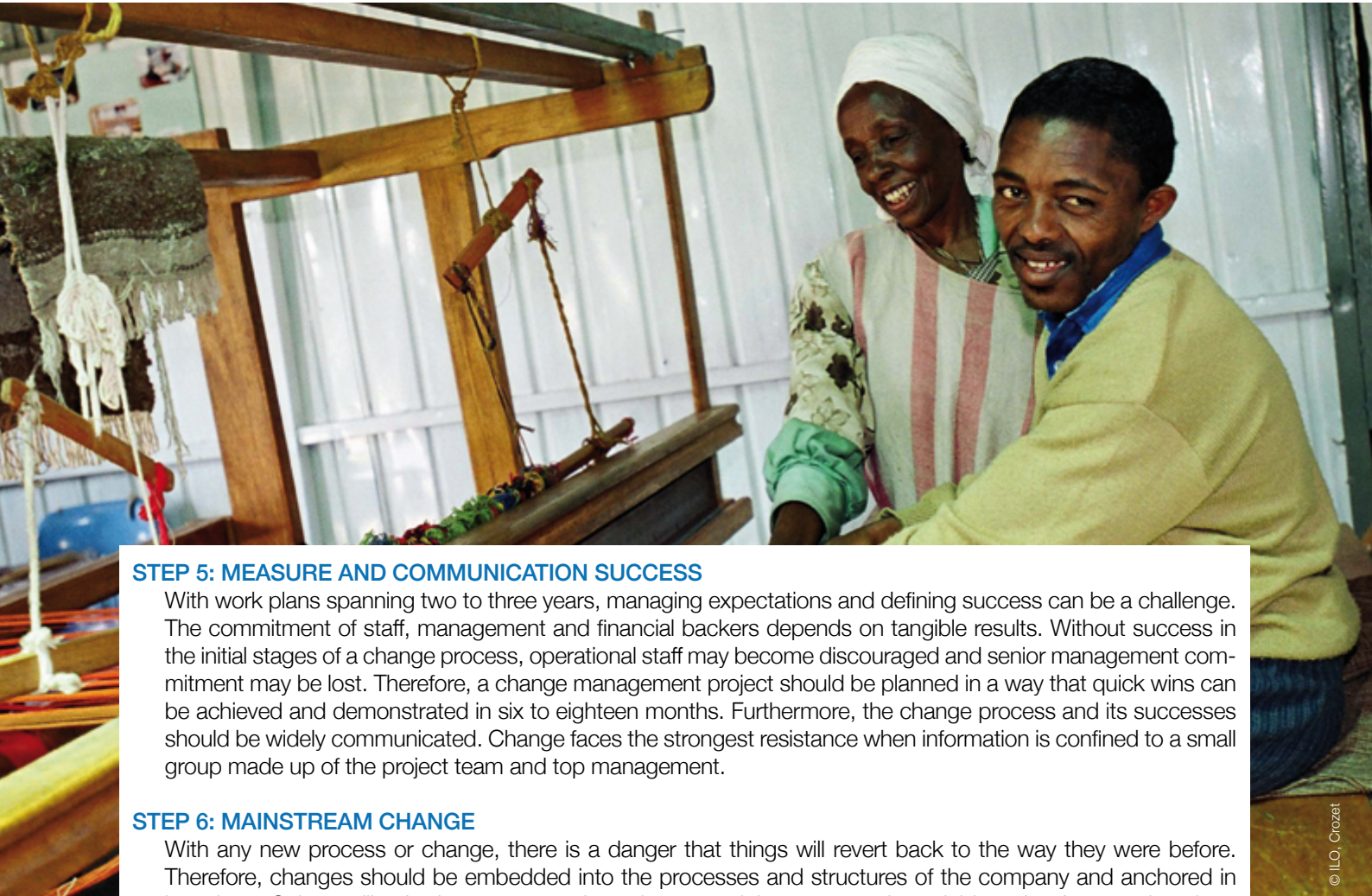
Ensure that buy-in is secured with senior management, staff and partner entities, so that they embrace the changes and are ready for their implementation and consequences. Use evidence to create a sense of urgency for the changes needed. Staff must believe they have a stake in the change process.

### STEP 3: ORGANIZE FOR CHANGE

Insurers are large institutions with multiple structures and processes. Depending on the scale of the proposed change, some or all of these structures may need to be involved. This requires a planned approach so that ongoing business objectives are not affected and the transformation is achieved smoothly. It is important to first create a governing and reporting structure, develop incentives and accountability measures for staff, and finally remove structural obstacles to change.

#### STEP 4: IMPLEMENT CHANGES

Whatever the length and quality of preparation, the implementation phase is the moment of truth. If implemented well, the vision, strategic objectives and plan become tangible during the implementation stage. Key tasks within the implementation phase include focusing on priorities, building tools to help staff develop new skills and complete assignments, and building systems that cater to the needs of low-income customers. Where implementation proves slow, it is crucial to understand why: was it lack of skills, resources, culture or trust? Finally, no change is possible without failures. Risks of failure should be analysed at the start of the project and monitored throughout. Particular attention should be paid to the risks with the biggest impact, and to highly correlated risks. This risk analysis can be updated every quarter to take into consideration new developments.



#### STEP 5: MEASURE AND COMMUNICATION SUCCESS

With work plans spanning two to three years, managing expectations and defining success can be a challenge. The commitment of staff, management and financial backers depends on tangible results. Without success in the initial stages of a change process, operational staff may become discouraged and senior management commitment may be lost. Therefore, a change management project should be planned in a way that quick wins can be achieved and demonstrated in six to eighteen months. Furthermore, the change process and its successes should be widely communicated. Change faces the strongest resistance when information is confined to a small group made up of the project team and top management.

#### STEP 6: MAINSTREAM CHANGE

With any new process or change, there is a danger that things will revert back to the way they were before. Therefore, changes should be embedded into the processes and structures of the company and anchored in its culture. Culture will only change after actions change and those new actions yield results. As a result, culture is usually one of the last things to change. The focus of the change management exercise should be to change people's behaviours and create systems to enable these behaviours to persist over time, so that the core culture eventually shifts. Be alert to the opportunity to reverse innovate; the experiences of our partners have shown how changes made for the micro or emerging customers segment can also result in improvements to the traditional business.

Serving the low-income market effectively requires insurers to go through a systematic change process. Organizations need to become more client-centric, more efficient, and more innovative. To do so, they will need to better understand and respond to client needs; improve operations and staff capacity; build new partnerships; and improve governance, organizational structure, and risk management.

Change is possible. A systematic effort that is planned and implemented properly can be effective. However, change never ends. Any desired future needs to be validated on a regular basis as the context, in which an organization operates, changes.



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