



1. OUTsurance

Topic: The value chain

(This case can be used with Chapters 1 & 21)

Launched in February 1998, OUTsurance captured the imagination of the South African public. Not only did the business offer insurance quotes via the telephone, but it also processed claims faster than any other insurer and without ever meeting the client.

OUTsurance arose from research conducted for Rand Merchant Bank by René Otto, Willem Roos and Howard Aronin early 1997. Together, they developed the business plan that positioned OUTsurance as a new alternative to the competitive South African short-term insurance market.

The OUTsurance business model is simple and effective. The business did not ignore the core of any insurance business, i.e. actuarial ratings, but realised that “*effective cost and claims management rest on the base of an efficient information technology platform*”.¹

The business further realised that it could add value to the client by giving back a reward (OUTbonus) to clients who did not claim over a period. This cut down significantly on the number of small and fraudulent claims they received, meaning they could focus their attention on handling bigger claims more efficiently.

OUTsurance is a good example of a business built on the concept of value-added activities. The business not

only cut out certain parts of the value chain (face-to-face quotes), but also cut sections out of the supply chain (the so-called insurance agent or *middle-man*²).

Questions for discussion:

1. How did the emergence of this business model impact on the short term insurance market and how did other players react?
2. What would the effect be if OUTsurance did not offer the OUTbonus?

VIDEO CLIP INCLUDED = OUTsurance

3. Why did OUTsurance run this particular type of add as it obviously has no bearing on the insurance industry?

The video clip shows a call centre member of OUTsurance, showing his personal life. This was done in order to avoid a “faceless” agent, something that did represent a risk to the business model. The clip can be used to ask further questions and stimulate discussion in class.

1 From the OUTsurance website: <http://www.outsurance.co.za>

2 The term middle-man was made popular by DIALdirect, a close rival of OUTsurance.