

Reinvention in Insurance: Is it Possible?

By Susan Preston



Preston

Despite what you may think, the insurance industry has not changed much in the past century. The insurance industry was regulated in 1945 with the passage of the McCarran-Ferguson Act that allows insurance to be regulated as interstate commerce. Little has changed the past 25 years, and I suspect not much changed in the earlier portion of the 62 years since regulation.

How can that possibly be? We are living in a digital age. Every company and every individual in business must reinvent themselves or go into rapid decline.

At a recent industry party, many consultants lamented they were “not that busy.” They indicated that work was available, but it wasn’t the type of work they wanted. No wonder they are singing the blues: If they have not reinvented themselves, they have probably gotten left behind.

No matter what you think of them, Madonna, the Rolling Stones and Paul McCartney have all made major comebacks by adapting to the times and changing their style. The same can be said for Harley-Davidson Inc. and Apple when Steve Jobs came back.

On the other hand, witness the decline of companies such as Polaroid, the struggles at Yahoo!, and the fall of General Motors and Chrysler. Companies and individuals that don’t change on a regular basis become irrelevant or go out of business altogether.

What does that say for the insurance industry that has not changed substantially since 1945?

Look at the demographics of our industry. Where are the women in positions of real power? And where are the minorities? Their percentage of the California population is approaching 50 percent, yet there is

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rarely a sign of them in industry news. How can we possibly sell products to an ever changing world where the average person in our industry does not represent them? No wonder our young people think insurance is boring.

Then there is the issue of paperwork. It is amazing how much data on standard industry forms no longer applies to the vast majority of industries. If each specialty program was permitted to develop its own forms, applications and policies, we could better sell and relate to clients. Yet as an industry, we prefer to develop useless, wasteful paper because of an outdated norm.

Program administrators often get endorsement requests on ISO forms, which often involve one piece of paper saying, “see attached,” then three more pages to request a change of address. What is wrong with sending an e-mail saying the change is needed? Many brokers and companies are using forms that were developed before

many of us were born.

Then there is the topic of license regulation on the state level. Insurance organizations support this nightmare, and then ask us to contribute to the continuance of this outdated system. If an agency does wholesale and retail business in every state, it will be required to have almost 200 licenses, and file corporation and pay associated taxes in about 15 of the states. Why do our own peers support this system?

The world has changed, whether we in the insurance industry like it or not. It is time to join the 21st century and become more diverse in our business practices and recognize the digital age is here to stay. Our people, our regulation and our insistence on massive amounts of paper should be evaluated, and a more up-to-date way of doing business should be brought into our world. Companies that are ahead of the curve are more likely to survive and thrive than those still holding firm to out of date thinking. ■

Preston is president of Professional Program Insurance Brokerage (PPIB) in Novato, Calif. Web site: www.medispa-ins.com.