WHITE PAPER

ENHANCING THE BUSINESS CASE FOR AUTOMATION IN INSURANCE

Abstract

Even as the insurance industry faces significant headwinds, it needs to adopt automation effectively for optimising costs and improving customer service. This paper studies the challenges of the industry when it comes to adopting automation and outlines three ways to improve the business case for using it as a lever for transformation.

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Introduction

Over the years, insurance industry players have been facing significant challenges — both internal and external. To survive, the focus needs to be on creating value for customer by improving operational efficiencies and thereby providing cost benefits. However, though there are various platforms that can interact/ integrate with existing systems to help achieve that focus, there will always be questions around the cost of change and the time required for the change. On considering these, automation can be the magic lever required to propel the journey towards transformation.

The challenges to automation in insurance

The dictionary defines automation as "the technique of making an apparatus, a process, or a system operate automatically." Another way to define automation would be "the creation and application of technology to monitor and control the production and delivery of products and services."

While any system that operates automatically can be marvelous, yet there are several challenges that the insurance industry faces in adopting automation, namely:

1. **Fragmented effort spread across non sequential tasks:** Though the nature of work that is being currently transitioned typically involves low-complexity and highly manual transactions, yet these relate to specific, non-sequential tasks. Thus, they do not lend themselves to automation at scale and hence do not make for a good business case promoting automation.
2. **Standalone technology:** RPA cannot be implemented in isolation. Automating business processes requires effectively using digital or digital- enabling solutions such as optical character recognition (OCR) or intelligent optical character recognition (IOCR), machine learning (ML), and artificial intelligence (AI) to achieve straight-through processing.
3. **Complex IT architecture:** Within the insurance space there are several organisations still using age-old legacy systems which are unresponsive to, or do not interact with automation. Trying to implement automation on such platforms is a huge challenge.
4. **Change management:** The way change is handled within an organisation also makes a huge impact on how the technology is adopted. If any change driven by automation creates job-loss related fears in the minds of employees, no matter how good the solution is, they will resist accepting the new way of working.

Three ways to successful adoption

The industry can overcome some of the challenges to automation using the following three approaches:

1. **Assessing holistically:** Typically, the outcomes of assessment for automation are concentrated only to a specific task within the entire range of process steps (as depicted by point 3 below). Organisations need to identify the bottle necks that will discourage the end-to-end automation (as depicted by point 1 below) or at best identify the automation of tasks that cut across different processes (depicted by point 2 below). This will help in elevating the overall business case by enhancing the savings with minimal increase in cost.

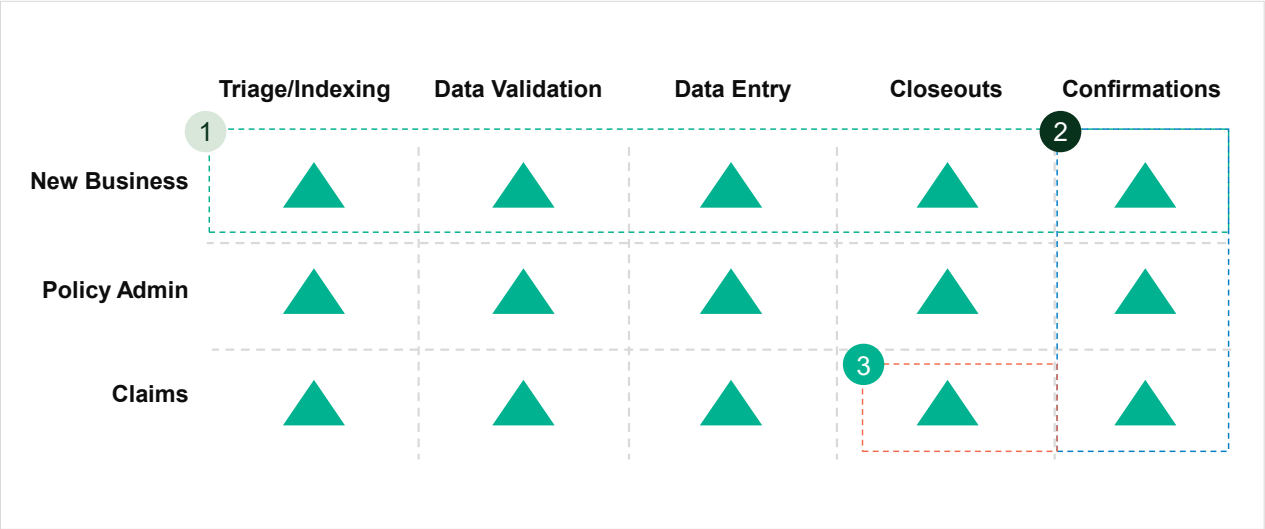

Fig 1: Assessment methods for back-office automations

2. **Using cognitive solutions to complement automation:** Typically, back-office processes have the below transaction flow across simple/ medium/ complex transactions received. As the graphic depicts, about 70% of time is spent on validation of documents received, data entry processes for system records, uploading documents on a document management system, and sending out communications, such as through emails or letters.

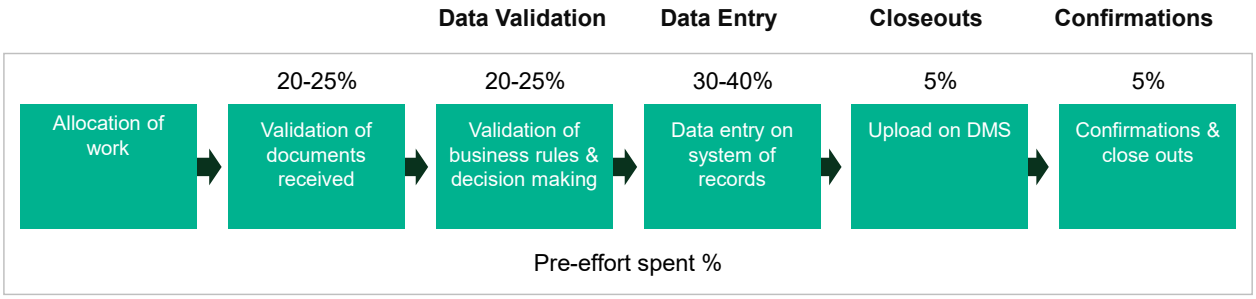

Fig 2: Effort spent across transaction flow at backend

An effective use of OCR/IOCR along with RPA will enable easing out the user experience in terms of reducing the manual effort spent on completing these transactions. OCR/IOCR can also be leveraged to extract relevant information in consumable format that can then be integrated into the system of records via API or BOTS to either drive straight through processing or efficiencies within the processes.

3. **Adopting a framework that facilitates end-to-end automation:** Knowing that automation through OCR + RPA will be a key solution in a Backoffice set up, there is the need for defined processes and digitised data to amplify the adoption of automation. A framework that is process-agnostic while enabling automation at scale, will also have a direct impact on the cost of operations and facilitate a lot of data collection to drive some business impact. The graphic below depicts such a framework.

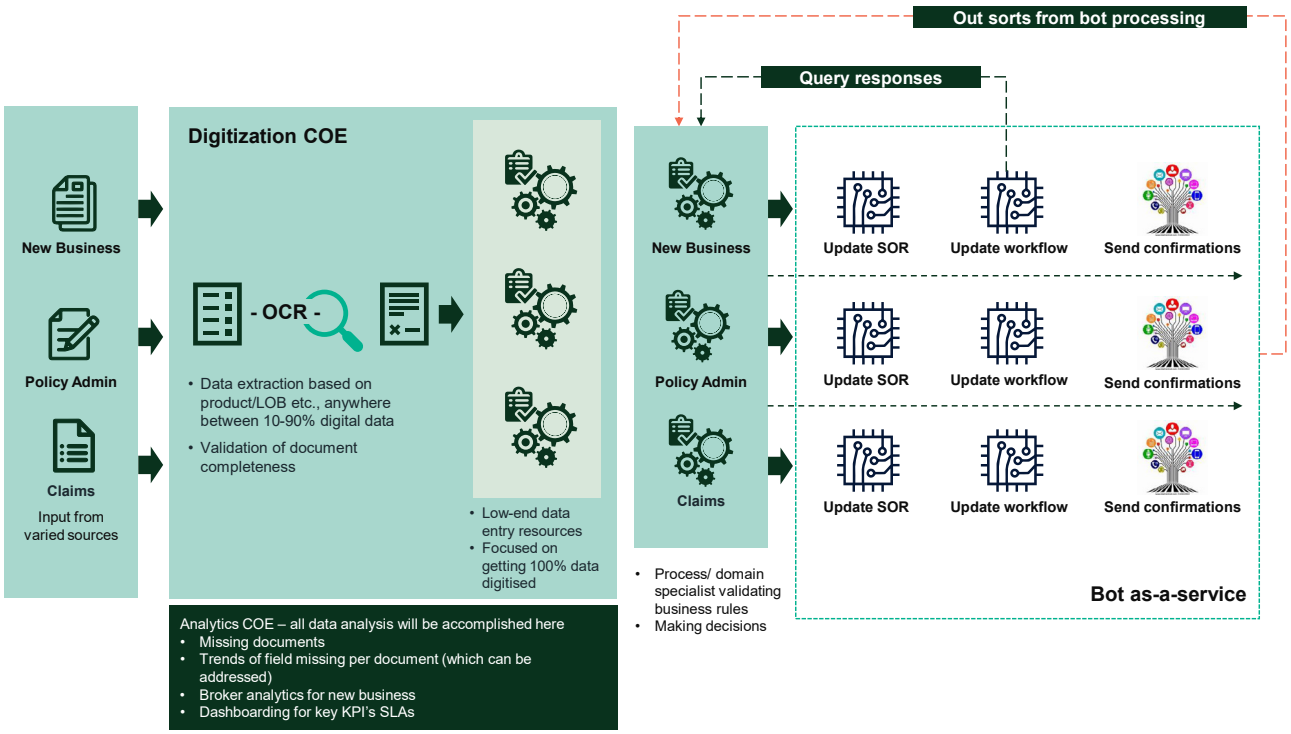

Fig 3: Automation-enabling framework

The framework comprises three major parts:

- **Digitisation centre of excellence (COE) –** formed with a combination of OCR solution-based extraction and validation and manual digitisation, a digitisation COE will help achieve 100% digitisation that will in turn enable auto-processing of transactions with the help of RPA, based on defined process steps.
- **Process experts and SMEs –** for complex processes like financial changes, an additional layer of SMEs can be introduced to confirm the information required to process the transaction.
- **Automation -** with the effective use of APIs wherever possible, the data to be ingested will alternatively use BOTs to update the system if integration is not feasible. This will eliminate any need of manual processing.

Optimising for automation's benefits

Though manual interventions enable a higher degree of confidence on the transactions being processed from service centers, they still require up to 50% of effort (based on experience in similar back-office transaction processing) in getting the data digitised and coming to a decision.

While it might not be possible to eliminate all manual effort by 100%, applying the suggestions given above will have a significant impact through optimising the residual interventions. The graphic below depicts the typical effort spent on manual interventions pre- and post-optimisation.

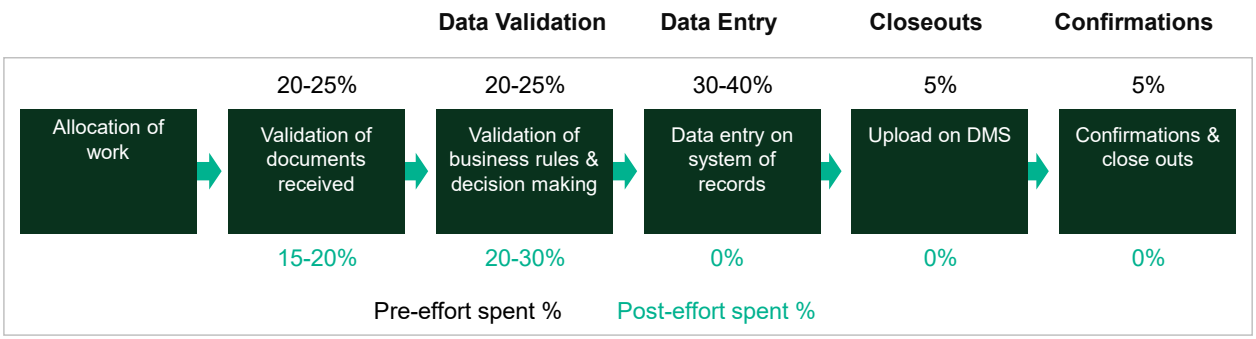

Fig 4: Potential effort reduction back-office transaction flow

Once the optimisation of manual interventions is done, it will be relatively simple to process the transactions with the help of RPA. Below are some of the benefits that can then be expected to accrue:

- **Reduced manual effort:** Whether for life and annuities (L&A) or property and casualties (P&C), automation has the scope to reduce manual effort anywhere in the range of 10-90% based on the different process and transaction types. While cancellations, renewals, proof of insurance, and payouts are low-touch transactions where this framework can give up to 90% of manual effort savings, there will be some high touch transactions like beneficiary changes (L&A), endorsements (across L&A and P&C) which might yield up to 30% benefits.
- **Reduced cost of operations:** With the potential to split the workforce into low skill and domain experts, automation should be able to optimise the cost of operations and consequently impact the bottom line. This can also be considered in new pursuits as a standard to optimise the financials and improve the chances of conversion.
- **Data-based transformation:** The automation framework given above will facilitate capturing of a lot of available data. This can be utilised for various areas of impact. For instance, operational data can be used to analyse and improve the turnaround time. Other data on missing documents, and not-in-good-order cases and their reasons, can be used to address the underlying reasons within the organisations control, across onshore and offshore.

  On the other hand, some key data such as related to underwriters and brokers can be utilised to create a prioritisation matrix for improving the conversion of new business areas, which will incrementally impact the topline and customer experience. Lastly, with data being available at the field level for OCR, enhanced OCR systems can deliver more accurate extraction and validation that will further reduce manual effort over time. Also, RPA out sorts can be analysed for failure and a robust resume can be created for easy replication.
- **Replicable bot resumes:** With the processes well defined and probably not varying so much across different logos, bot resumes can be created that will be easily replicable in similar business areas. These resumes can further be used to pitch in new pursuits and probably with reduced costs, enabling an optimised financial pitch and better ROI.
- **Plug & play framework:** The automation framework enables organisations to have a plug and play kind of environment. This can be used in the existing scope of business and/ or in new pursuits with existing transformation/ automations, where processes can be taken on based on how they match the framework. This facilitates taking over the processes with varied nature of automation in their current state and placing them into the framework.

The Bottomline

If the industry looks at automation in a holistic way and tries to follow the three suggestions given above, organisations will be able to improve the scope of automation considerably while at the same time creating even more positive business cases for automation.

About Author

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Chetan is a Lead Consultant – Digital Transformation Solutions, responsible for crafting solutions that involves pre-sales activity for operations transformation and subsequent ownership of delivery for Insurance clients.

Chetan has over 20 years of experience in BPM Insurance, working with multiple captive and third-party service providers, with more than 12 years of experience across process excellence, transformation and consulting within property and casualty, and life, annuities, pension and retirement domain.

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Prior to Infosys, Sourav had been with IBM, Satyam, Tata Consultancy Services and Standard Chartered Bank across a variety of roles in India, the U.S., and the U.K.

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