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EXECUTIVE CONVERSATION



New Approaches, New Skills: The Rapidly Changing Role of IT Sourcing in an Insurer's Digital Transformation

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No question about it: While the insurance industry is risk averse and places high value on traditional ways of working, it's also facing the need for digital transformation and along with it, the need to embrace new ways of working. In this Executive Conversation, thought leaders from Tata Consultancy Services and Swiss Re discuss the changing role of IT sourcing and how it can support that all-important transformation.

Like their peers in banking and finance, insurance companies are being thrust into environments characterized by new business models, rapid digitalization, innovative solutions, and deeply engaged customers. To sell their products and services, insurers must focus on customer experiences and the ecosystems they engage in. Creating value throughout the customer journey requires that insurers increase collaboration across a wide range of industries.

Meanwhile, new entities are sprouting up to provide customers with simple digital-first experiences. With sophisticated use of technology, such companies can also assess risks and make underwriting decisions in real time while providing the ability to settle claims without delays or any paperwork.

Quick and efficient experiences are only one of the industry's new playing fields. Insurers are looking to create tighter and more seamless connections to businesses in other industries with whom they can partner to sell insurance. For example, health insurers are increasingly integrating products such as tracking devices and health club memberships that support healthier lifestyles, taking a more holistic approach to improving the health of their customers rather than only paying claims in their time of need. To do this, these companies are exploring how they can engage their customers directly via their devices and services, or other touch points.

Swiss Re, one of the world's largest reinsurance companies, has been a pioneer in unlocking value from the interplay of these ecosystems and in creating new business models. One recent example is the 158-year-old company's partnership with Daimler Insurance Services to create fully digital automotive and mobility insurance.

As the insurance industry pushes beyond traditional boundaries and looks for new business models, it faces an increasing need of talent in digital, AI, and cloud technologies. From an IT sourcing perspective, it's important to develop models that enable the business side to leverage the latest technologies and build innovative sourcing strategies that provide access to the right talent at the right time. Tata Consultancy Services (TCS) provides insights based on its role as one of Swiss Re's strategic IT sourcing partners and as a digital transformation enabler for several other insurers.



Technology as the Key Enabler in the Transformation Journey

Among the most critical expectations for the insurance industry at large are moving at speed and embracing new ways of doing business. However, the complexity of insurers' systems and processes, along with their inherent and highly valued risk-averse organizational cultures, challenge both the need for and speed of change.

Swiss Re is adopting technology as a differentiator and has launched transformation programs to leverage cloud, AI, and data technologies. Through its "GoAgile" initiative, Swiss Re not only wants to instill an agile mindset, but also seeks to reinvent itself to address those previously described challenges, as Stefan Sieger, Swiss Re's head of digital delivery services, has noted. With GoAgile, Swiss Re has chosen a systematic approach to transforming to a customized, scaled agile setup. That transformation is occurring in conjunction with Swiss Re's technology partners, who also play an important role in leveraging and sharing their experience.

TCS, for example, contributed significantly to enabling Swiss Re to revamp business analytics in the property and casualty reinsurance area. TCS and Swiss Re leveraged an agile operating model that allowed for quick prototypes and validation with business and IT users with little or no disruption to systems and workflows. This program reduced the cycle time for building a new dashboard from several months to three to five days, giving the business new insights while reducing operational costs.

As another example, in the 2019–2020 timeframe, Swiss Re's business intelligence (BI) system was only about seven years old — relatively new by industry standards. But the business needs were evolving rapidly, and its clients were demanding real-time reports, resulting in a high dependency on the technical team. Swiss Re partnered with TCS to make use of consultants who had strong knowledge of the reporting environment, various data structures, business terminology, and client expectations. Their successful collaboration not only vastly improved the BI system, but also demonstrated that an integrated, agile approach with IT-business cooperation and the right sourcing strategy can overcome significant challenges.

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Any company seeking similar levels of success needs to establish an organizationwide agile mindset, develop agile planning and execution methodologies and, at the same time, consider all the business drivers, technology-adoption challenges, and required cultural-alignment issues. It's important to think through the entire endeavor with a strong understanding of the current technology's limitations and adequately assess what will be needed down the road. For example, if use of cloud and cloud migration haven't been sufficiently factored into the equation, agile efforts will hit bottlenecks as the existing tightly configured legacy systems struggle to keep pace with prototypes and frequent revisions.

From an IT sourcing perspective, success also involves engaging strategic technology partners that not only provide scalable and cost-effective talent pools, but can also collaborate in exploratory initiatives that ultimately provide important insights for business transformation.

A New Métier for IT and Suppliers

Embracing digital transformation across a global enterprise requires diverse skills and talent. Just as large insurers' IT organizations often turned to suppliers to meet demand in the past, today's IT organizations also require healthy amounts of external support.

Swiss Re is moving toward being a data-empowered risk-knowledge company with extensive use of new technology. That journey requires

establishing true partnerships between the business, IT, and customers, as well as supporting disruptive developments, such as the steady move toward cloud-based architectures and the "as-a-service" model for software and infrastructure.

Swiss Re maintains a global IT sourcing footprint with its key outsourcing partners. Strong vendor governance, relationship management, and talent development have been the main priorities in that regard. Under the renewed agenda, IT sourcing is taking a more hands-on approach to engaging providers via structured processes that support business transformation. This approach includes strong focus on the engagement models with IT partners, increased collaboration, and more flexible and agile contracting methods.



Implementing transformation programs requires capabilities to be drawn in a variety of new technologies at a large scale. Typically, insurers take advantage of the experience and knowledge of the external staff to quickly access talent and solutions. However, a shortage of talent in some key regions makes selective sourcing harder or prohibitively expensive. New and emerging models, such as crowd-sourcing, are also of interest, but in a highly regulated industry, it's often hard to adopt such approaches without risk. That fact has led to a need to engage with IT partners more strategically because, in many cases, they are structured to provide solutions to these problems. TCS, for example, leverages its large internal and secure talent pool to ensure that the right skills are delivered at the right time for dependable execution of these programs.

One high-impact area of change in next-generation outsourcing is measuring and managing the value to the organization. The sourcing function plays a proactive role in engaging strategic partners to move from a structured and well-understood output or an expectation-based engagement (such as a service level agreement) to an outcome-based and more flexible partnership. Greater effort is being placed on measuring service provider performance at the point of value realization, such as end-user experience and reduction of cycle time in key business processes. That requires developing a unified strategy based on its stated business goals and agreeing to joint incentives for achieving these goals.

Rapidly evolving and increasing technical skill requirements are emerging as essential components in digital transformation. IT partners play a key role in enabling Swiss Re to scale these skills because, as previously noted, they have access to large talent pools and structured methods of developing a skilled workforce.

Swiss Re found that in-depth industry and company knowledge is immensely valuable in meeting expectations for increased innovation and accountability. For that reason, the company focuses on solving complex challenges by partnering with organizations that bring strong knowledge and experience on a par with Swiss Re's own.

TCS describes such industry and company expertise as the “contextual knowledge” that provides a deep understanding of the exact business environment in which the transformation has to be successful. Crucial to the success of many of these programs is finding the right balance between leveraging and retraining existing employees and bringing in new talent.

Although working with these new models requires that IT partners take on more risk and accountability, their employees are typically eager for the opportunity to flex their creative muscles and gain practical experience in working with the latest technologies. In fact, some partner companies credit their own low attrition rates in part to the opportunities their employees receive from working with Swiss Re.

Similar trends can be observed beyond the insurance industry. TCS, for example, launched a massive internal transformation to familiarize and train its associates with emerging technologies and agile ways of working. The mantra of “no legacy people, only legacy technologies” has helped retain the context and knowledge of the clients TCS works with, while allowing the technology and agile transformation to begin from the roots of several client organizations.

Achieving Sourcing Agility at a Global Scale

It's no secret that financial services companies, including insurance firms, aren't designed to be agile. These entities must meet stringent regulatory demands and build confidence on the part of markets and shareholders that they are sufficiently stable to provide the fiduciary responsibility expected of them.

Swiss Re effectively leverages its global IT partners to be able to seamlessly engage with them across the globe. While distributed agile has become a norm, global operations require that enough time is devoted to building a team and establishing a common goal. During the COVID-19 pandemic, having remote workforces became a common, and necessary, practice. With the rapid rise of videoconferencing, it

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became easier to leverage talent globally, but developing common ways of working and bridging cultural gaps remains crucial.

As a result, while IT sourcing was always looking to clearly draw boundaries between the roles of internal and external organizations to extract maximum value from their partners, the role of sourcing is now evolving to enable breaking the cultural barriers and working to create more integrated models.

Being global brings up additional challenges of managing varying local security and compliance rules. Sourcing has always played a key role in enforcing and governing the organization policies in external partners, and while the engagement models evolve, this aspect remains important. Swiss Re prefers to work with its IT partners early in the demand-management process to ensure that it has the required talent exactly when it's needed. By involving the partners up front, the company is able to build its talent pool, invest in upskilling, and build proofs of concept.

Getting to the Heart of Change

Most successful insurance and financial service organizations have a strong commitment to stability and reliability because both are central sources of their key constituents' confidence in their brands' reputations. For that reason, a “big bang” approach to change – such as launching projects with highly ambitious goals that generate a sense of urgency – are likely to be met with healthy doses of skepticism.

While each cultural change is, of course, an organization-specific journey, IT partners play a key role in this transformation by advising and integrating into the change elements discussed above. IT-sourcing organizations at insurers are typically very strong in vendor governance, but unleashing the full capabilities of technology partners can bring significant innovation to the business. Such partners now take a more direct leadership position and ownership and act from a position of strength and experience. Identifying and enabling the right engagement models, especially with a “lead vendor” concept in critical initiatives, allows the vendor management team and partners to be aligned to the strategic objectives of these initiatives and allows partners to support the transformation. There will be changing roles of the internal and external workforces, and agreements will be drafted with flexibility to handle such changes. The flexibility in the underpinning contracts with the IT partners is one of the important aspects for IT sourcing to manage.

To build a partnership for a successful transformation, IT partners are adopting various approaches, such as co-creation workshops, hackathons, innovation labs, minimum viable products (MVPs), proofs of concept, partnership with startups, alliances with academic institutions, and in-house R&D centers. As an example, Swiss Re and TCS set up a joint innovation fund to facilitate such initiatives in key areas.

At Swiss Re, IT sourcing coordinates and supports the business and IT partners in these initiatives. Getting the whole ecosystem geared up to bring the desired change can make the digital transformation journey smoother and faster.

Conclusion: Pulling Everything Together

Technology change enabled by agile organizations is key to delivering on the promise of digital business models. As we have established, for agile to work, organizations must not only pay attention to their organizational structures and the employee behaviors these structures engender, but also empower and enable their external partner organizations.

While most insurers have been used to contracting specific work, the boundaries created were by the nature of the work being contracted – for example, application development, testing, infrastructure, service desk, and so on – with well-established protocols and service level agreements. With vertically integrated cloud organizations, the boundaries will continue to blur, and the new external relationships will need to be created with this flexibility in mind. It is also essential to build the new engagement models with an “outcome-based” mindset.

Before embarking on any of these initiatives, it's essential to assess where a business stands in terms of its ability to change. Organizations then need to plan methodically, ensuring that they don't over- or underestimate their own capacity to change. Businesses and their leaders need to meet their organizations where they are and proceed from there.

There has never been a more exciting time for IT sourcing. The potential value it can deliver to businesses ensures an ever-changing set of challenges to tackle through smart, strategic implementation of streamlined and automated processes, enhanced technology, and innovative thinking. As bottom-line savings are realized, and strategic benefits are more widely felt, organizations will continue to recognize the tremendous business value that IT sourcing and vendor manage-



ment professionals contribute, making the field an exciting, rewarding career destination.

Vinit Chopade heads IT applications services outsourcing at Swiss Re. He has more than 25 years of experience in management roles, including IT sourcing, IT vendor management, account management, business development, program management, application development, and IT consulting in industries such as banking, reinsurance, pharmaceuticals, media, and construction. He also has extensive experience in implementing IT risk management controls for various regulatory requirements.

He received a bachelor's degree in engineering in 1996 from Veermata Jijabai Technological Institute (VJTI) in Mumbai, India, and an international MBA in supply chain management in 2018 from ETH Zurich, Switzerland. He is a certified SAFe 5 Agilist, SAFe 5Lean Portfolio Manager, and Project Management Professional, and is Six Sigma-certified.

Shailesh Yadav heads the insurance business for Tata Consultancy Services in Central Europe. He is a member of TCS's leadership teams for Europe and the global Banking, Financial Services, and Insurance Business Unit. He has been with TCS since 1996.

With nearly 25 years of experience in diverse services across IT and IT-enabled services, he has successfully conceptualized and implemented a variety of change and transformation programs such as business transformation, outsourcing, and several other areas. For the past 18 years, he has served the insurance industry in roles that include domain specialist, program manager, change lead, account manager, and relationship director. He has also partnered with global clients on creating and implementing sourcing strategies across industries such as retail, utilities, and manufacturing. He is an electrical and electronics engineer and a graduate of the National Institute of Technology in Surathkal, India. He lives with his wife in Munich and loves reading inspirational autobiographies and hiking in the mountains.

ABOUT TCS

Tata Consultancy Services is an IT services, consulting, and business solutions organization that has been partnering with many of the world's largest businesses in their transformation journeys for more than 50 years. TCS offers a consulting-led, cognitive-powered, integrated portfolio of business, technology, and engineering services and solutions. This is provided through its unique Location Independent Agile delivery model, recognized as a benchmark of excellence in software development. A part of the Tata group, India's largest multinational business organization, TCS has more than 500,000 of the world's best-trained consultants in 46 countries. For more information, visit www.tcs.com.

ABOUT SWISS RE

The Swiss Re Group is one of the world's leading providers of reinsurance, insurance, and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk — from natural catastrophes to climate change, from aging populations to cybercrime. The aim of the Swiss Re Group is to enable society to thrive and progress, creating new opportunities and solutions for its global client base, which consists of insurance companies, mid-to large-sized corporations, and public sector organizations. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group employs about 14,500 people and operates through a network of about 80 offices worldwide. For more information, visit www.swissre.com.

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