

Digitizing Insurance

Transforming Legacy Systems to Adopt Modern and Emerging Technologies



A RapidValue Solutions Whitepaper



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Executive Summary

Insurance companies have to transition to digital enterprises, to remain competitive. It is a pre-requisite to become profitable in this age of constant disruption. The ultimate aim of insurance is to provide financial stability and protection for customers during all the stages of their lives and this will always remain the same. How digitalizing will help the insurers to achieve this goal will evolve in the near future.

This paper explains how insurers can use the digitization (digitalization) opportunity to deliver greater value to their customers. It is also, revealed how the companies can gain competitive advantage. Insurers are able to engage more intensely with the existing customers and also, attract newer customers with the help of innovative products. Digitizing improves profitability and facilitates growth.

Definition of Digitalization in the Context of Insurance

"Digitalization means shifting the fundamental business model to support electronic channels, content and transactions, while balancing traditional practices that cannot be ignored (for example, hard-copy documents and correspondence, face-to-face interactions, and call center volume). The balance required for digitalization will depend on geography, line of business (LOB), corporate strategy and customer preferences. Overall, digitalization will overlap with many pre-existing and emerging strategies, such as customer experience management, CRM, e-business/e-commerce/Internet insurance, multichannel integration, mobility and paperless operating models." – Gartner.

Why is it Important to Modernize?

Transforming for Growth

Revenue growth continues to flounder or stagnate, largely, as industry struggles to attract new clients. Adding to it, there is a drop in customer experience because of the underscored rising customer expectations which further, results in dragging down of the customer experience levels.

Insurers need to explore direct-to-consumer options, particularly to target gen Y (>50% internet users), lower-income, and other underserved segments.

Achieving Information Fluency

Many insurers are not poised to fully leverage the colossal amount of data they already have, let alone the new sources of information and real-time analysis at their disposal.

New data management infrastructure and governance architecture should be disrupted of outdated, siloed systems, while turning data into, both, a strategic asset and a competitive advantage.

Digitalization is, also, helping to reduce fraud claim risks by integrating social media and other behavior based algorithms into claims management.

The Bots are Ready



Digital Forensic Investigator

Social media trawlers who check digital alibis to confirm insurance claims & bonafide.



Cyber Actuary

Works out the personal risk and loss associated with the hack of an insured's digital profile.



Solution Architect

Figures, how to integrate data from connected devices and platforms into automated claims and approvals.



Telemedicine Nurse

A nurse located anywhere in the world that administers medical checks via video conference.



Drone Pilot

Pilots multiple drones to take photos of claims for assessments.

Digital Market Share on Distribution is Growing

With tech players launching services like price comparison websites and online service providers like Google or Amazon, they are expected to play a major role in the insurance industry. The digital distribution share is expected to increase drastically in the next 3 years.

When more customers begin to adopt digital insurance quoting and full online policy issuance (depending on the insurer's strategy and IT capabilities), these services will become the main source of insurance leads and revenue.

The emphasis on direct selling, with right choice of technologies and user experience, helps to reduce costs, improve revenues and loyalty. This, also, enables direct feedback from customers on products.

While consumers are warming up to emerging digital technologies, to meet the changing customer expectations (such as using applications on smartphones, improved customer experience, enhanced customer support with human touch, etc.), increased channel demands and enterprise needs, life insurers and property and casualty (P&C) insurers are modernizing their legacy core systems. There are, however, challenges ahead.

Technical Challenges in Modernization of Legacy Systems

Insurers are responding by developing new applications on top of the older applications. Larger insurers have rarely consolidated their systems. This challenge lies because of the merger and acquisition activities or channel diversification. These complicate legacy system, making digital investments ineffective, redundant and scaling-up difficult.

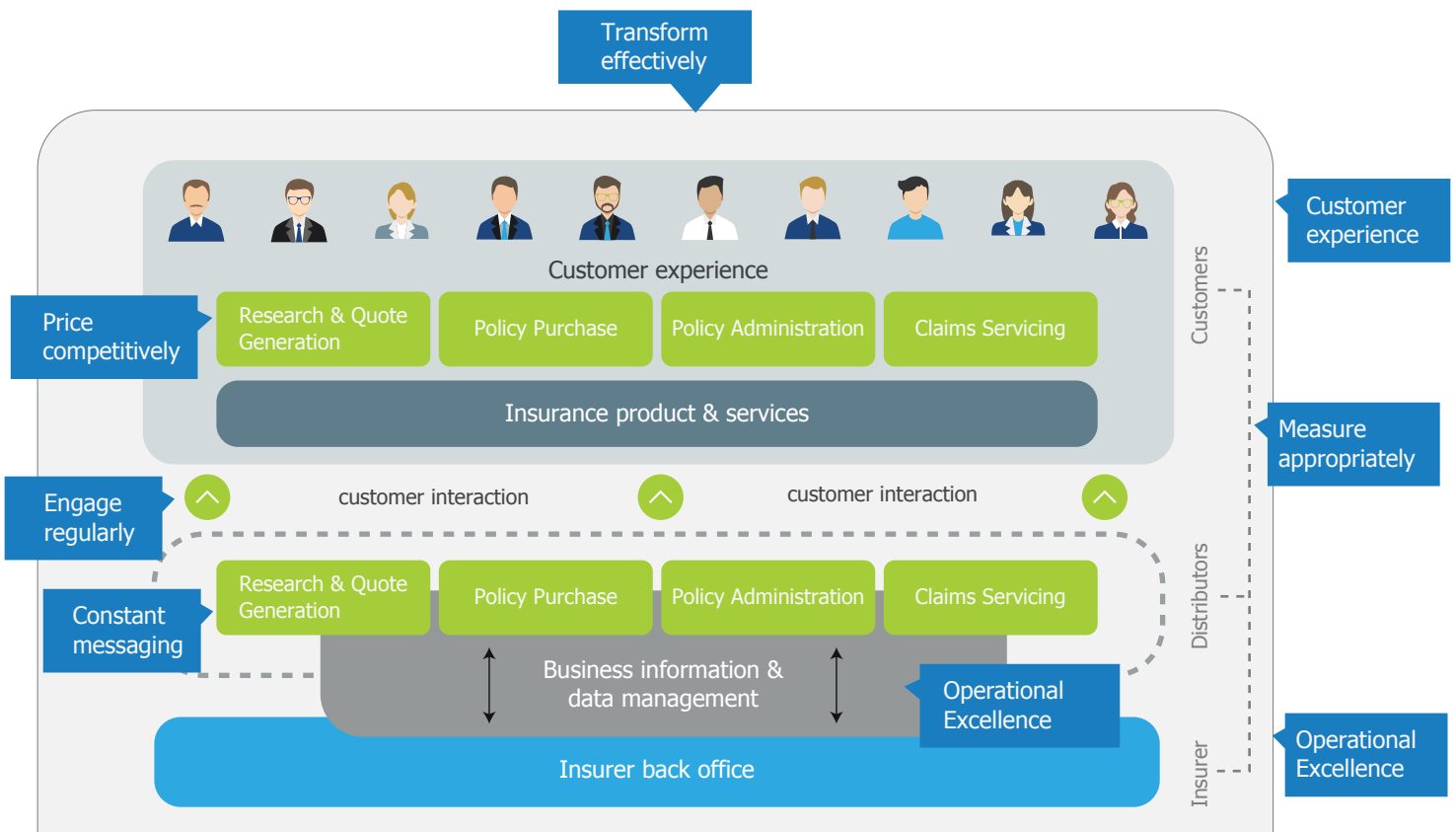
Such applications, which are developed on top of the older applications, are rarely integrated and built on isolated platforms leaving insurers to operate in a independent manner.

Such legacy applications, also, drive higher costs of operation, increase inefficiency, impair the ability to transform business operations or add new insurance products, and fail to meet staffing challenges.

Most digital leaders haven't considered an Orchestrated Digital Enterprise yet.

This leads to, critically, linking the technology initiatives with organizational objectives and work backwards. Not the other way round.

Orchestrated Digital Insurer – The Complete View



Planning for Orchestrated Digitalization of the Enterprise – Factors to Consider



Business Perspectives

Vision, mission and strategy.



Governance

Steering committee, financials, project management, etc.



Target Groups

Enterprise & consumer target groups.



Technology

Existing technologies, required technologies, gap & requirement analysis.



Measurement Metrics

KPIs on technologies' performance for ROI calculation.

Recommendations – Steps to Modernize the Legacy & Core Systems to Prepare for Integration of Emerging Technologies

Optimization of IT will touch every aspect of the business — strategy, processes, channels and technology. When planning for and implementing insurance legacy modernization programs, professionals should emphasize on the following factors:

Integrate people to integrate technologies

Establish a digital center of excellence to identify which and where digital capabilities would support key business objectives. They must secure C-level support and leadership. The business must drive legacy modernization and help institutes change management programs to guide corporate change as systems are retired, replaced and improved.

Two heads are better than one

Review digital strategies to determine what changes need to be made.

Consult with digital partners

To understand best practices and various digital initiatives followed outside of insurance industry that can be deployed to achieve business objectives. By providing an unbiased third-eye review, they also remove any limitations on prepping up for the future.

Assess existing technologies and identify gaps

Evaluating the technology architecture, web services capabilities, the flexibility of policy systems and quoting engines, quoting and policy issuance speed, claims management principles and algorithms. Analyze them to determine what functionality can be extended to digital channels.

Identify target areas and users

Identify target areas and users both, within enterprise and consumers. Do a digital maturity assessment workshop for enterprise strategy. Assess market conditions to determine consumer needs and online behaviors.

Develop a case study

Identify the specific technologies and trends that will help shape the future of the insurance industry, and determine how each will provide value to the business.

Develop and enhance strategic IT initiatives

To support the digital agenda of insurers and their intermediaries.

Understand the pulse

Insurers can, over the time, leverage on its own data collected from the search engine traffic, website, brand, offline interactions and digital IT capabilities and data services – these data should contain, but not limited to, information on consumer perception, buying patterns, and insurer competitiveness. This helps understanding the customer and competitor pulse, thereby, getting better products and services to market and enhance customer experience.

Consolidate/replace systems

Reduce the complexity of IT infrastructure by rationalizing and consolidating the IT systems. Some legacy systems have to retire when the new technologies can do the aforesaid.

Leadership Support

IT leaders should ensure that new core systems are able to support real-time business and decision making.

Conclusion

Insurers have realized the fact that the only surefire way to be in the business is to digitize. Digitization has become the perfect way because insurers have to deal with a large number of customers who prefer to depend on the Internet for purchasing products and services.

There is an increase in the number of insurers who have diverted to selling online. Managing paper in any insurance business might become quite cumbersome.

Investment in paperless digital technology is being considered to realize the long-term efficiency and also, cost savings.



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If you'd like to learn more on digital transformation and mobility, please reach out to us at: udigitaledge@rapidvaluesolutions.com

About RapidValue

A global leader in digital transformation for enterprise providing end-to-end mobility, omni-channel, IoT and cloud solutions. Armed with a large team of experts in consulting, UX design, application development, integration and testing, along with experience delivering projects worldwide, in mobility and cloud, we offer a wide range of services across industry verticals. We deliver services to the world's top brands, fortune 1000 companies, multinational companies and emerging start-ups. We have offices in the United States, UK and India.



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