

Neuroscience and insurance: empowering people to behave differently

by Dave Crowther and Jim O'Loughlin, AGILE Performance

Dave Crowther and Jim O'Loughlin of AGILE Performance have been the key facilitators of the ICMIF Advanced Management Course for the last ten years. Both have extensive experience in the insurance industry and professional development. In this article for *Voice* magazine Dave and Jim examine how cooperative and mutual insurers can empower their teams to behave differently and therefore avoid the trap of decision biases which lead to illogical actions and poor decision-making.





ABOVE ICMIF's Advanced Management Course 2016, Manchester, UK
LEFT Dave Crowther and Jim O'Loughlin

The rate of change in the insurance industry is accelerating and this calls for the application of new insights and new approaches to decision-making for those companies that want to stay ahead. Since our first collaboration with ICMIF in 1988, we have seen members tackle the volatility, uncertainty, complexity and ambiguity of a rapidly changing, connected environment by empowering those people that are closest to an opportunity or challenge to behave differently - as they have the best ability to decide and act decisively.

In broad terms, nine-tenths of our understanding of how we see, think and act has been discovered in the last ten years. Given this, several ICMIF members have looked into ways of harnessing new findings from brain science to complement their efforts to improve performance.

At AGILE Performance we know that many leaders have kept themselves up-to-date with the latest that neuroscience has to offer - including insights into how our brains are wired to trip us up at work.

Studies including those in the Harvard Business Review and the McKinsey Quarterly are thought-provoking. And, of course, many of us are grateful to the Nobel laureate Prof. Daniel Kahneman for collating his life's work on this subject in his book *Thinking, Fast and Slow*.

However, while equipping staff with knowledge of decision biases is clearly important, this is typically not sufficient to actually change behaviour - otherwise, for example, the vast majority of people with heart conditions so serious that they require surgical intervention would not revert to the lifestyle that was responsible for them needing surgery in the first place.

Our experience of working with executives from a selection of ICMIF's membership base suggests that those companies that are making most progress in respect of enhancing the decision-making performance of the individuals and teams that work for them are getting ahead of the game by doing things differently.

The source code of tooling up for better performance

Irrespective of what roles we fulfil within an insurance company when it comes to making the decisions that shape our performance we are all baked to the same recipe:

1. Subconscious first.

Our subconscious brains use pattern recognition skills to make sense of the object of our attention before our thinking brains get the chance to bring reason and analysis to bear. The catch is: Such pattern recognition comes so easily and so invisibly to us that we set ourselves up for decision error by frequently seeing what we expect to see, and failing to see what we should see.

2. Critical emotions.

Our emotional brains evolved to tell us how we should feel about the patterns we recognise so quickly and with such ease, and encourage us to either approach or avoid the object of our attention on that basis - still before our thinking brains have a chance to make an input. Too often, however, how we feel becomes what we think.

3. Shortcut thinking.

Even while we are seeking to check the quality of the 'thinking' conducted by our subconscious and emotional brains, we are apt to conserve energy by engaging shortcut rules of thumb to do our thinking for us. This means we frequently process information in a biased fashion - for example, we may simply seek to prove our early diagnosis, pay excess attention to subsets of data when we should be weighing all the data, or be swayed by the actions of others when it would be wise to act on the basis of what we (and maybe we alone) can see.



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Firstly, they equip staff with the knowledge of how they see, think and act, which is required to step up to the next level of performance (see side bar on previous page).

They recognise that equipping people with decision tools goes further, but is still not sufficient. As much as 95% of our decision-making is the product of subconscious processing that is invisible to what we consider to be our “thinking” brains, and existing habits that have served people well in the old world of insurance tend to persist and be highly resistant to change even when the new world of insurance calls for modified behaviours.

They move from there to harness the power of habit by giving staff the tools that are needed to put their insights into how they see think and act - their knowledge - to work. This includes for example staying in diagnosis mode long enough to understand a problem at sufficient depth before seeking to solve it.

For more information on ICMIF's Advanced Management Course or any of our other professional development events please contact Mike Ashurst on MikeA@icmif.org



Mats Alba

A perfect structure for the business plans being made at Folksam

Thirty-three people from ICMIF member Folksam (Sweden) have graduated from ICMIF's Advanced Management Course, where a large part of the content is designed to enable insurance professionals to better understand the psychology of strategic decision making.

Mats Alba is one of those thirty-three. Mats was working with business intelligence and business development in Folksam's life and non-life insurance business when he attended the Advanced Management Course in 2014.

Subsequently Mats, who had responsibility for his unit's business plan, was invited to participate in a project to create a common structure for all business plans in Folksam. Based on the insights gained into the nature of strategy and into how our brains are wired to trip us up when we seek to think strategically, he introduced AGILE Performance's “strategic framework” to his colleagues working on the project. This has enabled Folksam staff to naturally avoid decision biases by engaging in easily acquired new habits.

Bias-free strategic thinking is now becoming habitual at Folksam simply because all business plans are developed using a discussion framework that answers four questions:

1. Where are we?
2. Where do we want to be?
3. What stands in the way?
4. How will we get there?