

Data-driven and personal:

Driving transformation
for insurers



Insurance transformation rests on three crucial dimensions

Executive Summary

Every insurer has a digital transformation strategy. But with increasing competitive threats and market disruption, it's hard to truly transform your business. To do so successfully, insurers must become "future ready" along three dimensions: efficiencies, experiences and innovation. This paper reveals how well insurers are approaching these dimensions, and what you can do to get your business future ready. Now.

According to [Accenture's Disruptability Index](#) – which covers 18 sectors and has observed the acceleration of disruption across major industries over the past 10 years – insurance is now in fourth place, ahead of both banking and capital markets. The insurance industry has shifted from the Vulnerability stage of disruption to the Volatility Stage. In this stage, strong barriers to entry that once deterred new competitors are weakened and incumbents' traditional strengths are being challenged. This is not helped by a high operating base (efficiency), brands that rarely enjoy strong consumer recognition and loyalty (experiences) and modest spending on R&D compared to their peers (innovation).

According to [Accenture](#) research:

90%

of insurance executives say that in five years, consumers will buy most of their insurance online and through mobile apps.

80%

think more than half of customer interactions will be substantially handled by virtual assistants.

Over 60%

report that technology is already having a significant impact on their claims and underwriting processes and this rises to almost 80% when asked to envision their business in three years' time.



Focus on efficiencies, experiences and innovation

The biggest payoffs from digital transformation are shifting over the next few years from operational efficiency to customer-facing applications:

63%

say that cloud is making the biggest impact on operational efficiency today but that percentage plummets to just 30% when they think about their business in three years' time.

47%

say that in three years artificial intelligence (AI)-based technologies to improve client-facing processes will be one of the top high-impact digital tools.

Insurers are investing significantly in these technologies, in terms of both money and people: 87% have a dedicated in-house team for digital innovation and the same percentage take a systematic approach to evaluating emerging technology.

However, insurers are hitting roadblocks to their transformation plans. Accenture highlights the top three challenges as lack of systems integration (47%), lack of collaboration with IT (47%) and lack of change management expertise (43%). Hence, it's not surprising that insurers are suffering from digital transformation fatigue.

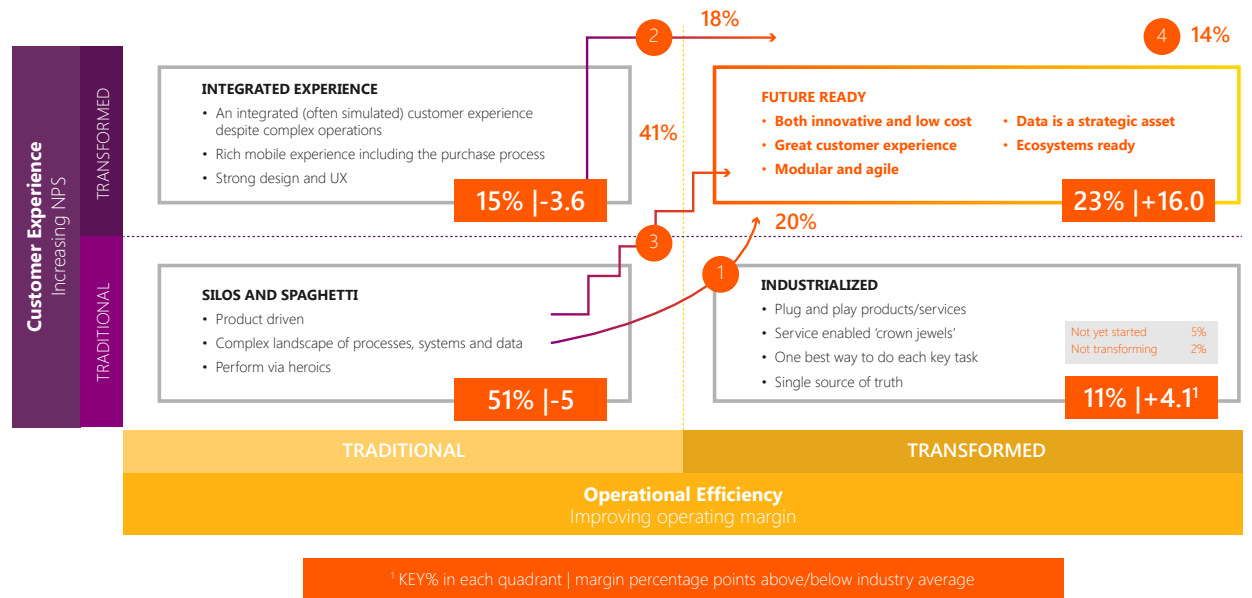
How can insurers overcome this exhaustion and become future ready?



Are you stuck in the spaghetti?

Researchers at the MIT Center for Information Systems Research (CISR) identify two crucial dimensions for mapping digital transformation: operational efficiency and customer experience (CX). An insurer may be advanced on one and need to improve the other or may need major work on both.

MIT CISR identifies four pathways to become future ready (see accompanying diagram)¹. Going down the industrialization pathway (1) means lower costs and simpler processes – good news for employee/customer interactions – but no “digital sizzle” for the customer. Insurers that focus on CX pathway (2) as a path to future-ready status may improve their customer metrics (NPS, CSAT) but only at the expense of increasing back-office complexity and a higher cost to serve. Regularly switching between both pathways (3) requires sophisticated governance. Some incumbents have set up new brands/divisions (pathway 4) to avoid legacy issues, improve CX and compete against new entrants. The aim is to bring the rest of the business into the “new” environment a couple of years later. However, over half are still stuck in the “silos and spaghetti” quadrant.



¹MIT CISR, “Four pathways to ‘Future Ready’ that pay off”, Peter Weill, Stephanie Woerner, Nick Van Der Meulen as seen in ww.europeanbusinessreview.com, March-April 2019

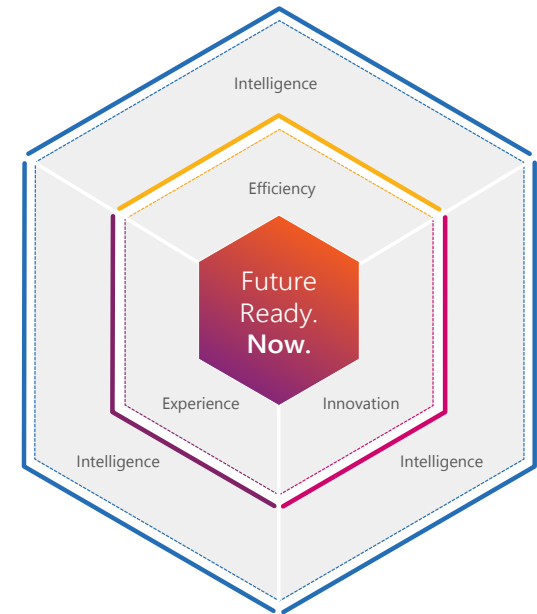
What it means to be “future ready”

Building on the MIT research, we’ve identified three characteristics of a future-ready insurer:

1. **Operational efficiencies**
2. **Joined-up employee and customer experiences (EX/CX)**
3. **Innovation mindset**

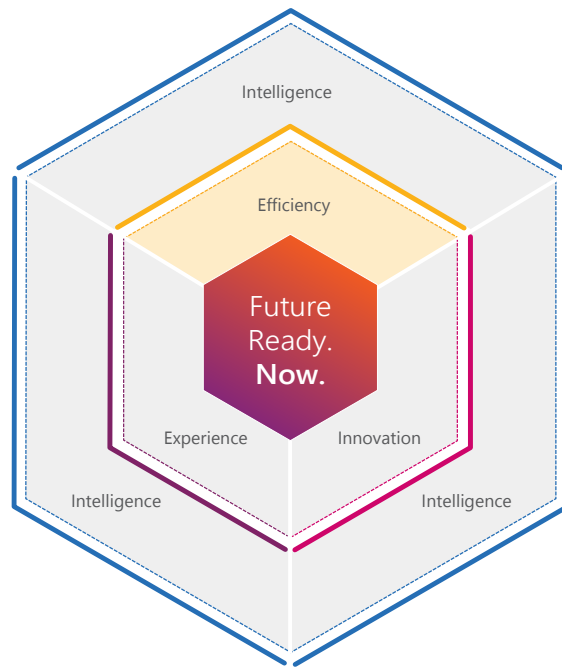
Insurers that mature along all three dimensions and infuse their operations with intelligent technologies and processes are future ready. They can adapt quickly to new market forces and new competitors. And they can do more than adapt; they can lead, forcing competitors to adapt to them.

Infusing intelligence into the business goes far beyond baseline reporting, analytics and dashboards. It includes artificial intelligence (AI) technologies such as robotic process automation (RPA), machine learning and broader disciplines such as data science. This is the lifeblood of the future-ready insurer, feeding its growth along all three dimensions of transformation.



Avanade's Future Ready. Now. model

Operational efficiencies: Driving cost reduction through intelligent automation



Future-ready insurers drive cost reduction through process redesign and automation, enabling faster time to market. We worked with one global insurer using RPA to do just that. We reviewed various processes, including KYC, FATCA and renewals, across different business functions and geographies, capturing data around complexity and automation capability. We also helped the client choose a suitable RPA vendor. As a result, we converted a labor-intensive KYC process into an end-to-end automated robotic solution, redeploying over 80% of the staff and reducing average handling time by 40%.

Insurers are starting to use AI and RPA to drive efficiency in risk management and in relation to regulatory compliance. But they must address challenges in data preparation and use, and in

integrating such technology into existing systems. [Allianz](#) is using AI and chatbots as part of an ambitious plan to improve customer service. Ada handles claims. Walter III specializes in documentation requests. Hedy, DaVinci, Marconi and Jude perform support functions. Together, they complete a total of 26 tasks and thousands of transactions a month at Allianz Travel Insurance.

Future-ready insurers implement a deliberate strategy of human-machine collaboration. Instead of seeing automation as a staff-reduction tool, they see it as a tool to free employees to focus on higher-value tasks that lead to greater customer satisfaction and loyalty. [Accenture](#) research states that this approach will boost insurers' revenues by 17% by 2022 – and increase staff by 7%.

Case Study

Automation drives cost reduction, process improvement and speed to market

For a major European insurer, as part of a transformation program, we helped automate its contact center to increase operational efficiencies and improve customer service across its digital channels. Avanade, with Accenture and Microsoft, created a solution that maximized the effectiveness of the company's frontline staff and automated processes by leveraging cognitive virtual agent technologies.

By using virtual agents this freed the client's people to focus on the more profitable cases.

70% of callers chose to be attended by a chatbot.

70% of all identifications are now handled by a chatbot.

7,000 calls/day are managed by this solution.

Virtual agents have been approved by the client for widespread use.

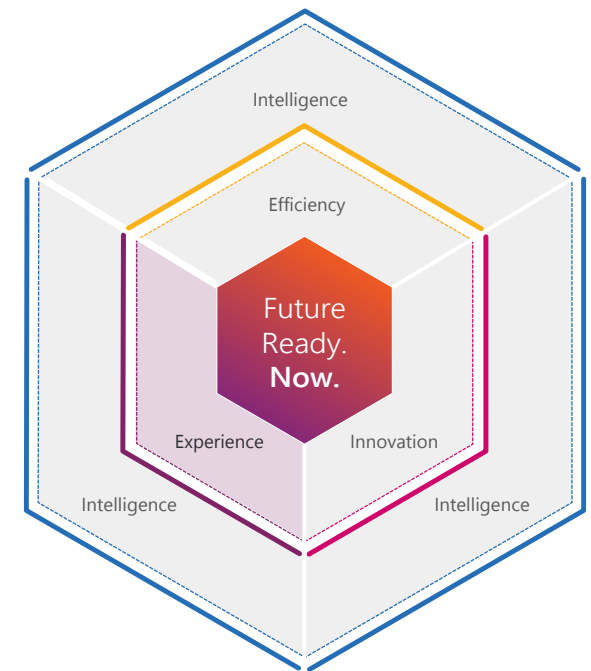


Joined-up EX/CX is critical: Insurers need to make this connection much stronger

Insurers understand the importance of creating timely, relevant, personalized and intelligent customer interactions that lead to higher margins and revenues.

To do this well, employees need to be motivated, given the right training/reskilling and have access to appropriate collaboration tools so they can work effectively as cross-functional teams and solve customer issues across silos. However, [Accenture](#) found that insurance senior executives reckon that only 25% of their workforce is ready to work with new technologies, such as AI. Worse still, only 4% plan to significantly increase their investment in reskilling programs in the next three years. This is worrying as great CX depends on great employee experiences.

Using data-driven insight enables employees to easily identify the next best customer conversation. One global insurer was consistently losing high-value customers and could only find out why through a “high cost, high touch” process. Avanade was engaged to provide the architecture and security to store highly confidential information in the cloud and then use advanced analytics to provide insights across their business. This led to a 50% reduction in customer churn, increased upsell success rate on cross-product promotions and reduced campaign costs.





Case Study

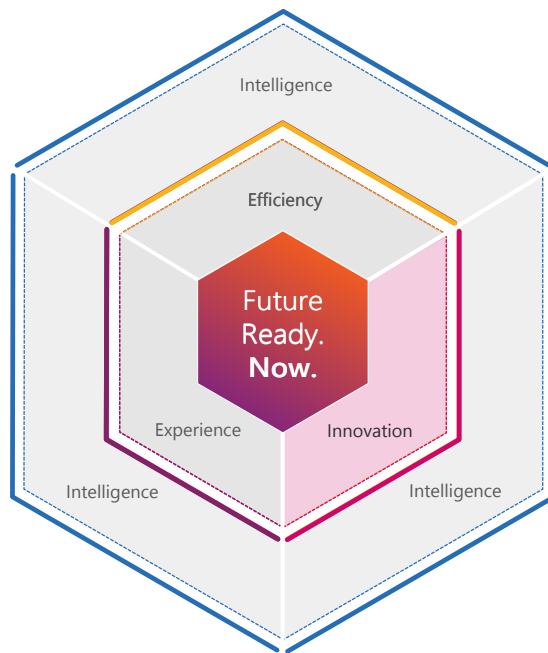
Doubling cross-selling rates while deepening customer insight

SpareBank 1, a Norwegian savings group, wanted to cross-sell insurance products to both existing and new customers. To do so, it needed to streamline and modernize its customer relationship management approach and find better ways to reach consumers who favor mobile and online interactions over in-person ones. We created a single view of the bank's 1.9 million customers. With information in one place, call center staff and marketing can pinpoint those customers in need of insurance products. SpareBank 1 has experienced a 100% increase in outbound sales and now more accurately targets its customer base.

Rune Hoff, SpareBank director, commented:

"We've seen dramatic increases in our response rates with this new platform. We can now more readily segment our customer base, which enables us to grow our market share without increasing costs."

Innovation mindset: A sustainable approach to defeating competitors



Insurers are innovating in a variety of ways:

- They're employing AI to augment their workforce, not as a substitute, to improve efficiency and create deeper customer insights.
- Progressive insurers are creating digital ecosystems with partners from a broad range of industries to develop new services.
- Insurers are increasingly working with startups through venture funding, alliances and incubators to identify and accelerate innovation opportunities.

Zurich is a good example of an innovative insurer that recognized the need to attract more younger customers, develop more digital products and services, and deliver on-demand offers. Here are some examples:

- In Spain, Zurich launched Klinc, designed for millennials who want on-demand cover via their mobile. Although initially focused on home insurance this has recently been expanded to include life protection.

- Zurich launched Toggle, a digital insurance platform that provides flexible, customized cover for people who are renting accommodations. Zurich launched Toggle in the U.S. through Farmers Insurance.
- At its Switzerland HQ [Zurich](#) introduced a "Make the Difference" scheme to break through hierarchy and bureaucracy and encourage employees to share ideas that could improve the company's performance and the customer experience it provides.
- Zurich has teamed with insurtech partners to extend its business beyond its traditional boundaries. The group launched the [Zurich Innovation Championship](#) in 2018, which attracted over 450 startups from 49 countries. The winners were Canadian startup Chisel AI, followed by U.S. firms zesty.ai and LifeNome and Australian company Soldier.ly. Zurich is currently running pilot projects in several countries.

Insurance is highly susceptible to both current and future levels of disruption. Developing an innovation mindset provides a sustainable and distinctive barrier to competitors and new entrants and is a key characteristic of a future-ready insurer.

Case Study



Leveraging cloud to drive transformation

Towergate, one of Europe's largest independently owned insurance brokers, had historically focused on acquisitive growth, but as more companies joined, its IT mushroomed to hundreds of different systems, applications and processes. Avanade, Accenture and Microsoft embarked on one of the most comprehensive IT reboots and ambitious cloud migration efforts the financial services industry had ever seen. With the right tools and the right team, the transformation took just 12 months and annually generates 30% cost savings from the IT base.

Adrian Brown, COO, remarked:

"I thought it would take two years. I almost fell off my chair when they said one year."

Gordon Walters, CIO, commented:

"Our operating model is completely different now. We now have service-on-demand, as well as collaboration across all our businesses. We have access to real-time information that allows employees to understand what we as an organization are doing. We're better able to serve our customers, and we're able to start looking ahead to what else we need to do to make Towergate the force it should be."



How to get started: Questions to ask yourself now

Is leadership on board – or just delegating digital change to a project or person?

By delegating transformation to the Chief Digital Officer (or similarly titled executive), many insurers feel that is sufficient to cope with increasing market disruption. Future-ready insurers are typically composed of many senior executives who have led digital transformation. The last thing they wish to do is to move this challenge to an individual or a project – this is something that needs to be owned, understood and sponsored by the board and driven enterprise-wide.

Are you ready to innovate with third parties – or still obsessed with control?

Insurers have traditionally wanted to buy and build their own systems and be in control of all the elements. There is now the opportunity to generate innovation through a partnership ecosystem. But with that comes the need to work effectively with third parties – a major cultural change for most insurers. The benefits of innovation outweigh the benefits of control, but many insurers are struggling to realize this.

Are you driving efficiency through automation and analytics – or struggling to integrate it?

There are many examples of insurers adopting new technologies and delivering excellent results from pilots. The hard part comes in integrating such technology into existing systems. Transformation must include the back-office systems, such as underwriting or policy administration, even though this is often complex. Just putting “digital lipstick on the (front-office) pig,” so to speak, is only part of the solution.

Are your people enabled to deliver great CX – or just taken for granted?

Employee benefits are rarely baked into an insurer’s transformation initiatives. Differentiation is critical for any insurer and delivering personal, tailored service to retain and delight customers is one of the key goals of digital transformation – and that won’t happen without great employee experiences.



Avanade can help you get Future Ready. Now.

We help you create an innovation mindset, build operational efficiencies, connect EX and CX, and infuse intelligence across your organization.

We're a joint venture between Accenture and Microsoft, providing vast industry experience, deep end-to-end expertise and the world's most advanced technology – all to help insurers thrive and create meaningful impact. We work across the insurance and reinsurance industry.

Are you ready?

Visit www.avanade.com/FutureReadyNow to find out more.



About Avanade

Avanade is the leading provider of innovative digital and cloud services, business solutions and design-led experiences on the Microsoft ecosystem. With 38,000 professionals in 25 countries, we are the power behind the Accenture Microsoft Business Group, helping companies to engage customers, empower employees, optimize operations and transform products, leveraging the Microsoft platform. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation.

Learn more at www.avanade.com

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