

Reinventing the Insurance Enterprise through Digital Reimagination

Abstract

Today's insurance ecosystem is characterized by complex business models, strict regulations, and a digital imperative that insurers embrace digital capabilities to tackle these challenges proactively to overcome antitrust, regulatory, and even survival.

In the 1960s, the insurance industry pioneered the use of mainframes, and in the 1980s they were among the early adopters of imaging and document management technologies. Once again, insurers are on the cusp of a new technological transition faced with an interconnected, customer-centric, and hyper-competitive business environment.

“As insurers try to make sense of what opportunities exist through improved engagement and risk evaluation, much of their IT investment is focused on technologies and capabilities that can help them differentiate in these areas.”

*Jamie Macgregor,
Senior VP, Celent Insurance.*

Analyst firm Celent¹ estimated that the total insurance IT spend across North America, Europe, Latin America, and the Asia-Pacific will reach US \$184.9 billion by the end of 2016. Global IT spending is predicted to grow moderately, with a 6.2% CAGR to 2018.

Challenges and Opportunities in the Current Insurance Ecosystem

	Challenge	Opportunity
Industry complexity	The industry insures diverse sectors and is controlled by stringent federal and global regulations. Also, many firms still use inflexible legacy systems.	Insurers need to simplify and rationalize redundant systems, reduce product complexity, transform processes, and increase collaboration.
Customer-centric shift	The industry is becoming customer-centric, requiring seamless, real-time and automated retail-like transactions, available anytime, anywhere, via any channel. This ‘consumerization’ also has changed the expectations of insurance company employees, who want workplace flexibility, task automation, and a corporate commitment to innovation.	To meet customer and employee expectations insurers will have to: <ul style="list-style-type: none"> ■ Increase collaboration ■ Extend all available channels and forms of distribution. ■ Invest in call centers, customer communications management, and fraud prevention. ■ Implement stricter security policies to guard against new risks while providing easy access, visibility, and convenience.
Competitive new environment	Tech-savvy non-traditional players are leveraging data analytics, mobility, social media, and cloud platforms to offer stiff competition.	Insurers will need to match new competitors' capabilities to stay relevant even though they may not be subject to the same regulatory mandates.

Driving Transformation through Digital Reimagination

Digital reimagination requires complete cultural and operational transformation. Here are eight technologies to help insurers drive innovation across the value chain.

Analytics and Big Data

Big Data technologies offer insurers the ability to capture the data digitally in real time, and leverage it more effectively through advanced analytics and modeling to gain insights into customer behavior and preferences. In the area of risk management, location-based data capabilities, visualization, and sophisticated modeling tools help drive a more predictive approach in dealing with different types of risks.

The Internet of Things (IoT), Telematics, and Sensors

Developments in IoT, telematics, wearables, and connected or smart devices enable new ways to reduce risk and improve customer experience.

- Predictive analytics to help policyholders avoid accidents, catastrophes, illnesses and damage to property through alerts sent on their smart devices.

- The connected home ecosystem lets insurers continuously underwrite and transform claims management through prevention and reduced cycle time.
- Personalized data gathered through telematics and wearables helps insurers calculate risk, adopt a preventive-versus-reactive customer service approach, and offer an omnichannel experience.

Drones

Underwriters can use real-time sensor data and images of damage to property or cars captured and transmitted by drones to improve the claims process. Also, as a wide variety of industries increasingly are using drones, insurers will create new revenue opportunities by providing targeted coverage for them.

Robotics

For the process-heavy insurance industry, robotics and AI can augment an insurer's workforce and enable employees to shift from routine transaction processing to high-value activities. For instance, claims volumes tend to spike during a natural disaster, and robotics can help insurers quickly verify and process the claims to enable speedy and accurate payments.

Mobile

Self-service via mobile apps, websites, and customer portals improves customer satisfaction and product or price comparisons, by providing real-time access to the right product and service and enabling rapid decision making and sales.

Insurance Imagery

Insurance imagery helps insurers engage with commercial customers. For example, showing commercial customers the risks associated with their asset portfolio and recommending insurance products to protect them can help drive sales.

Cloud

Insurers will be able to match the speed of tech-savvy new entrants in implementing new systems or introducing new products as the cloud supports robust analytics and data management capabilities for competitive differentiation.

To comply with FEMA's (Federal Emergency Management Agency) flood claims reporting process, a large US-based property and casualty insurer deployed Robotic Process Automation (RPA) to implement end-to-end automation of the flood claims submission process, and to eliminate scheduling and forecasting issues. With RPA the insurer was able to process five times the previous volume in a single day.

Social Media

By leveraging the immediacy of content and data shared on social channels, insurers can gain deeper insights into customer and distributor behaviors and needs. This helps improve underwriting, claims management, fraud detection, and targeted products and services. For instance, insurers can respond to a social media post about a car purchase with a targeted insurance offer.

The Future of Insurance

Evolving technologies are not the only forces driving change in the insurance business. Mergers in the insurance industry have led to the convergence of the insurance, financial services, and technology curves.

Here are three upgrades the reimagined insurance industry is likely to make.

- Reinvent underwriting by moving from predictive analytics towards prescriptive analytics
- Offer a NextGen digital customer experience that is consistent, contextualized, and collaborative
- Create new products in shorter timeframes by applying telematics and capturing data from 'always on' devices

Conclusion: Moving Towards a 'Default is Digital' Environment

The NextGen insurance company must create a digitized workplace that uses social collaboration tools and capabilities to engage its employees and customers and completely overhaul existing business models and processes.

As a growing number of insurers rapidly move towards a 'default is digital' world, the industry is harnessing technologies to mine valuable customer data and gain deeper insights into consumer preferences. Implementing digital initiatives across the insurance value chain can help companies make a fundamental shift and realize the e-mover advantage, critical to the industry's future.

References

- [1] Celent IT Spending in Insurance: A Global Perspective, 2016, accessed May 13, 2016, <http://www.celent.com/reports/it-spending-insurance-global-perspective-2016>
- [2] Gartner, Defining 'Digital Insurance' Beyond the Buzzword, January 29, 2015, <https://www.gartner.com/doc/2973118/defining-digital-insurance-buzzword>

A US-based global property and casualty insurer deployed a centralized, virtual, and flexible claims platform across multiple geographies, which included more than 80 companies. As a result, the insurer was able to simplify processes, improve agility and reduce costs, and is on target to achieve \$22 million in cost savings over the next five years.

About The Author

Katherine Burger

Katherine Burger is the Practice Lead of TCS' Insurance and Healthcare unit.

Kathy Burger is a Practice Lead with the Insurance and Healthcare unit at TCS. She is a thought leader and communicator in the area of business technology, with a particular focus on analyzing the ways technology enables financial services organizations to be more productive, competitive, and profitable. She previously served as Editorial Director of Insurance & Technology and Bank Systems & Technology.

Contact

Visit TCS' Insurance Business unit page for more information

Email: global.insurance@tcs.com

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