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**Insurance disrupted: reducing risk through
digital transformation in the era of COVID-19**



Roundtable Special

As UK insurers prepared for the lifting of lockdown restrictions, decision makers from the UK's leading firms joined FStech and Information Builders for a digital roundtable to discuss the impact of the COVID-19 pandemic.

As the Coronavirus advanced across continents, upending customers' livelihoods, cancelling travel and impacting their health, global insurance firms faced a surge of claims, while fraudsters sought to exploit uncertainty.

This event explored how insurers have found themselves under unprecedented pressure to accelerate digital transformation strategies in order to leverage data, predictive analytics, automation and machine learning to strengthen their ecosystems.

Bill Harmer, senior vice president for the EMEA region at Information Builders, began by explaining how the company has provided data and analytics solutions to some of the world's largest financial institutions to support them in building connected systems which optimise the value of their data.

"Whether data is real time, batch, structured, unstructured or in data lake form - knowing the value of it, where it comes from and how it was transformed, is essential as a good data management foundation which can prepare the whole business for open data visualization," he stated.

In the context of COVID-19, the priority for insurers was to ensure staff and customer safety as the workforce moved to remote working.

When asked about the next business continuity priority, attendees at the virtual roundtable underlined that visibility of data and ensuring staff had access to the information they needed to make decisions were crucial across the policy, sales and claims management lifecycles.

According to one chief risk officer, the key to harnessing data is to ensure it is

relevant and processed in real-time to reflect fast-moving scenarios. "Data is very much a key focus because it really underpins everything, but it's making sure we have the right data to make the right decisions very quickly because COVID 19 is a very rapidly developing situation and the sort of things we've been talking about six or seven weeks ago would not be the same things we'd be talking about now."

The importance of data to helping insurers and their clients reduce exposure to cyber risk and fraud was a priority for a cyber risk consultant at a major European insurance firm, who reflected: "As we all know, cybercriminals never took a break from the pandemic, they are sitting at home and they are targeting businesses."

However, for the head of project delivery at a general insurance firm, the key focus was on ensuring that the most value was extracted from data to ensure customer expectations were met at a difficult time. "My key focus is to use data more effectively to make more customer-centric decision making and use that data to be able to do that," she explained. "I think in the post COVID world that's getting more important - we have issues with business interruption as well - so my priority is to use data to understand that more effectively."

One operational risk manager at a health insurance group said that dealing with data access for hundreds of remote workers was a particular challenge: "The key focus in early stage of COVID-19 was maintaining access to data, so it was working out a new remote way of

working - maintaining secure and friction free access to data for when people needed it.

"Now, access to a mainframe system might be a smooth way, but when everybody's trying to use the same VPN it becomes a much slower process; so how do we distill the data down to make it easier for the end user to get to?" he asked.

Bringing data into one location and ensuring that it is properly segmented was at the heart of operational resilience planning for the head of claims at an underwriting agency. "We've found centralising our data has been key to us being able to manage all of these claims against insurers and identifying the commonality and the themes of which claims are being pursued and we're looking to see how we can take our data to the next level."

Responding to this comment on the challenge of using analytics to establish patterns in data, Dan Twomey, product manager at Information Builders, said: "Data platforms helps customers break down data silos they have in their environment and make it easier to make decisions."

While the underlying data architecture is clearly part of a wider digital transformation strategy, a number of providers highlighted the role of data in the day-to-day claims management process when COVID-19 restrictions are making it difficult to maintain customer service as usual.

"We have to ensure we have the best data to give the best deals to customers to compete on insurance products," said the head of information security and head of



operational resilience at the underwriting division of a UK retailer: “The biggest concern for us has been maintaining service and it’s not just a question of being able to answer the phones, if someone has broken down at the side of the road, there’s no point in us saying ‘all our garages are shut, we can’t repair you’; that doesn’t help.”

The economic and financial impact of the pandemic, as well as an associated rise in claims, have meant that insurance companies are having to focus limited resources on investing in digital transformation with proven value for both the customer and the company as a whole.

The head of architecture at a multinational insurance group said: “Our initial priority was business continuity, making sure that customers and staff are able to trade, but then came digital, data,

self-service, streamlining, Robotic Process Automation – these are key considerations.

“But now it’s what do we do with less? Our budgets are going to get caned, revenue’s going to get caned, and as a smart insurer how do we set ourselves up in that environment?”

With these challenges in mind, guests were asked to shed light on whether the COVID-19 scenario had provoked a change in the pace of digital transformation in their organisation.

For one head of IT service management at a pensions protection firm, the pandemic has had the immediate effect of increasing investment in the company’s digital presence while other, longer term projects that had been in the pipeline had been “put on hold because there’s a lot on”.

Meanwhile, the shift to home working

has meant a renewed focus on measuring productivity and ensuring interactive training to help employees keep up as the industry as a whole pivots to digital ways of working.

“We’ve accelerated a lot of our digital transformation work,” said a manager at a multinational European insurance group. “We’ve rolled out a task tracking system so we can track what task people are working on at home, we have also stopped anything to do with face to face, a lot of the training has all been online – so while it sounds awful, in some respects COVID has actually accelerated our transformation from quite a dated insurance industry to a more online and digital one.”

Online training was also an urgent digital transformation capacity for the team at one UK insurer: “We have a team of five trainers who go out and train

insurance brokers, but they're currently training 120 brokers a month in a virtual environment – we've had to reprioritise a lot of our change and investment stack too."

In the same vein, the head of underwriting at a British insurer saw automation and more digital ways of working as essential to business continuity: "Considering we had 600 underwriters across the UK working from home, it was critical we deployed a lot of the investment that we'd played into automation. So that applied to renewal demands, mid-term changes, new business enabling the brokers to get the service and how the underwriters then came together whilst actually being apart was difficult."

He added: "Digitisation was also high on our agenda, self service capability bearing in mind the broker demand for changes and responses to an agile and dynamic situation that the customers were facing."

When it comes to the impact of COVID-19 on the volume and type of claims insurers are seeing, some firms are having to ensure their systems are

equipped for the extra demand.

"The challenge now as UK plc picks up is claims volumes increase," said the head of claims operations at a German financial services company. "As we get more busy we need to improve productivity at that same rate because it's clear that productivity from home is not as good as in the office – so anything we can use from a digital or data perspective is absolutely vital to bridge that gap because we're unlikely to be back in an office anytime soon."

The pandemic has also had a major impact on prioritisation of digital transformation projects, with senior leaders who had initially resisted the disruption of automation and machine learning now considering it vital to the future of the industry.

"Necessity becomes the mother of invention and what COVID has done has allowed the things we had in train in our industry around virtualization, doing more things at the desk, to go much faster, whereas traditionally as an industry we've been quite slow at doing some of these," said one attendee. "What we've seen in 12 weeks probably

would have taken 12 or 18 months before."

Asked about the importance of ensuring that the data inputted into new platforms or systems was of high quality, one head of IT service management at a pensions insurance fund commented: "I think the jury will be out on the quality side of things about the data quality and integrity of the data – I think maybe when we look back at how remote working has changed things, we need to move to looking at how we better connect teams in terms of data."

She added that her team was focused on using data to identify "single sources of the truth on the basis that what they're missing is being able to engage with each other".

The evolution of the industry from paper-based processes to digital is also resulting in a divide between agile companies that have leveraged data for end-to-end transformation and more traditional institutions which are still using legacy systems to drive apps and digital portals.

One insurance risk consultant said: "We're finding there's quite a difference



between truly digital organisations and those that are digital front end on a traditional back end and the latter are struggling with recording of events, recording and managing workflow, teams and throughput and then evidencing it after the fact.

“They’re also putting stuff into systems maybe three, four five times – we’ve started to see quite a divergence with those that are on the game with the digital piece and those that are having to catch up by front-ending.”

Meanwhile, other attendees reported that automation is proving transformative for core functions such as underwriting.

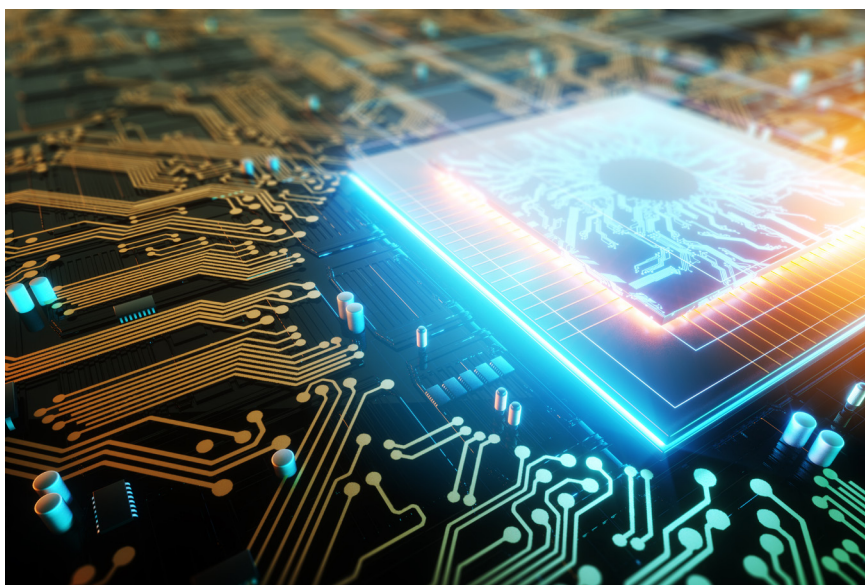
The head of underwriting at a British insurer said: “What you need to get consistency from underwriters is an effective decision support environment – so you’ve got an AI-led support mechanism that enables underwriters to have a collective hive mind mentality.”

However, for many firms the sudden shift to automation has prompted a need to ensure employees understand that these technologies are intended to complement human judgement rather than compound concerns around their own role.

One senior manager at a German financial services group said: “The key issue here is employee worry and the most important thing is that you’re open and honest – you need to be really clear around what your objectives are and then focus on the simple areas at least initially.”

Twomey, an insurance expert from Information Builders, commented: “If you look at some of your more complex claims, utilising some of the artificial intelligence concepts can actually help solidify some of the gut feel and experience of the employees by bubbling that information to the surface faster.”

Leveraging data for automation and ensuring analytics are actionable for human operatives was also picked up by the head of financial risk at a UK



insurance group: “Automation really is a time and motion thing, it’s about getting the most out of someone rather than replacing someone, you obviously can’t replace someone with the robots we’ve got today – it’s just not practical, people don’t want it either.”

However, one guest took a more pragmatic approach to the future impact of automation, explaining that it had the potential to change the roles of workers in data-related jobs.

“Different types of automation are reducing the number of people needed for transactional level tasks,” he said. “Whether that’s invoice processing or approvals processing for claims, that is reducing the number of people in those departments and the training becomes pretty important, so what do you then get those people to do so the value and higher level processing?” he asked.

“I think in the medium term it will be a balance between that type of automation and formal decision making where you still need a human involved and you can make more time for resource planning, budgeting and forecasting.”

One guest, however, forecast that the rise of automation and the increased protections over data would mean that

insurers are more willing to bring in trusted outside providers to help them accelerate their digital transformation strategies.

“It’s probably going to lead to a trend in using more third parties and tech companies as part of their ecosystem, to enable them to respond to market conditions quicker,” he reflected. “So it’s not just about how do you surface that information to enrich decision making?”

He said that his firm was creating a new system based on decisioning and AI to accelerate capacity, concluding: “I think the ecosystems in the successful business of the future will allow you to pull in and plug out data sources, depending on what the environment says.”

The principal theme to emerge over the course of the roundtable discussion was the centrality of data to insurers’ ability to adapt to the challenges of the COVID-19 situation as it evolves. A key message was also the importance of building an efficient and well-managed data platform that allows staff to access the information they need in order to meet customer demand for digital services as the industry adapts to the ‘new normal.’