

COVID-19: Recovery and Beyond for Life, Health Insurance, and Pension Providers

Banking, Financial Services and Insurance



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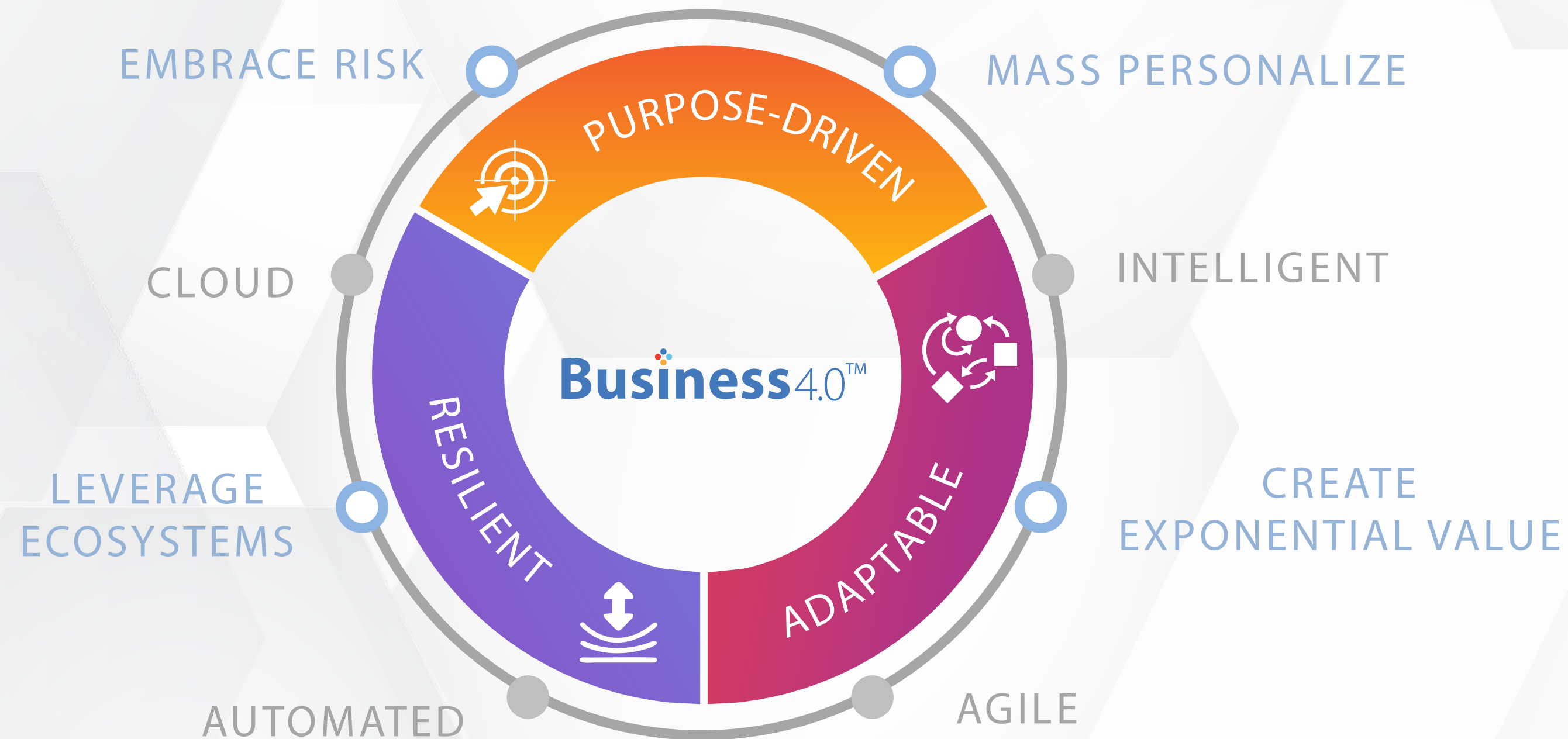


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About the Authors



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Bhagyalakshmi Srinivasan is an industry advisor with the Insurance Industry Advisory Group of TCS' Banking, Financial Services, and Insurance (BFSI) business unit. She has close to 30 years of experience across IT and life insurance industry with specialization in life and health insurance, retirement, annuities, and pensions. Her global experience spans advisory, consulting, and thought leadership to define futuristic innovative business transformation roadmaps. Bhagyalakshmi holds a Bachelor's degree in Science from Bangalore University, India and a Postgraduate Diploma in Systems Administration from NIIT, India. She also has dual fellowship in life insurance from Insurance Institute of India and LOMA, USA.

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Abstract

The COVID-19 pandemic has hit us hard and the world is reeling under its direct and indirect impact. In the insurance industry, life, health insurance, and pension providers are scrambling to minimize the impact and ensure service continuity and keep their promise to customers.

As we move from the crisis phase to the transition phase, it's time for insurers to learn from the crisis and relook at their business, operations, application models, supply chain, and the work force.

This white paper analyzes the impact of the pandemic on life, health insurance, and pension providers across the four stages – crisis, transition, post COVID, and future-proofing – of the pandemic. The paper also suggests measures that life, health, and pension players can implement to contain the impact, drive growth, and emerge as value leaders in the post COVID world.



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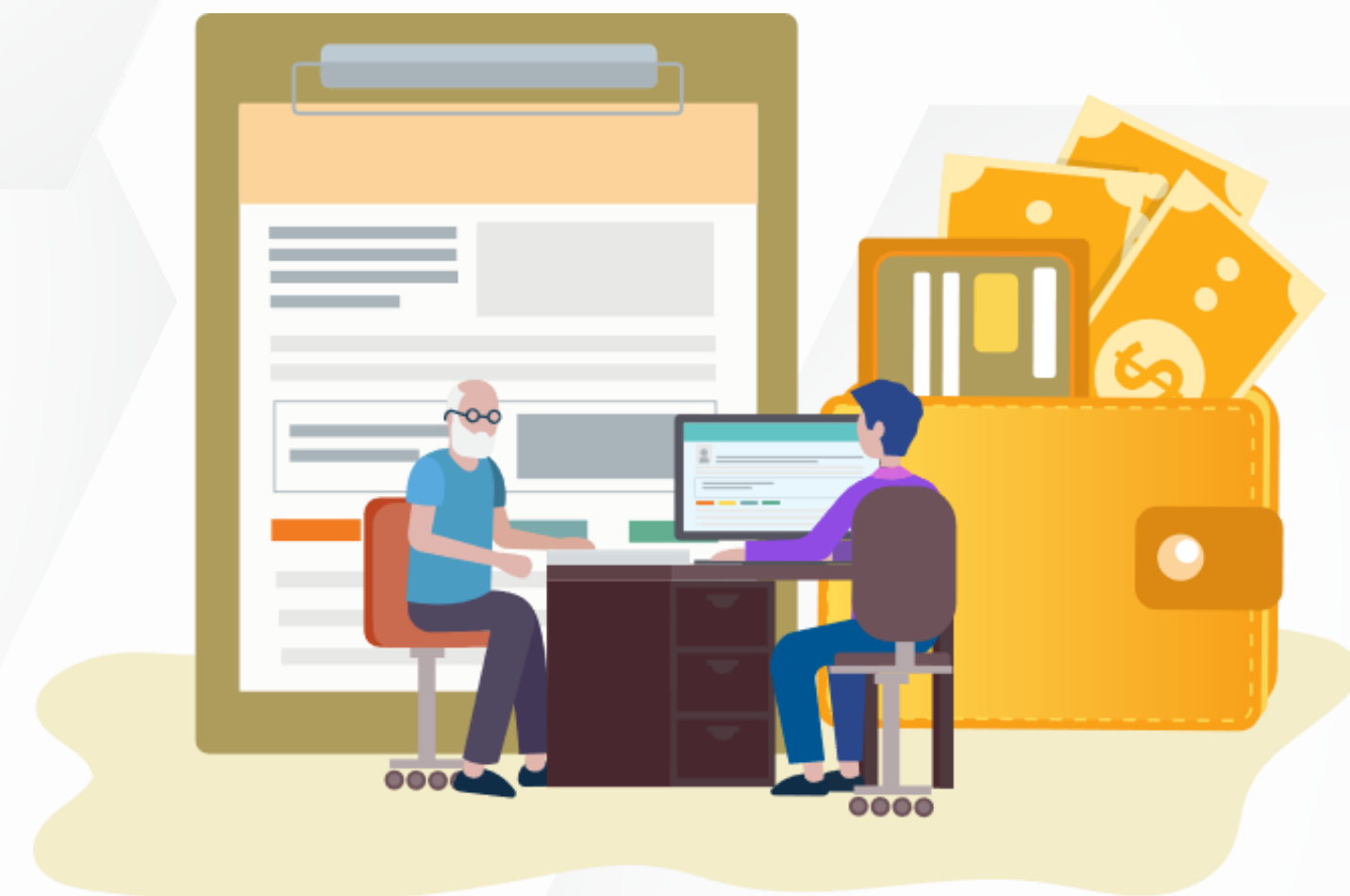
The Impact on the Life, Health Insurance and Pensions Industry

The COVID-19 crisis has caused unprecedented disruption to the life, health insurance, and pensions industry. Life and health insurers are grappling with a series of challenges as their top and bottom lines are adversely impacted by the huge number of deaths and surge in medical and life insurance claims, withdrawals, surrenders, and loans resulting in increased cash outflows. At the same time, extension of grace period for premium payment granted by governments, coupled with reduced sales and investment returns, has led to a shortage in cash inflows. The need to modify taxation rules and withdrawal limits for retirement and pension pots has further exacerbated the situation by adversely impacting cash outflow.

Risk assessment has been compromised as most virus infected individuals are asymptomatic during the initial days and this might have led to selection of bad risks. Social distancing and remote working have posed challenges in ensuring data privacy and cybersecurity besides increasing the turnaround time to service, especially for insurers that have lagged behind in adopting digital technologies.

The pandemic has triggered stock and bond market downturns and volatility, spike in fund value enquiries, huge volume of withdrawals and loans. Increased cash outflows are impacting policy cash values and the actuarial assumptions made while

pricing defined and guaranteed products. Temporary changes to existing withdrawals and taxation rules by governments and regulators to benefit consumers are affecting retirement, pension, and annuity players.



Steering through the Crisis

In our view, the crisis will traverse four phases – **crisis, transition, post COVID, and future-proofing** – but these phases are likely to overlap. Actions taken by insurers in the initial phases will prolong into the latter phases, and could well emerge as permanent features in the new, post-COVID reality. We believe that life, health insurance, and pension providers can lead in the post COVID world by implementing purpose-driven growth strategies and infusing resilience and agility into their business models to adapt to evolving scenarios in each of the four stages. Given that growth will be minimal during the early stages of the pandemic, organizations must define strategies aimed at building resilience, accelerating growth, and delivering value to customers in the latter phases of the pandemic (see Figure 1).

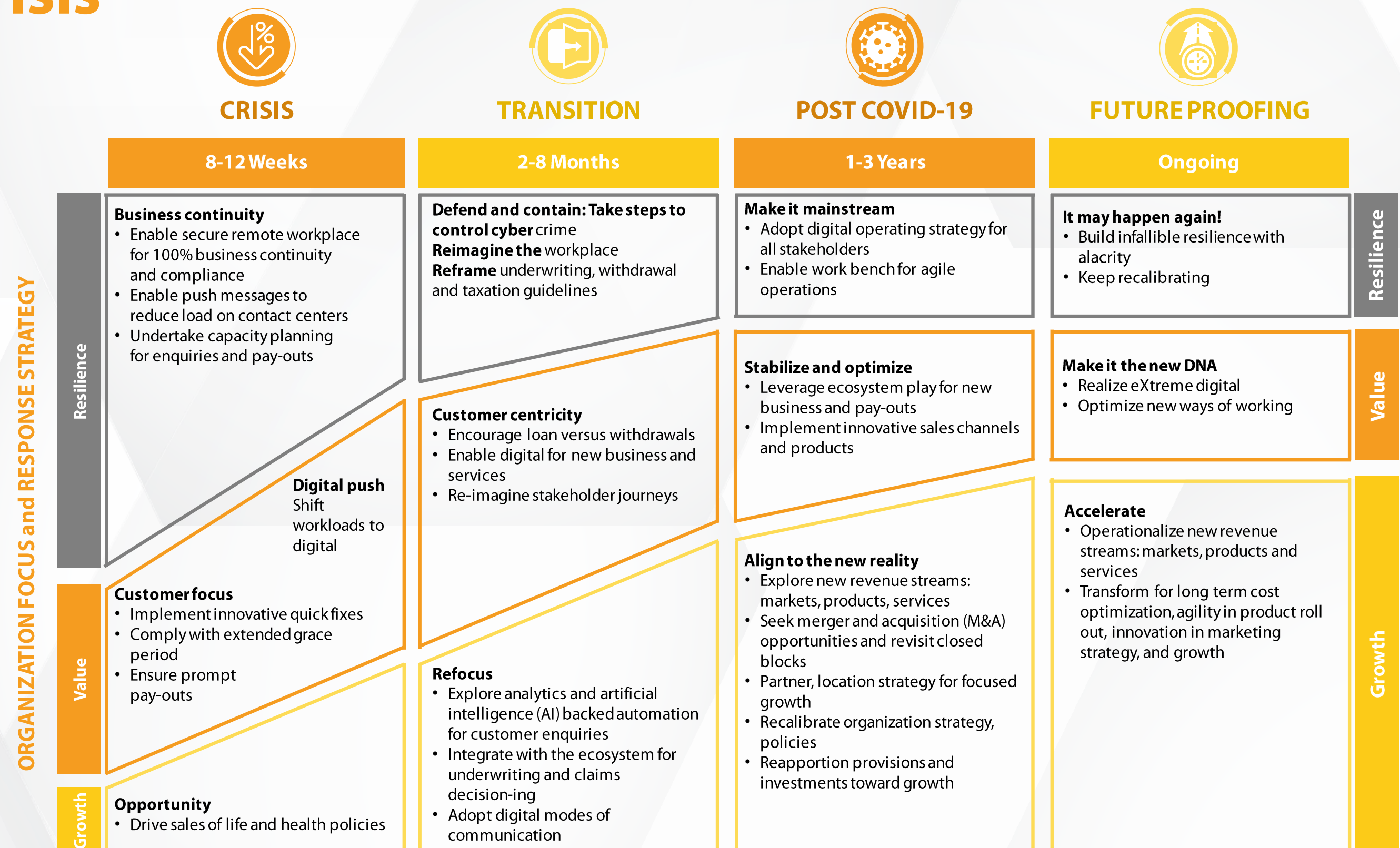


Figure 1: COVID-19 - Business Implications for Life, Health Insurance, and Pension Providers

In the initial **crisis** phase, life, health insurance and pension providers must focus on building resilience to endure the shocks of the pandemic and ensure uninterrupted service delivery and superior customer experience. Firms must install bots to address customers' initial queries on products and procedural changes as well as to dissuade them from surrendering or withdrawing. Customers must be guided toward other avenues such as loans. Digital channels must be deployed to obtain signatures and documents for underwriting, servicing, and claims processing. Similarly, assisted self-service channels should be enabled for premium collection and claims settlement while video and other innovative tools must be used to facilitate face-to-face sales consultations. Resilience and agility must be at the core of

the response strategy, which in turn will help adapt to and survive future shocks like the COVID crisis.

The **transition** phase will see governments across the globe relaxing lockdowns, travel, and business restrictions. However, social distancing and other precautionary measures will likely continue as the relaxation may result in a spike in COVID cases. Based on the lessons learnt from the crisis phase, life and health insurers should continue to focus on building resilience. In addition, firms must take purpose-driven actions like creating ecosystems to unlock value from the compound effect in areas like medical underwriting, claims settlement, and alternative sales channels. For instance, one of our clients nurtured a diverse ecosystem

comprising insurers, investment firms, health and wellness players and retailers to help members track their health and fitness with rewards for achieving predetermined goals as well as monitor the performance of their investments. Creating the ecosystem not only helped the insurer to deliver superior, digital customer experience and quickly establish a leadership position in the market well ahead of the nearest competitor, but also enabled other players in the ecosystem by creating a new source of revenue.

Life, health insurers, and pension providers must analyze crisis management capabilities, relook at their technology and business operations model, and identify deficiencies, if any, in the **post COVID-19** phase. Strategies must be implemented to upgrade or replace

technology infrastructure and business models, as appropriate, to close the gaps. Product strategies should be tweaked to leverage customer analytics and introduce configurable usage-based products. Based on customer analytics, firms must identify new needs and design products and create innovative distribution channels to expand customer reach. In addition, firms must move toward resilient policy administration and touchless claims payout systems to help comply with social distancing norms. Group life insurance and pension providers must adopt digital processes in areas such as forms, data management, and analytics to enhance data transparency, and schema governance for their sponsors and members.

In the **future-proofing** phase, life, health insurers and pension providers should focus on future-proofing their operations to weather unexpected catastrophes such as the COVID-19 pandemic. Given the scale of the pandemic and widespread impact on life as we have known it, new consumer behaviors and patterns will emerge. Defining strategies that are underpinned by such new behaviour patterns and the underlying purpose driving customers will help life, health and pension players to deliver value and drive growth in the post COVID era. To achieve this, firms will need to revisit the enterprise transformation strategy, recalibrate core modernization programs, and continue with regulatory programs leveraging agile methodologies.

Updating the technology stack, migrating to the cloud, and integrating with the ecosystem in addition to enhancing digital solutions to enable 'fluidless' underwriting and touchless claims processing, and automating repeated processes must also be prioritized. Adapting to the new reality defined by the pandemic and flourishing in the post COVID era will require firms to enter new geographies, cater to new customer segments, introduce personalized usage-based products, and design new offerings to suit individual customers.





Getting Down to Brass Tacks

From an implementation perspective, insurers will have multiple ongoing enhancement and transformation projects at any point in time. These projects will span the entire policy value chain and a multitude of stakeholders, and information technology and infrastructure services must be enhanced accordingly to accommodate expectations.

While defining their strategy, life, health insurers and pension providers should evaluate the enterprise-wide impact of the pandemic across infrastructure, applications, employees, customers, distributors, products, and business processes across the policy value chain.

Specific actions to drive recovery and growth can be classified into the following key themes:



Products for a new beginning

Need, usage-based, configurable customer-centric products embedded with analytics framework to derive insights and craft customized offerings



Remote underwriting

Fluidless' underwriting and medical underwriting authenticated through digital medical reports in the health ecosystem



Socially distanced customer experience

Virtual connect with customers, distributors, agents, underwriters and internal executives for sales and service; robotics for automation at first point of contact during customer service



Touchless claims

Agile claims initiation, validation of cause of death through authorized patient tracking applications and detection of previous health insurance or government benefits, faster and more accurate claims settlement



Resilient policy administration

Resilient and agile systems and processes to enable seamless integration with end customer applications on mobile and other channels including social platforms



Purpose-driven ecosystems

Diverse ecosystem comprising insurers, investment firms, health and wellness players and retailers to move from protection to prevention and deliver exceptional customer experience



Adaptable agency and distribution

Distribution applications adaptable for both online and advisory based channels covering aspects like co-browsing, video integration, digital marketing and remote sales



Looking Ahead

Life, health insurance and pension providers must gauge the rapidly changing socio-economic environment and adjust their strategy and response in an agile manner to remain competitive. To ride out the disruptive impact of crises like the COVID-19 pandemic and come out stronger and thrive in the post crisis world will require firms to build purpose-driven ecosystems. Rigorous digital transformation across the life, health, and pensions value chain, resilient infrastructure and adaptable business models will be critical to this transformation. Firms that act fast will steal a march over the competition and become market leaders.



Contact

For more information on TCS' Banking & Financial Services,
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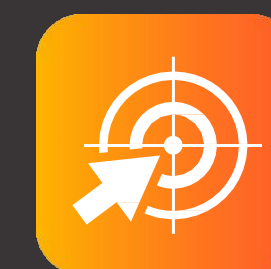
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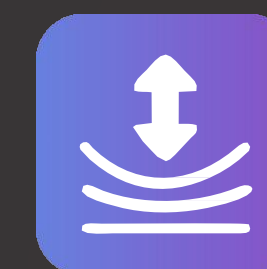
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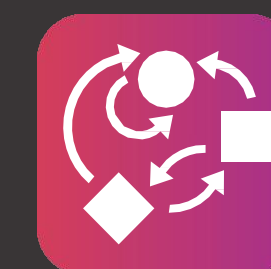
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