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INSURANCE BEST PRACTICES

Three Steps to Enable Automation and Cost Savings

Insurers are under greater pressure than ever before to ensure that every dollar invested can be evaluated in terms of optimizing vital business processes while supporting growth for tomorrow. Incremental performance improvements can put insurers in a better competitive position given rising customer expectations and new, disruptive competitors.

Some insurers have been slow to embrace digital transformation, potentially putting them at a competitive disadvantage. "With new attackers on the hunt for customers, incumbents must move quickly to integrate digital technology into their operations," a McKinsey & Co. report recently stated.[1]

This integration is a multiyear journey for many industry players, one that can eventually pay big dividends. These include such benefits as reduced operating costs and improved customer experiences for companies that stay on the path and evolve to the point where they can leverage more complex technologies such as RPA (robotic process automation) and AI (artificial intelligence).

The First Step

However, the first, fundamental step on the journey involves standardizing and optimizing the insurance processes (i.e., underwriting and claims) and digitizing data and deploying a workflow tool that ensures completing critical steps and collecting information in a timely, orderly fashion. This white paper spotlights key elements of this first crucial step. Subsequent papers in our series will address additional steps that involve initiating more advanced automation and leveraging technologies such as RPA and AI.

It is important to standardize and optimize the insurance processes across the many different company locations that may exist for managing a single product line. This approach allows you to deploy best practices and create a common scale for activities that can be physically or virtually centralized. Results can include increased resource utilization and greater ability to distribute volume peaks and valleys across all resources. Another benefit of this strategy is that it enables you to potentially engage a managed services provider to oversee your noncore functions. This provides you with the flexibility to focus more on strategic business priorities such as new business, technical underwriting and complex adjudications.

The other key element of this first step is to digitize data and automate workflows. This gives you the opportunity to eliminate or drastically reduce the flow of paper by creating electronic files and standardizing the way digital documents move throughout the insurance process. There are several cross-industry tools that can facilitate this system. The key point is that for many insurers, important functions like underwriting and claims are still bogged down by legacy, paper-based systems and variable data collection models that increase time and resource requirements.

Best Practices to Consider

With these challenges in mind, there are best practices you should consider to help solve these challenges and ensure that your company's digital transformation initiatives can move forward. The approach is generally comprised of three phases:

- **Phase One**: Consider an assessment of your current state workflows using common Six-Sigma techniques. With this proven methodology you can remove unnecessary steps, streamline the process and identify best practices from within your operation and across the industry. This helps create one standard that can be followed throughout the company.

- **Phase Two**: Implement a system for digitizing data. In an omnichannel world, this should include digitizing all information that does not arrive in electronic format. If you also standardize the data fields, today's systems can easily identify the key data elements with OCR technology and auto-populate other systems through less complex data interfaces. A disciplined approach to data collection can open doors to broader time- and cost-saving benefits and an improved customer experience.

- **Phase Three**: Place the standardized process and digitized information into a single workflow tool. Market-leading technology is available and has been utilized. These tools are designed to ensure that the proper steps have been followed and completed and all data is readily accessible in each step of the process.

By following these steps, underwriting departments can be better positioned to identify missing data,

follow up and more quickly and efficiently process applications and issue policies. Similarly, claims departments can more quickly and efficiently adjudicate and process claims payments.

Minimizing the time required to meet customer expectations in either case results in a better customer experience and more satisfied clients. As the McKinsey study points out: "Successful carriers are conducting pilots in clearly prioritized parts of the value chain, such as underwriting and claims, and are preparing to scale successful applications across their enterprises. Carriers have an opportunity to differentiate themselves by providing an excellent customer experience across multiple points of contact and 'moments of truth.' The outlook is positive for carriers that move quickly and decisively in a 'winner takes all' world."[2]

Huge Potential Rewards

"It is increasingly clear that insurers can reap huge rewards by first building a solid process foundation and leveraging widely available tools that can easily digitize data and construct a repeatable, automated workflow," said Chet Oldakowski, Director of Operations at Canon Business Process Services.

There are many challenges that large and small institutions face, including decades-old legacy systems and geographically dispersed and variable processes. Operating each location as a separate silo reduces scale and impedes your ability to invest for the future.

New players are unencumbered by the past and can leapfrog incumbents by building single-minded

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processes based on today's available tools and electronic channels. This makes investment more critical than ever before. It's a scenario similar to the transformation that took place in so many other industries and ultimately changed the way business was done forever. Defining business operations more holistically with an eye toward the future can uncover areas of huge potential benefit to both customers and providers.

Let's examine a few areas in more detail. First, digitizing a massive array of structured and unstructured data on an end-to-end basis can open many windows of opportunity for insurers. "Such opportunities are available only if all the data inherent in these processes is in a form that empowers underwriting and claims staff to streamline their workflow and ultimately drive improved decisions and enhanced customer service," Oldakowski explained.

Scanning and indexing data as it enters the organization (i.e., converting the data into a form that can be machine processed) is a key basic enabler. Once the data is digitized, the insurer has the ability to leverage Optical Character Recognition (OCR) software, machine learning, artificial intelligence and other technologies. These can ultimately eliminate manual steps and dramatically streamline the ability to find, extract, assess, validate and process the information needed from within a huge repository of company- and customer-related data.

Once data is digitized, automated workflows can then be deployed, and all required data related to a function such as underwriting can be collected and validated in each phase of the process. This is similar to the concept of a standard automobile production line in which the steering wheel cannot be installed until the dashboard is in place. Similarly, having a digital foundation in place gives each department the opportunity to leverage relevant information to improve operational efficiency, customer experiences and the quality of related business decisions.

Concluding Thoughts

The onus is on insurance carriers to pursue the required transformation in this era of blistering technological development and intensifying competition from both traditional players and external disruptors. This begins with an end-to-end process review and optimization and includes digitizing data and deploying automated workflows. This can establish a solid foundation for deploying future intelligent technologies that can take your company to the next level.

About Canon Business Process Services

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[1.] McKinsey & Company, *Digital insurance: Driving real impact with digital and analytics*, December 2018
[2.] Ibid.

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