



INSURANCE CIO PLAYBOOK

# Accelerating Digital Transformation in Insurance



## How are insurers responding to the new digital imperative?

**According to a recent KPMG survey of Insurance CEOs**, 85 percent of respondents believe COVID-19 has accelerated the need to digitize operations. Another eight in ten respondents stated the pandemic expedited enterprise initiatives to deliver seamless digital experiences to customers, both internal and external. While those responses are encouraging, there are also signs that decision-makers in the industry are grappling with

fundamental challenges that come with such change. After all, these uncertain times have exposed a clear digital divide between those with resilient and digital-ready business capabilities and those without. In the same KPMG survey, CEOs admitted that the greatest obstacle they face while driving digital transformation initiatives is the lack of visibility into distinct operational scenarios within their organizations.



### Where does the road lead from here?

One thing is certain – to ensure more resilient business operations in the ‘new normal’ brought on by COVID-19 and to sustain the newfound digital momentum, insurance CTOs and CIOs will have to redefine their digital plans and roadmaps. To differentiate, they will have to proactively look for new strategies, prioritize investments, rethink which customer segments and verticals to target, and develop winning products and pricing strategies.

In this playbook, we discuss the following four key areas where CTOs and CIOs can make strategic investments to drive significant business outcomes:

- › Connect people, processes, and technology
- › Harness automation
- › Deliver superior customer experiences
- › Enhance cybersecurity measures



## Bridging the Gap – Connecting People, Process, and Technology

Creating a single point of truth and enabling data sharing across the enterprise is an essential component of digital transformation. It's impossible to achieve the desired results from digitization in the long run if the core systems struggle to deliver information to multiple endpoints, and across processes, in real-time. For instance, in an insurance company, the team managing claims and finance may implement a middleware solution to facilitate

real-time data sharing. Other teams in the company managing a different process like underwriting or legal may develop a mirrored systems process to enhance customer engagement. Having multiple systems running across processes can create data silos, leading to poor cross-team collaboration and slower productivity and efficiency for the organization.

### Major Obstacles:

- › **Data and Process Silos:** Insurers accumulate more data faster than ever before, yet many find themselves data-rich but insight-poor. The collected data resides in silos and is 'owned' by different departments or partners, often resulting in it becoming inaccessible and causing business decisions to be made based on an incomplete set of facts.
- › **Legacy Applications:** The presence of legacy applications can hamper the speed of delivery and result in security issues. Additionally, building features on top of a legacy application can increase complexity, slow development, introduce bugs and make testing difficult.

### Prospects:

- › **Shift towards Low-Code Platforms:** The popularity of no-code/low-code platforms grew during the pandemic. According to an [OutSystems for Insurance report](#), these platforms facilitate rapid delivery of business applications with minimal coding knowledge and minimal investment for training and implementation. Insurers can use low-code platforms to uphold operational agility, improve speed-to-market, lower application maintenance costs, and tighten application security.
- › **Enhance Data Capture and Analytics Capabilities:** Capturing both structured and unstructured data for analysis can help insurers foster meaningful digital customer interactions in distribution, customer services, and claims. By leveraging actionable data, like event triggers, analytics on infectious diseases, geographical variations, and seasonality, insurers can build robust predictive risk models. Additionally, remote data capture and analysis can help companies streamline the claims submission process.
- › **Create a Single-Source of Truth:** Insurers must collect data and store it in a way that allows for a unified view of their customers. Developing a 360-degree approach can help insurance companies identify cross-selling opportunities within their existing client landscape. This can be achieved by analyzing and gathering data on each customer's browsing and purchase histories, analyzing mobile application activity, and linking data on social media interactions with individual customer profiles. This cross-platform approach empowers companies to analyze customer preferences and develop new products aligned to customers' needs.



## Harnessing Automation – Staying Future Ready

The global pandemic put existing insurance technology solutions to the test, forcing companies across the industry, from the most technology forward to those behind the technology curve, to see the business importance of robust solutions capable of quickly adapting in the face of a crisis. Going forward, as new technologies come to the forefront and new use cases evolve, insurance decision-makers will have to

monitor the marketplace to identify and capitalize on opportunities continually. Technologies like AI, intelligent automation, RPA, and machine learning are seeing their value and importance growing in the overall technology stack. Insurers need to be proactive in determining how these technologies, and others, can be leveraged to enhance their digital capabilities.

### Major Obstacles:

- **Legacy Systems and Infrastructure:** Unsupported or legacy IT infrastructure represents one of the biggest obstacles to business automation. Companies trying to keep such infrastructure operational while automating related processes can create unnecessary risks and unintended outcomes.
- **Outdated Processes:** Many insurers still depend on traditional, paper-based processes, which are manual and time-consuming. These outdated processes are error-prone and often result in process delays.

### Prospects:

- **Automate Repetitive Processes:** Focus on automating manual and repetitive tasks, including processes like data entry, letter generation, and underwriting and claims settlement. Such an approach can help streamline tasks that are redundant and time-consuming.
- **Align Automation Goals with Business Strategy:** It is vital to ensure that a company's reason for automation aligns with its business strategy. When aligned, companies can both improve productivity and become more resilient.
- **Automate to Improve Transparency and Security:** Automation can help insurance companies gain insights into which processes are running smoothly and which ones need improvements. Automation also helps locate vulnerabilities, enabling businesses to be proactive while addressing breaches.
- **Automate to Improve Underwriting and Claims Processes:** RPA and similar technologies can simplify complex insurance processes, from underwriting to claims processing. Accounting teams operating in insurance companies often perform manual tasks such as physically verifying journal entries or one-to-one matching. These tasks can be executed more quickly and with fewer errors by implementing technologies like RPA. In claims processes, digital first notice of loss (FNOL) solutions allow carriers to cut costs and settle claims more efficiently and effectively.



## Understanding the Need - Delivering Superior Customer Experiences

Amidst all the chaos of the COVID-19 pandemic, the world did not stop evolving. Customer expectations, needs, and preferences continue to change, and customers now expect the best experience from every product or service they consume, no matter the industry. That means insurers cannot merely compete with other industry players and must now strive to differentiate in terms of digital customer experiences across industries.

Digital competition in the market continues to shape customer loyalty and patience. Today, many

customers are willing to reconsider their long-valued insurance choices in lieu of a better experience and improved engagement. As customers move online, there is a growing need for insurance organizations to offer online transactions. As this trend grows, digitally mature customers will prefer insurers with optimized digital offerings, making it critical for insurance company leaders to emphasize customer experience. Organizations in this sector need to harness technology proactively and explore remote customer engagement, process digitization, implementation of a direct-to-consumer channel, and more.

### Major Obstacles:

- **Omnichannel Engagement:** Normally, customers are open to leveraging multiple channels to interact with a business. They might first drop a message on a social media platform. If unanswered, they might resort to dropping an email or chatting with someone on the company website. Effectively tying those communication channels together can be a challenge.
- **Personalizing the Customer Journey:** Consumers expect every step of their customer journey to be highly personalized, based on their unique needs and preferences. To achieve this, insurers need to map customer journeys across multiple touchpoints, building on actionable customer insight to deliver better personalization.

### Prospects:

- **Know Your Customers:** Create personas for every customer and segment based on their profiles. Use digital tools to analyze demographic data, interactions, and preferences to understand better what each customer wants. According to a survey by Accenture, **77% of consumers** are willing to share behavior and user data in exchange for quicker claims settlement, lower premiums, and personalized coverage recommendations.
- **Use an Omni-Channel Customer Interaction Solution:** Insurers can deploy AI-powered chatbots, cloud telephony, interactive voice response, and app-based responses to maintain engagement with today's digital-first customers.
- **Focus on Prompt Query Resolution:** Insurance companies can use analytics and machine learning to ensure accurate and real-time assessment and resolution of customer queries, helping them deliver excellent customer service.
- **Deploy Integrated Digital Solutions:** Deploy a digital platform integrated with the underwriting management engine, policy rating and pricing engine, claims system, or third-party data aggregator. That can help brokers and agents to write more business. An integrated system will also allow customers to view policies and file claims easily.



## Safeguarding Systems – Enhancing Cybersecurity Measures

As insurance companies adapt to the new normal of remote working and decentralized workstations, cybersecurity is evolving as a top priority across organizations. Insurers need to take appropriate security measures to protect the personal and

financial customer data they possess adequately. The consequences of an unprecedented security breach are very high for corporate reputations and balance sheets.

### Major Obstacles:

- **Fear of Data Breaches:** Hackers engineer phishing attacks to obtain sensitive information from their victims by tricking them into thinking they are interacting with a trusted entity. The result of such an encounter is the unauthorized release of sensitive data.
- **Ransomware:** Multiple devices often connect to a single network, and each device is a potential entry point for ransomware. Once on a network, a

malicious individual can lock down critical business systems, customer files, or sensitive financial documents, denying access until a ransom is paid.

- **Increased Data Privacy Regulations:** Governments across the globe are creating and ratifying laws to protect consumer data. Due to the constantly shifting regulatory landscape, insurers need to follow strict data privacy regulations or face high penalties.

### Prospects:

- **Utilize a VPN:** Using a Virtual Private Network (VPN) can help insurers protect systems and improve their overall cybersecurity approach. A VPN hides the IP address and location of system users, protecting against targeted cyberattacks.
- **Implement Endpoint Detection and Response:** Endpoint detection and response (EDR) is a critical component of any cybersecurity initiative. An EDR solution actively and continually monitors

a covered network and responds when a cyber threat is detected.

- **Adhere to Security Protocols:** Insurance companies must train their employees to adhere to security protocols strictly. Ensuring stringent use of cybersecurity technologies helps protect a business from malicious attacks by limiting entry points to the organization's network.



## A Prudent Approach to Technology Transformation

The following is an excerpt from the Xceedance white-paper, [The New Operating Model](#). It serves as a guide for insurance companies to assess the current state of their technology systems. Once that determination

is made, the paper offers specific, actionable steps to accelerate, automate, and innovate to achieve technological maturity.

### Making a case for progressing from one stage to the next requires business decision-makers to determine the technology gaps the organization faces:

**STAGE 1:** Maintaining legacy infrastructure and end-of-life applications poses severe risks and costs. The amount of money spent on supporting obsolete technology is continuously increasing every year. Older systems also expose companies to more significant cyber risks since they are more susceptible to malware. Those systems are also difficult to patch, requiring customized, costly, and time-consuming workarounds. Mainframe applications and MS

Excel-based processes still require almost 80 percent of tasks to be carried out manually, adversely affecting productivity. Ineffective data management prevents organizations from gaining actionable insights into operational and financial data, adversely affecting decision-making. Putting a dollar value on all that risk, loss, profitability, and lack of competitive edge can help CIOs build a solid case for moving to Stage 2 or 3.

**STAGE 2:** Companies at this stage have access to enterprise applications; however, they face responsiveness challenges because of the software's archaic architecture. Launching a line of business or penetrating a new geography needs agility and accuracy, an impossible task for outdated systems. Siloed data presents challenges with reliability, governance, access, inconsistent search, and incomplete views. Though companies at stage 2 tend to have well-defined processes, they still need

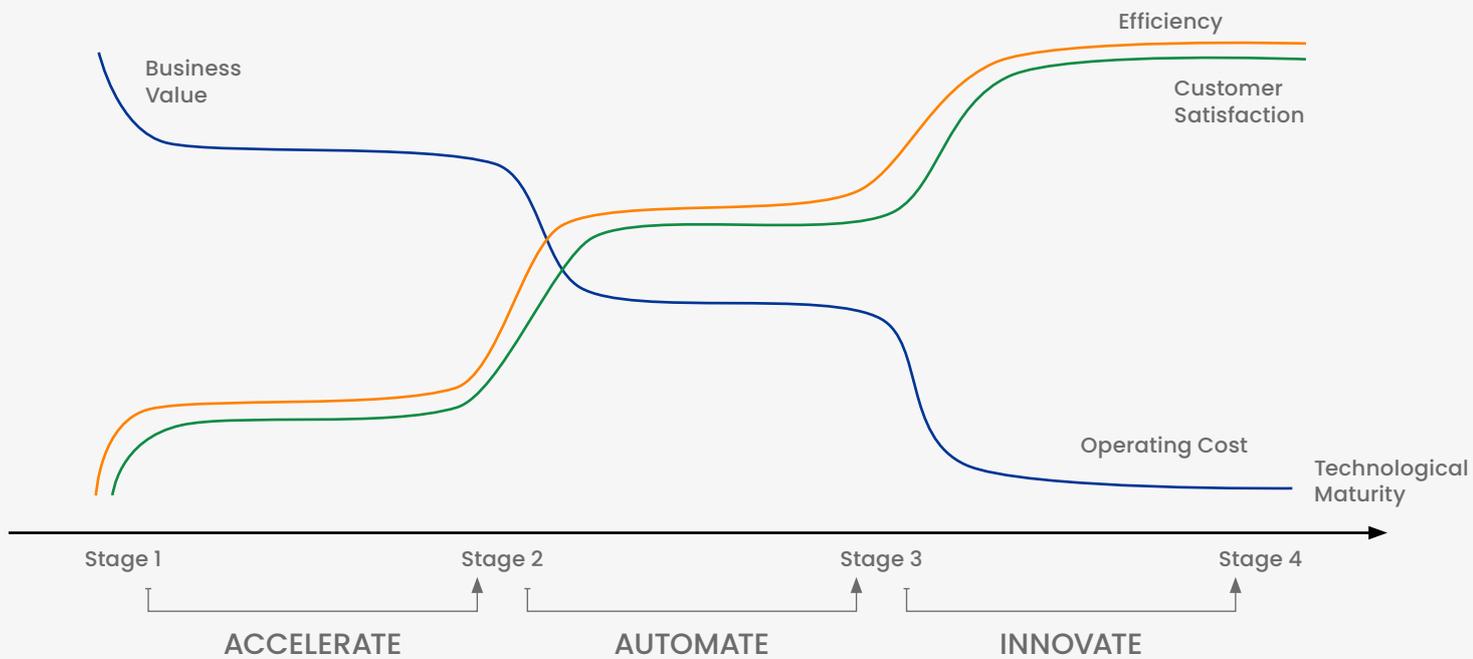
significant manual intervention to perform repetitive, non-value-adding activities such as extracting data from paper-based documents and inserting it into the correct fields within web-based forms. CIOs looking to reduce operational expenditures, increase throughput, minimize human error, and optimize resources should automate processes across the software development lifecycle (SDLC) and invest a considerable portion of their IT budgets towards graduating to stage 3.

**STAGE 3:** A recent survey by Willis Towers Watson (WTW) showed that 58 percent of senior insurance executives say they are behind other financial services when it comes to digital technology in particular. Hence, based on our framework, insurance companies at the third stage of the technology maturity curve are considered 'early adopters,' given their strategic investments in single-page responsive applications, the agile SDLC model, CI/CD practices, automation tools, and enterprise integration techniques. The role of technology evolves at this stage from an 'enabler' to a powerful tool for driving large-scale transformation and gaining a first-mover advantage. CIOs at this stage

must look for ways to expand the business, disrupt the market, and achieve a competitive edge using 4IR technologies such as the internet of things (IoT), telematics, machine learning, artificial intelligence, and Big Data analytics. The idea is to replace traditional business models with new ones that enhance customer satisfaction, promote sustainable business growth, and drive product differentiation.

At every stage of the insurance technology maturity curve, strategic partnerships with technology consulting and service providers can help re/insurers achieve digital transformation quickly and cost-effectively.

## Insurance Technology Maturity Curve



## Conclusion

The pandemic has provided a much-needed push for insurers to focus on digital systems and operations. Undertaking short-term technology goals with an eye to the future will provide organizations with the needed tools to diversify risk products and service offerings. Insurers

that invest in talent, digital capabilities, and technology-based resources while strengthening their focus on customer needs will be well-positioned to emerge from the global crisis on a growth trajectory.

**The time to act is now.**

### About Xceedance

Xceedance ([www.xceedance.com](http://www.xceedance.com)) is a strategic consulting and managed services provider to insurance companies worldwide. Based out of Bermuda, with offices in the US, the UK, Australia, India, Switzerland, Poland and Liechtenstein, its unparalleled expertise in technology, data sciences and blockchain is highly sought after. Helping insurers launch new products, drive operations, implement intelligent technology, deploy advanced analytic capabilities and achieve business process optimization is the main focus at Xceedance.

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