



Fast-tracking Technology Adoption in Insurance to Combat COVID-19 Impact

Banking, Financial Services and Insurance



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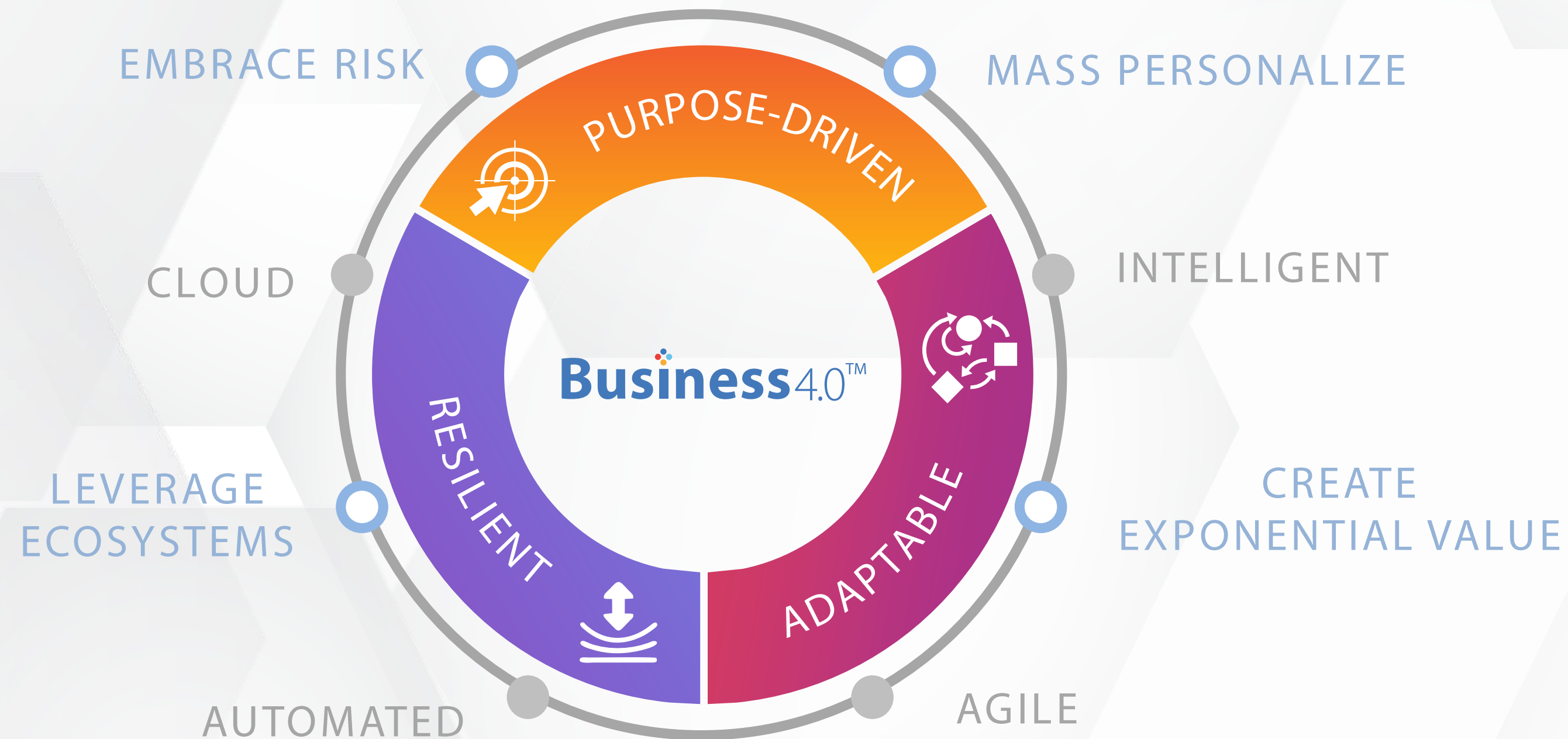


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About the Authors



Srivathsan Karanai Margan

Srivathsan Karanai Margan, is a domain consultant with the Insurance Research and Innovation Lab in TCS' Banking, Financial Services and Insurance (BFSI) business unit. He has more than 25 years of experience across core insurance and information technology. Srivathsan holds a Bachelor's degree in mathematics from the University of Madras, Chennai, India, and an MBA in systems management from Madurai Kamaraj University, Madurai, India. He is a Fellow of the Insurance Institute of India and a certified associate in Annuity Products Administration from Life Office Management Association, USA.

Venkat Seshadri

Venkat Seshadri heads the Insurance Research and Innovation Lab in TCS' Banking, Financial Services and Insurance (BFSI) business unit. He has 23 years of experience across core transformation, consulting, solution development and innovation in the insurance industry. In his current role, he leverages the capabilities of new technologies to reimagine insurance products, processes and customer experience. Venkat holds a Bachelor's degree in Engineering from the College of Engineering, Anna University, Chennai, India.

Abstract

The COVID-19 outbreak will likely result in the year 2020 being looked upon as annus horribilis by future generations. There is no period in living memory when most human activities simply froze all over the world. The pandemic occurring in an era where the global economy is intensely interwoven with globalized production and service value chains has resulted in an economic crisis. An unexpected silver lining to the COVID cloud, however, has been the ascent of emerging technologies to provide timely and meaningful support to combat the contagion. These technologies are assisting not only in efficient pandemic management but also in sustaining the continuity of economic activities. The COVID-19 crisis is acting as a catalyst to change the course of several social and business norms forever. This white paper discusses how the insurance industry will leverage emerging technologies to adapt to the post-COVID world.



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Containing the COVID-19 Impact with Tech Power

The COVID-19 pandemic has exposed the vulnerabilities in global healthcare as well as economic models. While the healthcare infrastructure is choking and unable to support the scores of people requiring care, society and businesses are witnessing unprecedented disruption. With no proven tools or methods for prevention, diagnosis, and treatment, COVID-19 presents a tough challenge requiring governments to strike a balance between containing the contagion and sustaining economic activities to protect livelihoods. Governments have resorted to reactionary steps like enforcing social distancing and lockdowns of varying degrees to reduce the spread and flatten the curve.

In this arduous fight against COVID-19, governments, epidemiologists, healthcare, and other industries have received unexpected support from several emerging technologies such as 3D printing, artificial intelligence (AI), conversational tools, drones, internet of things (IoT), and robotics. The COVID-19 crisis has thus become a tipping point for these technologies to break the 'will-do-only-in-the-future' barrier and move out of pilot purgatories into purpose-driven implementations to prove their utility.

Emerging technologies are being deployed across the entire sense-think-act-create-collaborate paradigm in areas like

epidemiological analysis, outbreak monitoring, spread prevention, managing the burden of healthcare personnel and the global production value chain, as well as to facilitate remote economic activities. Given that the medical research into finding a cure is in the early stages, an effective cure may be months away. Considering this futuristic timeline, businesses will have to commence full-fledged operations within the new constraints and rules imposed by the pandemic. As they strive to reinvent themselves to thrive in the new environment, they will have to exercise extreme caution.

Insurance in the Post-COVID World

The ramifications of COVID-19 on the insurance industry have been severe. Insurers have responded tactically to the crisis by focusing on maintaining reasonable service levels, surviving the pandemic, and mitigating the fallout. To achieve this, insurers have demonstrated remarkable agility by implementing several operational and procedural changes in a very short time.





Responding to the crisis

The delinking of work from the designated workplace is the most significant change triggered by COVID-19. Businesses are realizing that many of the procedures they always believed to be cast in stone are actually negotiable. As in other industries, insurers also adopted the remote work culture to sustain basic operations and service continuity. Collaboration tools and video chats are being leveraged to handle internal operations. Digitalization projects initiated earlier to enrich customer experience are helping insurers to deliver seamless service during the period of crisis. Conversational tools such as chatbots and voice-bots have emerged as the first and back-up lines of defence to handle the heavy influx of customer queries and service requests. Insurers are contextually tweaking and simplifying highly regulated, paper-rich, and high-contact processes to make them consumer-friendly. Digital forms, e-signature, and digital currencies are being used to facilitate the sales and service functions.



Transition to normalcy

As economic activity resumes in the absence of a cure or vaccine, several existing restrictions such as social distancing, remote work, and contact-less functioning are likely to prolong into the medium term. To facilitate seamless remote work, insurers will need to break away from traditional approaches and infuse the agility required to rapidly redesign business models, products, and services. The traditional brick-and-mortar hub-based models will need to adapt to new remote, distributed, and virtual sales and service models. The long-established procedures must become agile to fit into the new constrained operational frame.

Insurance contracts generally involve fewer customer touch-points; however, such instances of contact are generally excessively people-centric, critical, and represent the ultimate moments-of-truth to customers. Previous attempts by insurers to reduce this intensity by commoditizing products and disintermediating sales and service met with limited success because of the inherent complexities in certain products. In the prevailing situation, insurers must re-examine their products, processes, and operating models to explore and identify options for aggressive digitalization to introduce more self-service, contact-less, and remote service options (see Table 1).

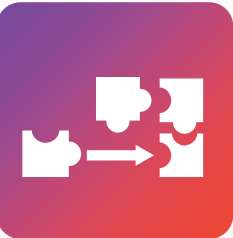
Theme	Technology with a purpose	Insurance Business Models and Operations										
		New products	Sales		Underwriting	Policy services		Claims		Risk		Business models
			Virtual and assisted sales	Intermediary enablement	Risk assessment	In-premise	Remote	Inspection and assessment	Settlement	Risk recalibration	Manage new risks (cyber, remote work)	Risk prevention and response ecosystems
Customer Engagement	Augmented reality		✓					✓	✓			
	Video interface		✓	✓	✓			✓	✓			
	Virtual reality		✓					✓				
Intelligent Automation	AI and machine learning (ML)	✓	✓	✓	✓			✓	✓	✓	✓	✓
	Application programming interfaces (APIs) and micro services		✓		✓			✓	✓			✓
	Cognitive automation		✓		✓			✓	✓	✓	✓	✓
	Collaboration tools		✓	✓	✓			✓	✓			✓
	Conversational tools (text and voice)		✓	✓				✓	✓			
	Digitalization	✓	✓	✓	✓			✓	✓		✓	✓
	Image and video processing				✓			✓	✓			✓
	Service robots						✓					
Rescaling Efficiency	Drones				✓			✓	✓			
	Geospatial technology				✓			✓	✓			✓
	Internet of things (IoT) (sensors, wearables)				✓			✓	✓			✓

Table 1: Technologies Supporting Insurers' Battle with COVID-19

Re-examining their cloud-strategy to build a resilient data and application armory will be imperative to weather future shocks. Insurers must explore technologies like virtual reality, augmented reality, and virtual-visit solutions for facilitating virtual sales and intermediary enablement. The deployment of robots could help in providing infection-free, in-premise customer service. Insurers could experiment with simplified, episodic, on-demand, and parameterized, products that can be sold and serviced via conversational tools.

The existing underwriting and claim functions are paper-dominated, excessively people-dependent, multi-level interaction-based, and require physical proximity. Insurers will have to streamline internal operations, intermediation, and servicing processes by adopting intelligent workflows, cognitive automation, digital collaboration tools, and algorithmic decision-making. The need for remote risk inspection and assessment will prompt insurers to simplify the function and adopt a hybrid approach with many activities delegated to customers. New collaboration solutions that allow customers to capture and submit the images or videos will see an uptick. Besides, insurers will have to increase the adoption of IoT sensors, drones, geospatial technology, and satellite imagery in risk inspection and assessment functions to make them touch-free and accurate.





Adapting to the next reality

The fight against COVID-19 has just started. The initial reflex response will be followed by a period of planned and purposeful action. It may be too early to speculate regarding the long-term success and adoption of these technologies. Nevertheless, the early patterns indicate a growing trust in them. Once a cure for COVID-19 is discovered, insurers may revert to the time-tested traditional practices in a few areas; however, some changes could well become permanent and evolve into a new way of working. A permanent change in the industry business models and widespread adoption of new technologies will essentially require insurers to redefine risks, perils, and hazards. For example, changes like remote work, telemedicine, tele-education, and so on, which occur in a digital landscape will change the definition of workplace and workplace risks. Insurers will have to expend

significant effort in understanding the risks from changed businesses models, create appropriate products, as well as build sustainable operational models with the ability to withstand future paradigm shocks.

Government mandated hard surveillance measures to contain the spread of the pandemic could prompt customers to accept the soft surveillance required for connected insurance products. Consequently, insurers will be able to introduce innovative products and services that enable remote monitoring, intervene autonomously to prevent risk, offer dynamic and usage-based pricing. However, insurers must ensure that such innovations comply with privacy regulations. In addition, the overdependence on



data-driven autonomous algorithmic decision-making will expose insurers to liabilities emanating from discriminatory and faulty decisions. The increase in the adoption of these new age technologies will also proportionately expand the cyber-attack surface and risk dynamics for insurance companies.

The insurance industry has traditionally operated in an ecosystem, collaborating with other stakeholders to perform risk selection and deliver service to customers. However, the restrictions imposed by the pandemic have unmasked several operational inefficiencies in these ecosystems necessitating a technological reevaluation to improve the degree of integration and response. This in turn will accelerate the growth of purpose-driven insurance-as-a-service models. With macro risks such as economic slowdowns, geopolitical tensions, and climate risk rising, the overall risk severity magnifies exponentially – much more than what a pandemic could individually unleash. While insurers have always specialized in analyzing the impact of various risks both internal and external, the simultaneous occurrence of multiple major risks is extremely rare. Given this predicament, insurers must leverage AI and machine learning (ML) to synthesize numerous risk scenarios, recalibrate risk models, and initiate steps for proactive risk mitigation.



Managing Technology Risks

New technologies can undoubtedly help the insurance industry; however, the complexities of these technologies and the risks they pose are as yet unclear. Premature adoption of these technologies by businesses may expose them as well as insurers to several 'unknown unknowns' and silent risks. Insurers will need to assess and model the risks that could originate from these technologies individually and collectively. Experimenting with these technologies by conducting pilot launches with partners to understand the risks and their changing nature is imperative before embarking on a full-fledged implementation. Insurers could perform focused technology driven tests to ascertain these risks and appropriately change risk assessment, underwriting, and pricing approaches. Most importantly, the contracts must avoid non-affirmative risks, define the scope of coverage, and explicitly communicate technology-related obligations and exclusions to customers.



Looking Ahead

While there is no clarity on how the COVID-19 pandemic will play out, there is no doubt that the battle will be a long one. For insurers, COVID-19 will become an epoch determinant clearly differentiating the pre- and post-pandemic business models, products, and services. As insurers prepare to transition to the next reality, their success will depend on their ability to reinvent themselves to manage changing operating models and risks as well as adapt to the changed behaviors of customers, intermediaries, and the workforce. In our view, insurers must shift business focus from profits to purpose – the purpose that drives customers – and build efficient digital ecosystems to satisfy those needs. In addition, insurers must establish closer ties with all stakeholders. Adopting a strategy built on these tenets will set insurers on the path to success in the post COVID-19 era. Needless to say, quick action will separate the leaders from the pack.



Contact

For more information on TCS' Banking & Financial Services, please visit <https://www.tcs.com/banking-financial-services>

Email: <http://bfsi.marketing@tcs.com>

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