



INSURANCE BEST PRACTICES: Go Digital to Streamline Insurance Operations

Customer expectations are higher than ever in the insurance industry, as are the stakes for insurers. They're faced with the reality that survival depends on how quickly they abandon their business-as-usual approach in favor of a more customer-centric mindset. Indeed, today's insurance customer is demanding, tech-savvy and mobile. Many prefer to go online instead of consulting with a local agent to buy a policy, make billing inquiries or file claim. In fact, a 2018 Bain & Company report¹ found that the majority of customers surveyed use digital channels for some of their insurance needs, and that the number of "digitally active" insurance customers has increased more than 60% over the past four years. Moreover, the report found that mobile adoption has increased by more than 70% in the past year.

In rapidly changing market conditions, innovation and speed-to-market are key while fine-tuning existing marketing programs and updating products aren't enough to bring success. Rather, strategic, long-term success requires a retooling of legacy operational processes and infrastructure so they can effect real change in the three foundational areas where insurers now compete: efficiency, effectiveness and the customer experience.

Despite knowing that digital channels are increasingly critical for successfully connecting with customers and prospects, for insurers to put their digital mindset into practice is another issue altogether. They are

hesitant to let go of long-practiced manual processes and hand the reins over to automation and digital technologies that would streamline operations. Even more daunting is the idea of making sweeping changes to legacy core systems or replacing them altogether. The time, resources and technical expertise required to successfully complete such initiatives are significant.

While change is hard, insurers can get through a shift to more streamlined operations and processes and the technology foundation to support it all. The transformation begins with acknowledging existing challenges and adopting a vision for improvement, embracing a digital mindset, laying out a roadmap and



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seeing it through, and continuing to innovate to bring new products to market.

In this white paper, we dive deeper in to the specific challenges holding back insurers from embracing the digital enterprise to streamline operational processes, as well as the best practices for achieving successful process optimization and the business benefits that can be realized.

ROADBLOCKS TO DIGITAL TRANSFORMATION

While digital transformation is clearly essential to today's insurer, it surfaces a variety of initial challenges with respect to planning, infrastructure and change management – all roadblocks to initiating process optimization and streamlining operations.

No coordinated roadmap. The first challenge inhibiting digitalization for insurers is the lack of a robust, well-defined and comprehensive digital transformation roadmap. A roadmap articulates where the insurer is trying to go with digital transformation, the strategy used to get there, the activities that are expected to occur during the transformation and the milestones that will be encountered. Without this coordinated plan in place, insurers are essentially wandering through their digital transformation effort, which can be expensive and risky.

Continued reliance on legacy systems. Insurers also run into problems enabling a digital enterprise when they continue to maintain their legacy core systems. Designed to support the 20th-century insurer, these complex, often massive systems house decades of data and support all the core processes. Unfortunately, they lack flexibility and are incompatible with new technologies that were designed to fulfill the 21st-century customer's needs and expectations. Keeping these legacy systems in place only hobbles insurers as they make their way toward becoming a digital enterprise.

Paper-based workflows. The insurance industry's paper-intensive business processes are another challenge

impeding transformation. By nature, paper workflows inhibit knowledge-sharing and require expensive physical records management and storage. Misfiled, lost or damaged documents promote inefficiencies in workflow, and paper-based correspondence contributes to increased mail volume and delays in business communications and claims resolutions.

Inefficient claims and payment processes. Today's customers demand anytime, anywhere service that's personalized, immediate and accurate. Too often, manual processes result in any number of issues: inefficient claims processing, improper or incorrect payments, poor customer service, ineffective decision-making and even fraud. These missteps can result in negative customer experiences that in turn lead to mistrust between insurers and their policyholders.

BEST PRACTICES: PAIR STRATEGY WITH STRUCTURAL CHANGE

Succeeding at digital transformation requires an ongoing, companywide strategy that addresses operations as well as infrastructure. Expertise in Six Sigma can help, as it will help insurers identify the effectiveness of their processes and suggest tools and tests for process improvements. Here, we introduce some best practices that will help focus insurers' operational streamlining efforts.

Digitize customer-facing processes and critical support functions. When insurers digitize high-touch processes to enable intuitive self-service and cross-channel access, they are prioritizing the policyholder. They present to their customers a convenient way to file claims anytime and anywhere, the flexibility to shift among multiple channels seamlessly and a simple way to check policy updates.

Use a shared-services model. Achieving business agility requires that insurers re-evaluate their operating models and determine where they can industrialize their operations. With a shared-services model, insurers



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eliminate multiple and distributed back-office processes by standardizing on nomenclature and processes for such processes as regulatory reporting, customer care, finance and accounting, and then centralizing. In doing so, insurers gain economies of scale and greater efficiencies.

Go green by converting paper documents to electronic format. By converting paper-based records to electronic documents, insurers make information universally available and accessible across their organization. This type of streamlining also promotes more efficiency, as knowledge workers no longer must thumb through countless sheets of paper to find the information they're looking for. It also decreases costs associated with storing and managing physical records.

Adopt cloud technology and move to a lower-cost model that can scale exponentially. Insurers that adopt a cloud-first strategy support scalability, agility and lower TCO for their organization. Indeed, cloud-based solutions – the digitalization accelerators – are easier to manage and enable the insurer to move quickly to address market changes and customer demands. They also cost significantly less to maintain than large, complex infrastructures.

Automate processes to ensure a high degree of accuracy and visibility. By automating manual processes for important functions like claims and underwriting, insurers not only drastically reduce the flow of paper, but also create more efficiency and accuracy, and foster greater productivity and faster decision-making.

REAP THE REWARDS

The benefits of streamlining operations via a digital enterprise are many and well-documented. The most obvious of them is, of course, financial in nature. In general, digitalization leads to improved service and faster processing times, which translate to significant

profit gains through customer retention. In fact, a McKinsey report² found that by automating the claims process alone, insurers can reduce the costs of the process by 30%.

But insurers' goals for digital transformation go way beyond cost-cutting. By optimizing underwriting processes, automating claims processes and document management, and automating settlement checks, knowledge workers are more efficient and more effective in their decision-making, such as with risk assessment, pricing and even fraud detection.

Digitalization and the data and analysis that comes with it also gives insurers the opportunity to develop a more policyholder-centric approach. Not only can insurers shift their focus away from manual and administrative tasks to selling and serving customers, data-gathering and analysis enabled digitally means knowledge workers can understand their customers on a deeper level. As a result, insurers can underwrite more accurately, offer more personalized products and engage more effectively with customers. In the end, insurers deliver a better customer experience and drive increased retention and business growth.

As part of "getting to know" their customers, digitalization also provides insurers with a 360-degree view of their customers across multiple channels, which is imperative as customers toggle between different lines of communication like chat, mobile and social media. The digital enterprise has a central source that tracks and captures all interactions so insurers can pick up exactly where the customer left off in the previous interaction.

Finally, digital transformation provides a path to future success. Global sensors, blockchain, artificial intelligence/machine learning and telematics are some of the technologies that digital transformation enables, which supports new strategies for success in the future.



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FINAL THOUGHTS

The Digital Age is elevating customer expectations and putting insurers at a crossroads where they must choose between digitizing their operations and processes to succeed, or remain with what is familiar and comfortable and get left behind. Certainly, digital transformation is a daunting prospect, fraught with pitfalls and unpredictability. But with a clear objective identified, as well as a list of best practices and a team supporting the initiatives set forth, insurers have all the elements needed to reinvent their business model today.

Also, it's important to remember that digital transformation is a continuous effort. Insurers can make meaningful improvements early on – process improvements discussed here, for example, are highly quantifiable – but don't stop there. There will always be more opportunities to improve.

Finally, there's no need to go it alone. Aside from creating dedicated in-house teams for technology innovation, insurers should consider partnering with an expert. In doing so, their operational streamlining goals will be realized earlier and with much less frustration. Canon Business Process Services can help.

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¹ Naujoks, H., Darnell, D., Schwedel, A., Singh, H. and Brettel, T. (2018) Customers Know What They Want. Are Insurers Listening? Bain & Company

² Catlin, T. and Lorenz, J. (2017) Digital disruption in insurance: Cutting through the noise. McKinsey Digital