



Cloud as a Change Catalyst in Insurance

Driving Transformation by Aligning
Business and IT



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Executive summary

As insurance firms navigate the post-pandemic landscape with measures to become more nimble and agile, deliver superior customer experience, and run business as usual, they are realizing the importance of leveraging the cloud as a key enabler of their growth and efficiency needs.

We believe that the cloud strategy for insurance firms should rest on the following four pillars:

- **Experience transformation:** With renewed focus on customer and employee experience to drive effective interactions, a revamped digital strategy – with customer experience at the center – will be critical for insurers' long-term success, considering the accelerated need to do business online
- **Data centrality:** The cloud offers scaled storage and compute capacity that can help insurers leverage their vast data reserves for claims fraud detection and hyper-personalization. It can drive seamless integration of external data with internal datasets and facilitate the analysis of large data volumes in real-time, enabling insurers to carry out data-driven decision-making across the value chain using advanced analytics and AI/ML algorithms, along with on-demand storage and compute resources
- **Talent management:** Insurance firms are looking to build their talent models to drive productivity in a remote work environment, while ensuring business continuity. However, challenges persist in the form of high worker retirement age, low willingness of millennials to join the workforce, and the lack of an attractive talent-value proposition to retain skilled resources. Moving to the cloud and adopting modern ways of working can help craft an attractive talent proposition for the young workforce, successfully bridge the talent supply-demand gap, and help establish a new return-to-work scenario powered by SaaS solutions
- **Cost efficiency:** The pandemic has exerted pressure on insurers' financial positions, compelling them to double down on their cost-savings agenda. By moving workloads from traditional, legacy systems to more modern, cloud-based systems, insurance firms can achieve a predictable cash outflow that can, in turn, give them greater control over costs

To manage this transformation, insurance firms will have to rethink customer journeys, develop attractive talent models, and carve out an end-to-end transformation strategy considering their dual objectives of growth and efficiency. Such a strategy will help them thrive beyond the pandemic's impact and stay ahead of industry disruptions.

This report captures Infosys' and Everest Group's perspectives on the global insurance industry and summarizes industry practitioner observations made in a virtual roundtable moderated by Everest Group practice leaders.

Industry challenges and COVID-19

The pandemic and the resulting economic fallout have adversely impacted insurers, creating demand stress, revenue compression, and profitability pressures. In addition, consumer needs, habits, and expectations have radically shifted during the pandemic, forcing insurers to carve out a digital-first sales and distribution strategy. While the announcement of fiscal and monetary policy responses from local governments and a potential return to normalcy have uplifted industry sentiment, uncertainty prevails as the industry recovers from recessionary conditions.

Insurance firms have realized that they need to reimagine themselves for the next normal by building resilient growth models. There is a clear need for evolution in business philosophy from insuring losses to ensuring protection, which requires developing differentiated experiences for each customer hyper-segment, powered by data and digital capabilities. This has propelled insurers' shift to a digital insurance-reference IT architecture founded on the cloud.

Currently, cloud adoption maturity across the insurance industry is quite varied and fragmented. Also, a large proportion of these initiatives are aimed at data and analytics-related use cases, and front-office modernization initiatives. Most insurance carriers are still unsure about how to deal with the associated regulatory oversight that comes with moving insurance data to the cloud and the accompanying data privacy / security measures on the cloud.

Key components of a cloud-first approach

EXHIBIT 1

A cloud-first approach

Source: Everest Group (2021)

Experience transformation

How can we transform customer and agent experience for an end-to-end digital purchase cycle?

How do we integrate all customer communications across channels to create an omnichannel experience for customers on the cloud?

Data centricity

How can we create a data-driven organization by integrating all data sources on the cloud and applying analytics using the cloud's compute power?

How can we manage the increased complexity of data privacy and regulation with data on the cloud?

Talent management

Are we ready to reskill talent to be able to work with cloud systems?

How do we relook at HR processes and systems to measure productivity, motivate employees, and empower remote working as we plan to return to work after the pandemic?

Cost efficiency

There is a need to optimize costs and bring them under control. How can we use the cloud to make costs more predictable and reduce upfront capital investments?

How do we create funding capacity for transformation/ innovation programs leveraging the cloud?



Let's take a closer look at how insurers can formulate a comprehensive cloud strategy by leveraging each of the pillars to future-proof their businesses.

Experience transformation

The pandemic caught many insurance firms off-guard. Agents were unable to make in-person visits and could only rely on digital tools to make a sale. Many of these agents were not empowered to contact leads or manage end-to-end policy sales digitally. The biggest priority for insurance firms was to evolve their distribution models and train their agents/brokers to work in a remote business environment.

For example, a leading life insurer in North America digitalized its call center operations and created a self-service portal to help its clients optimize policy processing time. It implemented a SaaS-based call-center solution, trained agents to work from home on digital channels and streamlined the data-collection process for new prospects successfully. This improved Customer Experience (CX) for policyholders, as they could now use a device of their choice to log in to the portal and view information as needed.

SaaS-based solutions are fast gaining traction in the market, as they allow insurance firms to focus on their core competencies and not worry about issues such as upgrades, hosting conditions, and application maintenance. The adoption of SaaS-based solutions has risen significantly for front-office functions such as CRM, sales, and distribution.

SaaS-based solutions are experiencing the highest adoption growth rate (48%) among insurers for functions such as CRM, HR, marketing, and sales.

While designing the next set of cloud experience enhancements, insurance firms should try to achieve the following:

- **Equip agents, brokers, and customers for an end-to-end digital purchase cycle:** As insurance firms digitalize sales and distribution processes, it will be vital to ensure that all the stakeholders involved in the purchase cycle know how to manage the transition. The approach would vary depending on the current technology estate as well as end-customer demography. For example, an insurer focusing on long-term care plans will have an older customer demographic to serve, thereby requiring heavy investments in designing an easy and responsive digital customer journey, while educating customers on embracing digital processes at the same time.

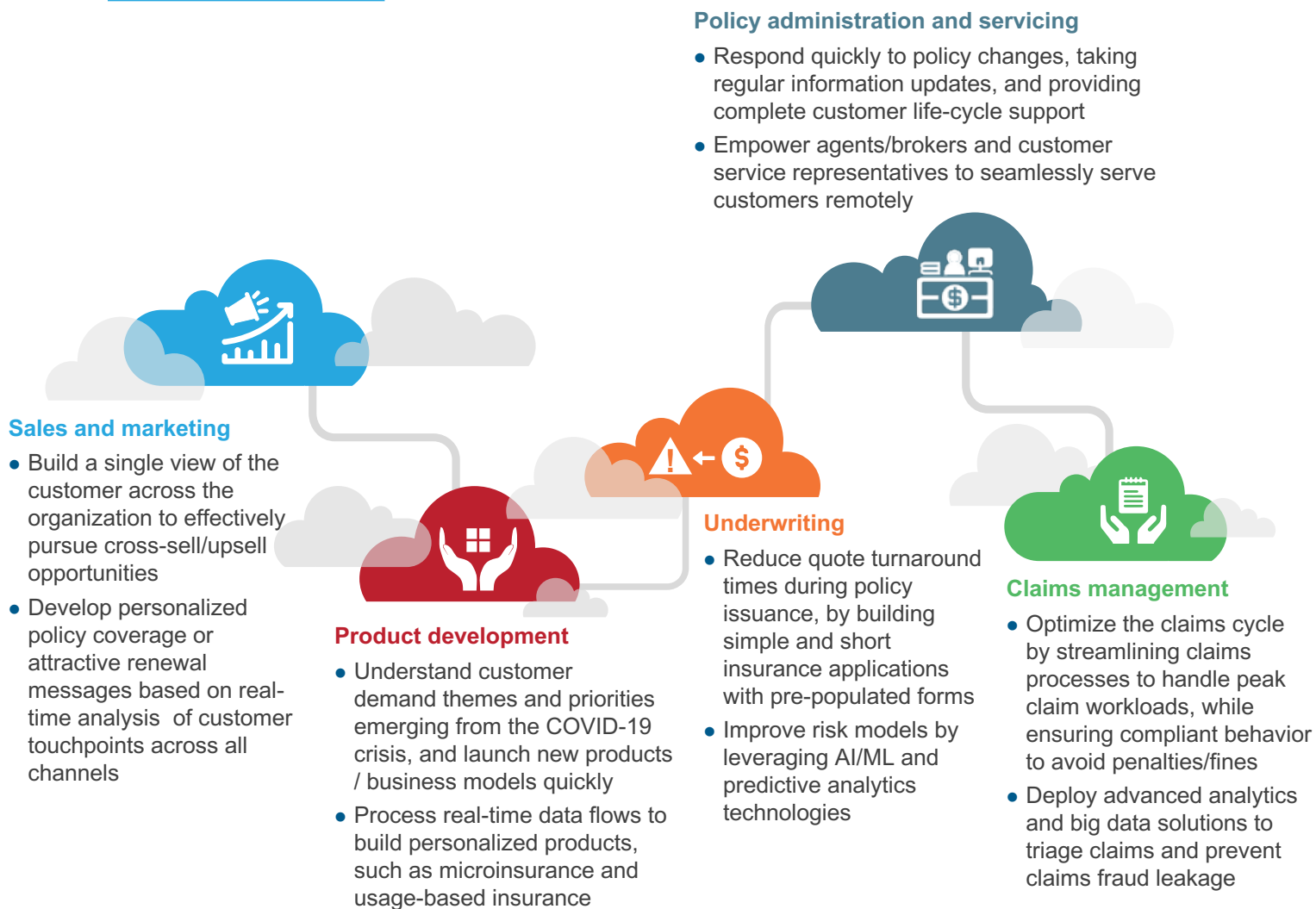
As the interaction channels become more digitalized, employees and agents/brokers working in customer-facing roles will need to be educated and trained on tools that can further enhance customer communication, such as by providing appropriate financial advice or helping in appropriate policy selection. At the same time, insurers will also need to ensure that such digital experiences are seamless and secure so that all the users can trust these systems after the transition to the cloud

- **Build an omnichannel customer-engagement strategy:** Customers appreciate ubiquitous engagement options that allow them to interact with their insurers anytime, anywhere, and from any device. Carriers need to revamp their customer-engagement strategies by leveraging SaaS-based solutions that can fully operate a 360-degree customer interactions hub. These solutions will help carriers eliminate the need to increase call-center staffing, as standard customer queries will be managed via chatbots and automated emails. At the same time, on-demand storage and compute options will help insurers personalize policyholder experience by analyzing large volumes of data generated across digital touchpoints

EXHIBIT 2

How insurance firms can leverage data on the cloud across the value chain

Source: Everest Group (2021)



Data centrality

Many insurance carriers have leveraged the cloud to build data models by combining various data sources – internal data captured from policyholders and external data from third-party data sources (such as weather, property, and traffic data) – to augment underwriting practices and build new products to address new or emerging risks.

Since many insurance carriers have grown through acquisitions, they need to consolidate data assets and run combined analytics on top of them to build a single customer view across the organization. Additionally, the pandemic has driven the need for seamless data sharing to allow better collaboration between sales teams and underwriters to close policy sales quickly. We believe that these trends will continue to drive the adoption of cloud-based systems for data management, data sharing, and collaboration to drive better financial outcomes for insurance firms.

Privacy norms and data security continue to be big concerns for carriers. There is increased scrutiny from regulators, with data privacy regulations (such as GDPR, CCPA, and HIPAA) and audits by government agencies creating an overhead for insurance enterprises to keep data on the cloud. For some core functions such as underwriting and policy administration, which use customer-sensitive data, private cloud deployments are preferred, as they facilitate a greater degree of trust during the move to the cloud. Public cloud is preferred for functions such as new product development, sales & marketing, and CRM. The industry has also responded with vertical cloud offerings, keeping data privacy concerns in mind.

Exhibit 2 at the beginning of the section summarizes how insurance firms can leverage data successfully at each stage of the value chain.

Talent management

The insurance industry has not fared well in capturing the mindshare of next-generation workforce, which is adept at modern technologies, to replenish aging employees.

In addition to the challenges accompanying an aging workforce, insurers struggle with offering an appealing proposition to skilled resources, who prefer to work with technology firms. Moreover, demand and supply for skills across cloud, data, and next-generation platforms have spiked significantly, especially across onshore locations.





Roughly **28%** of the insurance workforce is nearing the retirement age, while only **4%** of millennials are interested in insurance technology roles.

The following exhibit illustrates the opportunities that these talent-related challenges present to insurance enterprises.

EXHIBIT 3

How insurance firms can bridge the talent supply-demand gap

Source: Everest Group (2021)

	<p>Increase market awareness on the evolution of the insurance business</p> <p>Step up efforts to emphasize high-tech, data-driven work to raise awareness about the evolution of the insurance business among students and young job seekers</p>
	<p>Craft appealing talent propositions for prospects</p> <ul style="list-style-type: none"> • Reshape job descriptions and training programs to reflect the evolving nature of the work carried out by actuaries, underwriters, and agents • Invest in innovation hubs to draw resources with technological and data science skills • Institute robust digital training and upskilling/reskilling programs to instill more confidence in resources to stay abreast with technology advances
	<p>Remove cultural barriers</p> <ul style="list-style-type: none"> • Remove cultural obstacles to enable younger, technology-skilled personnel work alongside experienced professionals and drive synergies • Enable tighter business-IT alignment to enable resources to see the direct impact of their work
	<p>Revamp the IT operating model</p> <ul style="list-style-type: none"> • Re-evaluate the sourcing strategy to finely balance internal resources and the IT services supplier portfolio to address the challenges associated with a wide demand-supply gap for next-generation skills • Stay ahead of competition by proactively estimating future demand for skilled labor and building a strong talent pool to scale strategic programs

Cost efficiency

Improving the bottom line has stayed on top of insurers' strategic agenda for a fairly long time. Insurers are looking to optimize the run spend by rationalizing their applications and infrastructure footprint and simplifying their IT estate. Insurers are also keen on modernizing their outdated legacy systems due to the increased cost of maintaining them, inability to use modern features such as analytics and APIs, and the shrinking talent pool to support old systems.

The cloud can act as a key enabler to help insurers address these challenges. It can reduce the significant upfront investments and resource bandwidth required to manage on-premise legacy systems, allowing enterprises to focus on their core businesses. In addition, it improves the agility to implement changes and respond to evolving customer demands, which is vital to effectively compete against InsurTechs and BigTechs.

When thinking about the business drivers and the technology transformation efforts that carriers will have to undergo, they should carefully assess the impact of cloudification from four lenses – experience for customers and agents, data management and security, talent management, and cost objectives for the enterprise. This will help them define the prioritization order and roadmaps for their unique cloud journeys.

We recommend the following roadmap to complete a successful move to the cloud:

- **Phase 1: Identify and target the quick wins** – identify the processes easiest to move to the cloud and generate value for the enterprise; such processes can include analytics and visualization applications that can be directly migrated to the cloud without any risk of exposing internal data and can help quickly realize business value
- **Phase 2: Go beyond the low-hanging fruit** – identify the next set of processes that are relatively easy to move to the cloud from a technology transformation perspective. This step yields higher value over the long term; some of the functions that fit in this category are front-office interfaces (agent/broker portals), device-agnostic customer access portals, and CRM and customer communication hubs
- **Phase 3: Drive competitive differentiation** – requires high effort in technology transition, but, once the move to the cloud is achieved, it provides long-standing value for the organization and even drives competitive differentiation
 - Functions that fit in this bucket include core functions such as claims processing and policy administration
 - This phase is typically rolled out in stages by large insurers, as it requires significant effort and time to migrate from the existing system and is typically accompanied by a strenuous change-management initiative to train users on new systems

While a move to the cloud seems promising, there are some exceptions to the transition:

- **Do not change** processes that require a high amount of effort from a technology transformation perspective with little value delivered over the long term; it is better to retain these workloads as is
 - Such cases could include processes for which a move to the cloud is difficult due to several disparate systems that have accompanied multiple acquisitions over the years
 - It might be best to retain such systems on-premise and build an integration layer for seamless data flow across them

Currently, most global carriers have only moved a small proportion of their workloads to the cloud. To achieve their objectives to fully transition to the cloud soon, we hope our recommended blueprint will help insurance enterprises better navigate the journey and prioritize what should shift to the cloud and what should remain as is.



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