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IT Viewpoint

By Manish Khetan

Modernization Must Mean More Than Technology Change

If one's perspective is long enough, it's almost as amusing as it is instructive to think about the modernization of insurance. If only in contrast to the significant change that has taken place in other industries, one might be prompted to think of "modernization" and "insurance" as mutually exclusive. However, in insurance, modernization is all about scale, and has as much or more to do with people and processes as with technology.

There Are No Surprises

That said, employees new to the industry frequently express surprise at learning some insurers still operate with green screens, DOS prompts, and COBOL programming. Insurers must rate, underwrite, price, and issue policies; bill and collect premiums; accept and record payments; and validate, adjust, and pay claims. As long as those core tasks and a few others are fulfilled, the first inclination is often to "leave well enough alone." And, in an industry as highly regulated but non-standardized as insurance, is that ever the wrong choice?

On the other hand, to paraphrase Clint Eastwood in *Magnum Force*, an insurer has to know its limitations. Failing to make the most of technology can severely limit efficiency, productivity, and profitability, especially when competitive advantages are difficult to achieve. Consider those insurers still running the aforementioned COBOL-based systems, for example. IT staff with COBOL programming expertise isn't exactly easy to come by today, and that can be very constraining when maintenance is required, and system changes or customizations are required due to regulatory or product conditions. Meanwhile, insurers with more modern systems can have business users configure simple product changes without impact to downstream systems, and IT resources are freed up for more complex tasks.

Change and technology, fortunately, march on. And, when insurers truly embrace change and the full potential of new technology—by re-engineering processes instead of paving old cow paths—improvements in both speed and efficiency are possible. Technology quite naturally enables routine tasks to be automated and manual tasks to be eliminated. The introduction of artificial intelligence (AI) solutions, including robotic process automation (RPA), machine learning (ML), and natural language processing (NLP), in particular, can help eradicate human error in repetitive activities and free up resources to contribute in more strategic ways.

Emerging technologies capable of facial recognition in open web searches, improved image storage and access, incorporation of unstructured data, and production of high-quality 3D models from a digital photo, can help do away with paper, the time it consumes, and its storage costs. Such technology interventions can have a tremendous impact on the insurance value chain—for instance, leading to more accurate underwriting and faster, more efficient claims settlement processes. It can make more data accessible from a variety of sources in real time or near-real time. Technology can also improve and make accessible more distribution channels, more prospects and policyholders, and more options for self-service.

Start at the Beginning

For better or worse, modernization in the insurance industry is most often associated with large-scale, core administration system upgrades, or rip-and-replace projects. If modernization efforts are under consideration--typical in most strategic efforts--it's important to start with definitions, expectations, and objectives. Solicit the input of stakeholders, particularly those the planned modernization may affect. Perhaps most importantly, make certain to ask: "Why are we doing this?" and, "Why are we doing it now?"

Take a look at the identified objectives: Modernize? Phased upgrade? Preserve and protect? Rip and replace? Whatever the goal, keep this principle in mind: People and process always come before technology. Always.

A Word About Disruption

Like *innovation*, it's taken for granted these days that *disruption* is necessarily positive. Not so fast. *Innovation* is often just change in a more popular outfit, but *disruption* is change with fangs. Mistreat it or underestimate it, and the bite might hurt.

The last thing an insurance company needs is to disrupt daily operations. Even if the organization could survive the commotion, its policyholders likely wouldn't put up with it, especially if other insurers can provide the desired products and services without disruption. And, there's no antidote for business that's gone. So, take the time to recognize what works and what doesn't. The recent insurtech phenomenon may make disruption sound sexy and appealing, but by and large, insurers are more comfortable erring on the side of evolution rather than revolution. In some instances, disruption could make change management that much harder.

Now What?

What's the upshot, then? Modernize by all means. Embrace new technology. Incorporate it as needed and as possible. But treat legacy investments the same as any other capital investment or asset. It might be old, and it might have developed some creaks and wheezes, but it still deserves some respect. ITA

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