Usaa case analysis

Case Analysis: USAA Question: Is USAA a typical insurance company? List all reasons supporting your answer. When USAA started in 1922, they were a property and casualty insurance company however, with time they expanded their services to their members and became a financial institution. Their objective when starting the company was to provide auto insurance to military officers.

In 1988, they owned 32 wholly-owned subsidiaries. Their main scope remained property and casualty insurance with automobile liability and damage insurance constituting over three-quarters of the company's P business[1]. They also kept the membership limited to military officers and their dependents. USAA is considered a financial institution for military personnel. They offer their members not only insurance products but also financial services (such as loans, credit cards, investment advice). Just as a financial institution the downturn in the Texas economy affected the value of some of its investments, particularly real estate[2].

The company's vision is to offer its members by the year 2000 insurance products, asset management (financial services products) and quality of life (e. g. , a retirement community and travel services)[3]. Therefore, USAA is not a typical insurance company, but the insurance branch of the company is still their main priority. Question: Describe the role that IT plays within USAA. The success of the USAA from a $200 million company in the 1960s to $11 billion empire in 1988 can be attributed to the implementation of " paperless environment" through integration of IT systems for faster processing of insurance policies and claims under a centralized automated system.

McDermott, upon his establishment as chairman and CEO of USAA in 1969 undertook to implement his vision of a " paperless environment". His first step was to purchase a multicar policy processing system. This system was a success for the company and they were able to follow with more systems (Automobile Issue and Maintenance System, Automatic Claims Environment). They became more effective and were able to cut costs. Due to the " centralized management of systems development" from the San Antonio office, the data systems support the " single USAA customer image," and information is treated confidentially as the chief source of the organization[4].

USAA has decided to develop its IT infrastructure to better answer the demands of its members. By the 1980's the company's many divisions had started developing their own systems. McDermott saw the need to create an Information Services Division to integrate all the company's systems and member information. His new vision of USAA is that the company is so integrated that members lose something of value when they go to a competitor"[5]. Question: Which factors contributed to USAA being a leader in the use of IT in its industry? The USAA gradually emerged as a leader in the use of IT in the insurance industry because of the vision provided by its leaders, who deployed and upgraded appropriate IT systems for meeting the specific requirements of its members.

McDermott upon his arrival decided the company wasn't functioning to its potential with the high staff turnover as well as the paperwork which was impeding the employees to have the good information when needed. The company's growth was closely linked to its information system

infrastructure. The company took the initiative to buy the " multicar policy processing system" in 1969 that enabled the company to offer discounts, reduce the number of policies, and gradually deploy " all-lines billing system" by replacing the outdated billing system[6]. Then the USAA deployed the " Automobile Issue and Maintenance System" in 1976 followed by the " Automatic Claims Environment" in 1979 for streamlining the work, eliminating paper work, and automating 80% of company's insurance business[7]. Due to the use of advanced IT systems by the USAA, the company was able to process nearly four million transactions every day, and the response time was only two seconds, while there was 99% systems availability. All these achievements prove that the USAA gradually became an IT leader in insurance industry.

McDermott was always a step ahead in trying to figure out what would be the next step in IT requirements. By the mid eighties, when all their systems were integrated and working well, they did not stop their technological advancements. They actually started planning for what would come ahead in the next decade, preparing for the year 2000. Question: The fact that McDermott provided visioning and leadership for the use of IT within USAA is clear from the case. Why is this so important? USAA embraced IT development as a way to increase its productivity and service offerings. They were always a step ahead trying to anticipate future trends and they saw technology as something significant in their development.

Customer satisfaction was always a priority for them and in consequence the company has been able to maintain a strong reputation for excellent customer relation in the face of rapid technological change. By eliminating

the paperwork and deploying IT systems, McDermott enhanced the efficiency of the organization, reduced the extravagant expenditures, and provided customer-centric insurance policies. McDermott was quick to adopt the right IT system at the right time, which was seen when the USAA upgraded its IT systems by implementing the Long Range Systems Plan and Automated Insurance Environment by late 1980s, thereby, saving $175 million. McDermott was the guiding force behind the establishment of various committees within the USAA and for restructuring the organization from time to time in order to achieve high return on investment. It is the task of a leader to provide vision and leadership to the entire organization, and McDermott successfully performed the duties of the chairman and CEO of the USAA.

——————– [1] United Services Automobile Association , page 2. [2] United Services Automobile Association , page 3. [3] United Services Automobile Association , page 8. [4] United Services Automobile Association , page 6. [5] United Services Automobile Association , page 5. [6] United Services Automobile Association , page 4.

[7] United Services Automobile Association , page 4.