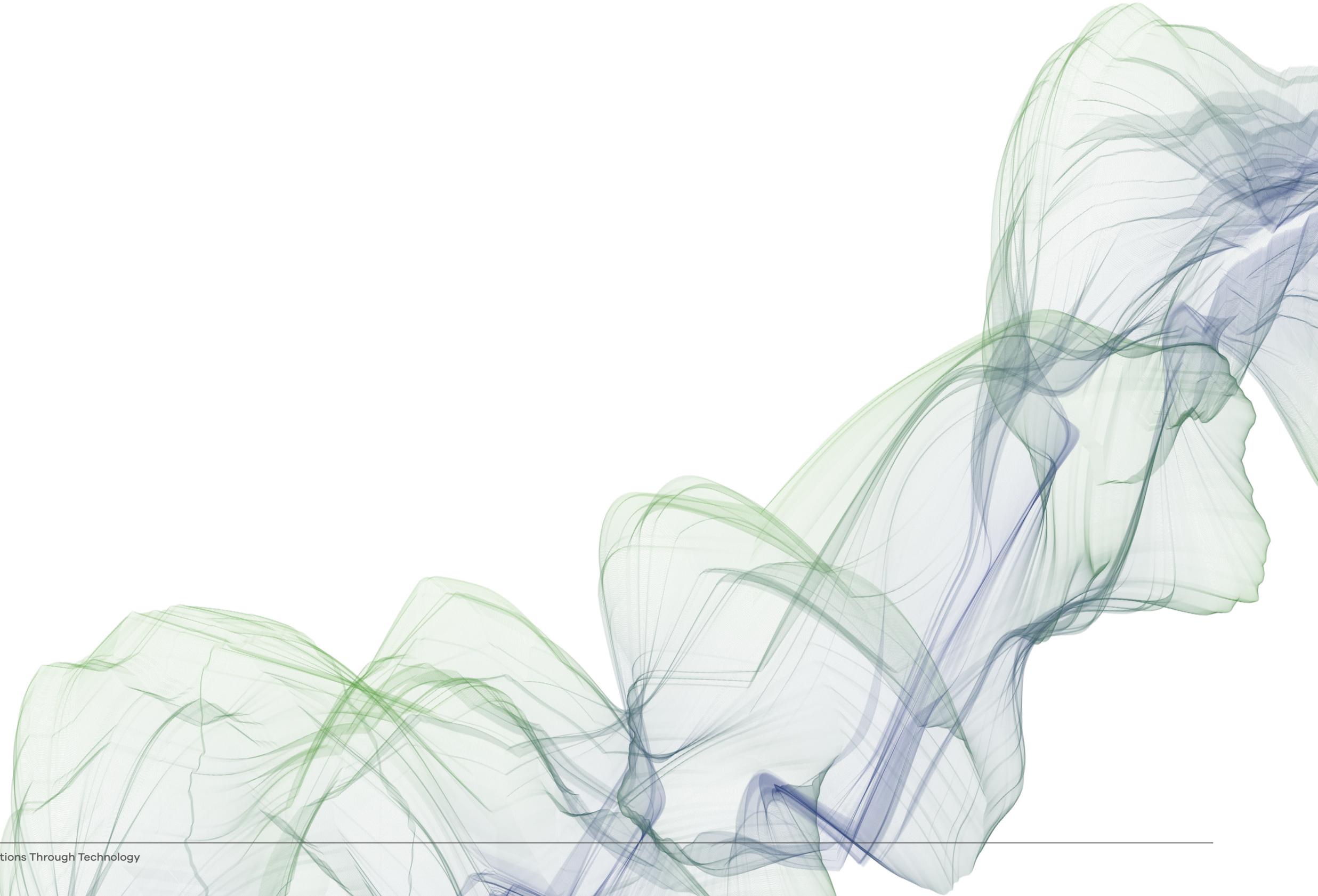

OPTIMISING OPERATIONS IN **INSURANCE**

This whitepaper explores some of the key operational challenges faced by today's insurance sector and how they can be addressed through technology.



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Ever-evolving insurance operations

In today's uncertain climate there are a great many drivers forcing today's insurers to re-think how they do business.

Regulatory, tax, and operational challenges are the top three areas of risk that insurance CEOs see as the greatest threats to their organisation's growth¹. When it comes to digital transformation many insurers are taking bold steps in a bid to capitalise on these marketplace changes, and make back-end operations work smarter and with greater agility.

The pandemic was a significant catalyst for change but the need for insurance firms to re-think operational processes began long before. As one of the most heavily regulated industries, insurance has traditionally been burdened by manual processes such as claims processing, underwriting, and new customer applications; just some of the tasks that consume valuable time, and effort. Often this takes precedence over higher value work, such as helping define business strategy. Especially when combined with the reporting pressures associated with audit checks and regulatory compliance.

Continuously shifting customer demand is also requiring insurance firms to operate with greater agility than ever before. 45% of insurance business leaders believe that rapidly evolving customer needs and expectations will be the top challenge for growth over the next three years², forcing insurers to re-think backend processes and customer service strategies. Insurance leaders can no longer afford to fall behind the pace of change, driving the need for tools and technology that can help increase operational efficiency, support fast, data-driven decisions, and ultimately – deliver real transformational change.

This whitepaper explores some of the key operational challenges faced by today's insurance sector and how they can be addressed through technology. We'll look at the opportunities available to improve productivity, reduce operating costs and elevate the employee experience.



Increasing operating agility and resiliency

As a result of the disruption caused by the pandemic, today's insurers are focussed on building greater resilience across their operating models, and ensuring their people and processes have the agility needed to meet changing service-delivery demand.

This has triggered a wide array of responses across the industry including the shift to remote working. To support the transition, insurers not only made new technology investments, they began offshoring operations which continues to demonstrate how outsourcing version 2.0 can save on resource costs. The supply chain is another area that has been under the spotlight, with many insurers making bold moves towards digitising the claims handling process.

While remote working will likely continue as employees seek to retain the many benefits it offers, regulatory expectations may dictate differently when considering market abuse controls. There is also the need for in-person interaction, which may also contribute to a switch back to office working. Or at the very least – continued hybrid working models.

By adopting new cloud-based systems and processes, you can allow employees to focus on value-add work, wherever and however they work.

When considering these challenges, digital transformation has the potential to not only increase the efficiency and agility of your insurance firms' operations – it can help cut costs associated with ongoing legacy systems maintenance. By adopting new cloud-based systems and processes, you can allow employees to focus on value-add work, wherever and however they work. At Kainos our focus is on enabling our customers to achieve this, and operate for the better. We understand the importance of transformation, and specialise in migrating and modernising outdated legacy infrastructure using the best public cloud platforms that save our customers time and money – all while dramatically reducing their carbon emissions. We digitise resource-heavy processes like claims processing, underwriting, customer communications, finance, and HR through intelligent automation (IA) and artificial intelligence (AI), freeing insurers' employees for more complex tasks. In fact, for one such insurance customer we were able to do exactly that.

Insurance customer saves over 100-man days of manual effort

Our customer needed to migrate over 3,000 global knowledge base articles from their incumbent workflow tool to Workday Help. This was an urgent deadline with the business fast approaching go-live. Integrated delivery was completed in just six weeks, and the automated migration execution took less than 24 hours. Had this been a manual migration the project would not have been completed in time for go-live, if even feasible at all.

Leveraging the power of IA, we enabled them to:

- Achieve an on-schedule, automated migration to a fully populated system
- Save over 100-man days of manual effort
- Provide employees with a seamless transition experience
- Allow the legacy tool to be decommissioned

The end result is a solution that enables the insurer to work smarter and better, with a faster path to tangible value for business stakeholders, users, and employees.

Accelerating restructuring and cost reduction

As insurers become increasingly aware of how change can help them stay competitive and meet shifting market demands, we're now seeing a greater decline of traditional insurance business models.

Today, firms are making different choices when it comes to product and distribution participation, based on their existing asset landscape, future market outlook, and their appetite for expenditure.

The plethora of readily available technologies offer a chance to reshape operations, increasing efficiency and reducing costs. However, legacy systems are making it difficult for many firms to capitalise on this opportunity and ultimately, their ability to evolve at speed. This is resulting in another challenge, capturing the attention of outside investors and private equity groups who specialise in implementing effective process improvement cost reduction programmes.

Organisations in the insurance ecosystem are consequently racing to create efficiencies that improve their investment portfolio management capabilities. The recent agreement between Bain Capital and LV is one such example, which resulted in the acquisition of the savings, protection, and retirement businesses totalling £530 million³.

The legacy impact

With many insurers battling with sprawling legacy IT estates, attempting to run business-critical processes in large data centres, the operating cost of on-premises technology has long been a point of focus. When it comes to managing legacy IT estate, our expertise across cloud, data, AI, and IA can help your organisation overcome the challenge of building new digital services, to improve how you work and stay competitive.

For many of our customers we've enabled them to:

- Maximise existing technology investments by reviewing their current legacy infrastructure and help build the business case for digital transformation
- Deliver real benefits through cloud modernisation beyond lift and shift

- Use the latest tools and cloud native technologies to achieve enhanced scalability, reliability, cost effectiveness, performance, and security compliance at an enterprise level for legacy applications
- Improve service levels with a cloud native service that minimises cost while harnessing the latest technology
- Digitise manual operational processes which increases efficiency and improves the employee experience
- Train the wider team to operate the modernised application, freeing up IT to focus on high value tasks
- Remove the overhead of patching and security costs
- Create a blueprint to deliver future cloud services
- Eliminate shadow IT in your organisation

Our digital services business unit has the knowledge expertise to tackle the most difficult challenges. With access to cutting-edge technologies and a network of influential partners, we empower insurers to build for the future – whether that's using AI and deep learning, or IA to help them transform.

Keeping sustainability at your core



While the UK insurance sector has demonstrated great strength and resilience over the past few years, to survive, insurers must now focus on what tomorrow's competitive landscape looks like – and what the post-pandemic reality means for their business.

For example, as a result of climate change, insurers will always face threats from physical risks in the form of extreme weather conditions. These then lead to record pay-outs and will continue to challenge business profitability. It's therefore essential that insurers plan ahead, especially as we transition to a low-carbon world. Simply standing still on these issues however, is not enough, especially with increased focus from the UK government and regulators. The insurance industry must showcase its commitment to its environmental, social and governance (ESG) footprint.

We empower insurers to make more conscious choices by modernising their applications and moving systems, data, and processes to the cloud.

At Kainos sustainability is one of the things we're most passionate about. We empower insurers to make more conscious choices by modernising their applications and moving systems, data, and processes to the cloud. We start this journey by using our Cloud Carbon Reduction Calculator, which gives us an instant estimate on how much our customers can reduce their carbon emissions by, by migrating their on-premise data centre servers to public cloud. Many customers then rely on us to help them become a more agile, cloud-first, and sustainable organisation – such as the International Organization for Migration (IOM).

In just six months IOM retired its on-premises data centres, and achieved:

- 92% reduced power consumption and carbon emissions footprint – that's 594 tons of CO₂e annually⁴
- New status as the only UN organisation with nearly all resources in the cloud
- The ability to facilitate agile development, innovate faster, and devote more money to missions

Driving efficiency with applied AI



From an AI perspective, many insurers we support are turning their focus to solutions that help build more agile and resilient operating models, while accelerating cost reduction and restructuring.

With the potential to disrupt everything from underwriting to distribution to claims, AI offers insurers the chance create a “human in the loop” model that drives operational efficiency.

The advanced AI technique of knowledge mining can for example greatly reducing manual processing. Insurers can apply knowledge mining’s ability to analyse and understand text contained within policy and claims documents, and pair this information with external real-time data such as weather and geolocation. This mitigates the manual reviewing of claims notes and data like emails or text messages which can be incredibly time-consuming. Knowledge mining solutions can automatically analyse and understand all this unstructured data (messages, social media posts, claims, etc.) and the tacit knowledge of people which can help flag cases of suspected fraud for human review while settling valid claims in minutes.

Since the insurance industry is heavily paper-based with 67% of organisations agreeing that over a quarter of their full-time employees spend some of their day extracting information from unstructured data⁶, insights and streamlined processing from knowledge mining has the potential to vastly improve operational efficiency.

Next-level process automation and virtualisation

Along with AI, Insurers have for many years invested in IA and Internet of Things (IoT) to help streamline processes, particularly across back-office operations. Like AI, these emerging technologies will enable firms to fundamentally rethink how they innovate and deliver products and services. For example, leveraging IoT can enable real-time equipment monitoring to allow for predictive maintenance, even before claims happen. More recently, Digital twins, 3D and 4D printing have the potential to transform the claims experience for all physical damage areas. While the union of machine learning, DevOps and data engineering (MLOps) can harmonise interactions between projects and people, transforming the development process to ensure seamless piloting, deployment, monitoring and operations. With the ability to make faster decisions, better detect fraud, automate manual processes, and enable teams to focus more on other important tasks, it’s no wonder 90% of insurers are using or are considering using machine learning⁷ to innovate and achieve competitive advantage.

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Case Study – General Insurer



The Challenge

With data analysts working in pockets throughout the organisation, our general insurer customer found themselves running short when attempting to deliver agile projects and achieve operational change. The business required support establishing a centralised advanced analytics hub to scale their use of production machine learning.



The Solution

By implementing the Kainos approach to MLOps aligned with best practice and underpinned by optimal technical tooling, our customer was able to drive quality and attain economies of scale within their advanced analytics hub.

Together we were able to deliver an end-to-end development environment with best-in-class

technologies for automated model deployment, retraining, and monitoring. We also implemented a shared machine learning governance framework for our customer's data science, engineering and operations teams, with a productionised predictive classification model and claims fraud model through the end-to-end MLOps process.



Benefits

Our customer's data science team was able to productionise and achieve tangible benefit from their models.

This includes:

- Increased cross-sell, upsell, and customer satisfaction, thanks to faster and higher quality identification of customers across systems using a singularity model

- A significant time reduction in manual retrieval and review of quotes and quote data
- Greatly reduced manual effort for identifying and prioritising customers and prospects
- More accurate and thus competitive pricing based on propensity to claim



Expert guidance with deep industry expertise

As with all new technology deployment, success depends just as much on using the right level of skills and infrastructure to support this shift, as it does on the technology itself.

At Kainos we understand the importance of putting smart decision making into practice, and challenging existing processes to unlock new efficiencies. Working closely with our customers, we provide expertise on industry challenges and help solve them through digital transformation. We empower our customers by optimising their operations, allowing their teams to operate efficiently and focus on value adding work.

Reinventing operations: The next steps

While we've discussed the key challenges and trends driving insurers to re-think how they conduct their operations, one common theme has emerged: To effectively transform your business, you'll need to make more than just fragmented business line or functional investments. Although an effective strategy will include "quick wins" in specific areas, ultimate success requires an enterprise-wide focus. That's why we take a holistic, consultative approach to understanding our customers' challenges across

the organisation, before helping them choose the right path to digital transformation in order to solve their most complex issues. Perhaps you're new to cloud, or have migrated legacy systems as a lift and shift without actually transforming. You may be an early AI adopter, or a seasoned user of ML. Wherever you are on your path to digital transformation, we offer an expert trusted pair of hands to advance your journey, with the right technology for your insurance business operational needs.

Why Kainos?

- FTSE 250 digital services provider with 2,700 employees globally
- Experts in cloud, data & AI and intelligent automation
- Global ecosystem of partners including Amazon Web Services, Bizagi, Databricks, Google Cloud Platform, Intel, Microsoft, Red Hat, UiPath, VMware and Workday
- Experience working with insurers including Canada Life, FBD, Generali, Irish Life, New Ireland Assurance and Sun Life Financial
- We help insurers grow their business, by intelligently improving their operations to deliver better customer and employee experiences.

Partners



Customer Examples



Ready to make an impact?

Our insurance experts can assess the needs of your organisation

Do you want to increase customer satisfaction, acquisition and retention?

Or become more efficient and allow your employees to focus on more value adding work?

Book a meeting to see how our insurance team can help your business



Maryann Fitzgerald
Head of Insurance



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