

PERSPECTIVE

DigitalInsurer2.0# – New Wave of Digital, Analytics, and Automation
Trends in the Insurance industry



Industry Overview

Insurance companies are operating in a rapidly changing environment, dealing with additional regulatory challenges and changing consumer behaviour. They have to compete not only with other traditional companies in the industry but also with disruptive start-ups. These start-ups are utilizing digital-centric processes to attract customers by offering them better products, services, and convenience.

However, these challenges present

invaluable opportunities for insurance companies as well. The need to reduce costs, improve processes, and meet market needs across countries can lead to a new operating model which offers cost efficiencies as well as digital innovation that transforms operations.

Insurance companies have generally been considered laggards in the race to adopt the digital ecosystem. Now, in order to remain relevant and exploit new

opportunities, it has become imperative for them to keep pace with digital innovations.

Insurance companies have high volume of data at their disposal. Together with disruptive technologies related to analytics and automation, they can implement strategies which genuinely help in transformation of their operations. This can subsequently enable them to capture new customers and retain their competitiveness in the market.



Key takeaways

- A successful digital transformation will require a comprehensive shift in business model and operations that should be sponsored and supported from the top.
- The insurance value chain consists of distribution, risk assessment, pricing and underwriting, risk management, reserving, and portfolio management. Digital, analytics, and automation can help in significantly improving each of these processes and reaping benefits for the company in terms of better managing risks, creating cost savings, and generating revenues.
- Analytics and automation can also help in generating value across the customer life cycle, enabling insurance companies to improve customer experience and help them in retaining and attracting customers.
- Insurance companies are utilizing a variety of analytic techniques such as performance analytics, predictive analytics, process analytics, and reporting and dashboards to retain their competitiveness in the market:
 - Insurers have started replacing manual and time-consuming claims processes with digital channels.
 - The industry is witnessing greater use of advanced statistical and predictive models in areas such as actuarial risk.
 - Automated processes are being adopted in risk-pricing and underwriting.
- Analytics is enabling companies to streamline their decision-making process across all business functions.

Top three lessons

- **Have a proper strategy in place for digital adoption:** Careful consideration has to be given by the top management for the adoption of the digital-led business model. It has been seen that often insurance companies adopt technologies in isolation, without due consideration regarding the bandwidth or expertise existing internally. In such a case the risk of investment can outweigh the benefits. Therefore, it is imperative that a sound strategy for digital adoption is developed, which considers a company's internal capability and the expected outcome.
- **Turn insights into actions:** Use of digital, analytics, and automation can help insurance companies in gaining insights about their customers and trends in the market. But it is essential that insights are converted into actionable steps that help companies in deriving value from them. Designing of products and services, customer targeting, personalization, customer relationship management, customer service, and campaign management are some of the actions which can be driven by insights derived from digital, analytics, and automation techniques. A digital-insights-led architecture will help the companies in integrating data, insights, actions, and feedback technology.
- **It is important to measure the value and ROI of analytics:** Cost associated with use of digital, analytics, and automation is immense. Companies need to have benchmarks that help them measure the impact or ROI of implementing these technologies. Insurance companies consider measurement of the conversion rate of customers, the retention rate of customers, and customer satisfaction, as valuable metrics that allow them to measure the success or failure of various digital touchpoints. More mature companies in the industry measure the success of digital technologies on the basis of their customer and vendor relationship.

Summary

Insurance companies are witnessing technological and digital innovation, which is creating challenges and new growth opportunities as well. Though burdened with legacy systems and regulatory requirements, adoption of digital, analytics, and automation technologies can be of great benefit to both companies and customers in the industry. Insurance companies can gain significantly from digital adoption across the value chain, from customer engagement to customer service and differentiate their brand and services from that of their competitors, in order to retain their competitiveness in the industry.

The thoughts in this document have been derived from the perspectives shared by some of the key opinion leaders of the insurance industry, at the Roundtable Event held by Infosys at London, November 18th, 2015.

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