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RE-IMAGINING INSURANCE FOR THE FUTURE



Business Process Optimization and Automation

An Infosys Consulting Perspective

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Introduction

In a rapidly changing business environment, insurers need to innovate and transform their business to create sustainable value in an increasingly digital world.

Insurers must produce competitively priced new products, streamline underwriting and claims processes, and establish effective cross-sell strategies – all while optimizing their business process without compromising efficiency, quality, and response time.

Luckily, process optimization and automation can significantly aid growth of new business models, distribution networks, partnerships, and revenue streams. Indeed, according to our experience, process optimization and automation can release 25% to 45% capacity, allowing resources to be repurposed to growth activities.

In this POV, we look at some of the challenges that incumbent insurers are facing in the wake of Covid-19, as well as the full range of benefits that can be brought by optimization and automation. We outline critical measures for success when undergoing this exercise, and our suggested framework to follow on the path to optimization and automation. Finally, we summarize our structured approach and offer examples of client successes in the industry.

Optimization and automation – why now?

Automation is undeniably the watchword for success in insurance.

Insurance companies have been mired with deep-rooted operational challenges that have made their COO's goal of cost optimization difficult, if not impossible. These operational challenges have a direct correlation with the inefficiencies they lead to, thus creating friction in processes and manual capacity to manage it. For example:

- Long times for new product introductions
- Processes and systems are product centric vs. customer centric
- High volume of NIGO (not in good order) manual interventions with long processing time
- Reliance on paper forms
- High call volumes and resolution times
- Double digit legacy systems to complete a simple transaction
- Lack of transparency and communication

The reliance on paper forms is particularly very restrictive; most insurance companies still ingest millions of these paper forms that restrict the digital flow of information. The content is often non-client friendly and filled with legalese and jargon. As a result, hundreds of hours are spent on form validation, verification and re-keying of information across myriad of siloed systems and applications. With thousands of process variations and exceptions, efficient and quality processing of inputs is compromised. At the same time, the rear-end of the process value chain is paper heavy, with only about 5-7% adoption of e-delivery. An estimated 20-30 million documents are printed and mailed every year, increasing the cost of policy servicing.

Covid-19 has exacerbated the traditional challenges posed by these legacy systems, poor data quality and lack of digital customer touchpoints, exposing significant operational gaps for large insurers.

Shifting expectations

Rise of digitization, new automation breakthroughs, and shifting market conditions are forcing incumbents to transform or be disrupted. At the same time, Insurtechs are rapidly gaining traction, with over \$5bn industry investment since 2012. By 2025, there will be one trillion connected devices offering a wealth of data to personalize products, making advanced analytics and personalization no longer optional for insurers. To survive and thrive, incumbent insurers must navigate change at accelerated pace.

Additionally, the pandemic will leave a residual impact on the way customers expect to be served in the future; they now expect the 'best digital experience' to be the norm, regardless of the industry they are interacting with. Insurers, who have traditionally been late adopters of digital transformation, have been forced by this catalyst to re-imagine their operating models to meet the changing wants and needs of the customer – whose patience and loyalty is wearing thin.

Benefits of process optimization and automation

Process optimization and automation can help insurers provide a superior customer experience and differentiate themselves from their competition and free capital to fund growth initiatives.



Cost reduction

Cost reduction to the tune of 25-45% through multiple levers of process efficiencies and automation.



Free up capacity

Automation of manual processes frees up full-time equivalent employee (FTE) capacity for value-add activities.



Accelerate digitization and service

Automation improves customer and agent experience due to faster delivery and 24/7 coverage.



Greater accuracy and consistency

Automating manual activities ensures that all processes are performed in the same manner, reducing human error, and guaranteeing that everything is fully auditable and compliant.



Create scalable operations

Automation offers increased operational agility, as robots can be scaled up and down very quickly – giving resilience in times of uncertainty.

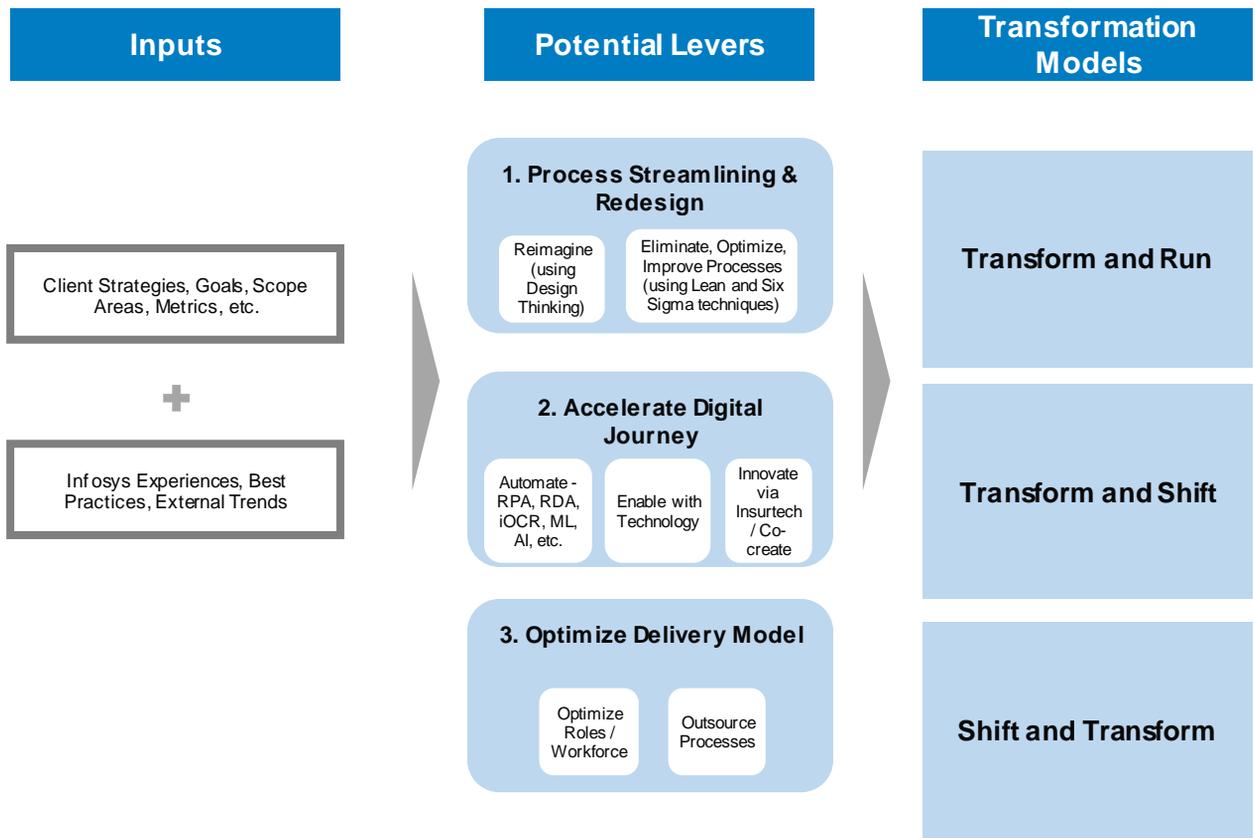
A framework for optimization and automation

Infosys Consulting has taken a “top-down process driven” approach to process optimization and automation to drive exponential business outcomes.

Insurers often choose a high-volume process or set of tasks to automate (aka task-based automation) in anticipation of significant cost savings and capacity free up. This works when in the proving stage in the journey of optimization and automation. If a top-down process driven approach is taken, many times the process or set of tasks may completely be eliminated and need not be automated at all.

In our experience, it is critical that every optimization and automation program begins with a comprehensive framework to assess the end-to-end insurance processes. Taking a top-down process driven approach means looking at holistic set of levers at the right level, and therefore delivers significantly more business outcomes. Figure 1 shows the framework that has been tremendously successful with our insurance clients.

Figure 1



Let's understand the elements of the framework in a bit more detail.

Inputs

The first step of our framework involves understanding the client's strategy and goals, informed by our own experiences and best practice. Mapping out these goals is critical since different organizations will have different aims for their optimization and automation program; these could range from reducing costs to digitizing manual processes or improving customer experiences.

Potential levers

Knowing which levers to prioritize and how to implement them can make a huge difference between a successful optimization effort and one that struggles. Based on our experience with hundreds of optimization and automation programs, we believe these three levers and their combination are the most important ones while taking a top-down process driven approach:

- 1. Process streamlining and redesign:** Re-imagining the processes to be customer centric. We use tools like design thinking and devise ways to improve the end-to-end process value chain with a combination of process-door (e.g., Lean Six Sigma) and data-door (e.g., process mining) analyses. It is critical to re-imagine/re-engineer processes at the right level before applying any automation enabler.

2. **Accelerating digital journey:** Process automation can be done using multitude of techniques like robotic process automation (RPA), robotic desktop automation (RDA), and intelligent optical character recognition (iOCR) for intelligent data capture and extraction and simple technology enablement. This helps in enhancing customer, agent/broker, employee interactions and their experience, taking the manual activities out of the equation, to modernizing core insurance processes. Additionally, we drive innovation across the value chain by insights-driven decision making through data, analytics, AI/ML, and innovating and transforming by leveraging a disruptive ecosystem of Insurtechs.
3. **Optimizing delivery model:** Determining ways to optimize operations by rationalizing roles and responsibilities and instituting a right-shore operating model that best serves the targeted business outcomes.

Implementation models

As a final step of the framework, we look at the models in which process optimization and automation can be implemented within an organization.

- **Transform and Run:** Transform the processes with the insurer and provide support as required. This is typically applicable to strategic and customer focused processes.
- **Transform and Shift:** Transform the processes with the insurer and shift them to our operations for greater scale.
- **Shift and Transform:** We shift the processes to our operations first to free up capacity and scalability. We subsequently optimize and automate for further business benefits.

We work with all our clients to ensure the right levers are applied and chosen implementation model is right for them.

Structured approach

Underpinning our optimization and automation framework is our structured approach, which, when followed correctly, leads insurers seamlessly through the process from beginning to end.

These steps are supported by our proprietary tools and digital accelerators that can fast track the program. A high-level overview of these steps can be seen in figure 2, but we recommend insurers contact our team to discuss these in more detail.

Figure 2

<p style="text-align: center;">1</p> <p style="text-align: center;">Functional/ Process Decomposition</p> <p>What processes are in place? What is working and what isn't?</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">Stakeholder Journey Mapping</p> <p>How do business personnel function today? What journey do customers, agents and employees take and what are the critical touchpoints?</p>
<p style="text-align: center;">3</p> <p style="text-align: center;">Process Mining Led Insights</p> <p>Can AI and machine learning tools be used to learn how processes work in the background? What are the critical insights not visible to humans?</p>	<p style="text-align: center;">4</p> <p style="text-align: center;">Volume Analysis & Key Metrics</p> <p>What process/transaction volumes are being processed on a daily, weekly, and annual basis? What are the variations and handoffs?</p>
<p style="text-align: center;">5</p> <p style="text-align: center;">Technology Feasibility Assessment</p> <p>What technology stack currently supports the processes and what are the gaps?</p>	<p style="text-align: center;">6</p> <p style="text-align: center;">Opportunity Identification</p> <p>What opportunities are available through optimization and automation? What are the right levers to apply to maximize business outcomes & feasibility?</p>
<p style="text-align: center;">7</p> <p style="text-align: center;">Prioritization</p> <p>How should these opportunities be prioritized? Are there any quick wins? What are the longer term plays?</p>	<p style="text-align: center;">8</p> <p style="text-align: center;">Benefits & Business Outcomes</p> <p>What benefits and business outcomes can be expected from this program?</p>
<p style="text-align: center;">9</p> <p style="text-align: center;">Roadmap</p> <p>What is the multi-year implementation plan to execute the opportunities for desired outcomes? What strategy should the insurer follow to ensure the program is implemented effectively?</p>	<p style="text-align: center;">10</p> <p style="text-align: center;">Execution</p> <p>How should the program be executed with a process driven automation factory? At Infosys Consulting, we share the risk – whatever the implementation costs.</p>

Critical success factors for optimization and automation

The benefits of process optimization and automation are clear. However, without the necessary foundations in place across business, technology, and leadership, it will be difficult to realize the intended benefits – particularly for incumbent insurers with legacy operational challenges.

In order to overcome legacy operational challenges and ensure process optimization and automation is effective, insurers should consider four critical success factors which can significantly improve program outcomes.

Lead from the top and focus on change

Optimization and automation should not be considered an 'IT project'. When executed correctly, they transform the complete breadth of operations and have to be led from the top to achieve success. Automation often has negative connotations for employees, making teams resistant to the process. Leaders must implement a change management program to communicate the benefits from the start and ensure buy-in from everyone in the organization.

Define success criteria from the start

The optimization and automation journey can be challenging. It is critical to establish measurable end goals from the very beginning of a program. Leaders must be astute when defining the benefits of an optimization program, particularly if it involves freeing up resources using automation. For example, insurers replacing legacy systems should plan to redeploy the resources in other business areas to transform/growth initiatives.

Use business needs to inform technology choices

Insurers often invest in new technology and use this as a panacea to solve all problems. Choice of technology must be led by top-down business needs – not because they solve a small part of the wider issue. Different optimization and automation models offer different value, and the operating model should be devised taking a holistic approach considering the overall value proposition and products and services of the firm.

Maintain collaboration between IT and the business

Optimization and automation aren't simply an IT exercise, so there must be strong and continued collaboration between IT and the business throughout the process. Sustainable and optimal benefits will only be realized if the entire organization is on the journey, adopting the program throughout and thinking as one.

Examples of client successes

Our advisors and practitioners are helping insurers all over the world to transform in the next normal – scaling up automation programs, optimizing costs, and driving innovation across products and business models. In addition, our partnerships with a wider set of automation technology providers accelerates impact at clients.

We combine strategic thinking with deep knowledge of implementation at scale to equip our clients with the tools and skills they need to capitalize on growth opportunities. Four examples of successful programs are outlined below.

Top 2 global insurance broker: 50% reduction in effort to produce and issue Certificates of Insurance (COI) documents

The COO office engaged our team to transform their certificate of insurance (COI) issuance process, a largely manual process with an average 35 mins touch time and 240 FTEs working onsite and offshore. We enabled assisted automation by deploying a predictive analytics-based solution (Infosys EdgeVerve Platform) that leveraged historical data to automate issuance of COI from service request creation to distribution. Our solution accurately extracted attributes from structured and unstructured forms, predicted missing attributes and addressed process inefficiencies arising from information scatter and poor user interface. This improved productivity by >100% and enhanced user and customer experience.

Top 5 US group and voluntary benefits insurance carrier: 40-50% operation costs reduction

The COO challenged our team to help reduce operational costs by 35% to fund a large multi-million transformation effort. Our team took a holistic approach and conducted an end to end operations assessment. We assessed several enablers including process streamlining, technology enablement, workforce optimization and automation. Our solution implementation included RPA (Blue Prism), RDA, iOCR & workflow (Pega), and helped achieve significant savings across wide range of processes:

- Policyholder services: ~40% – 50%
- Payment processing: ~50%
- Claims: ~50% – 55%

Top 3 US mutual life insurer: 30-40% effort reduction in process analysis

The Head of Enterprise Process Excellence approached us to help them graduate towards a data driven approach for process analysis. Our team partnered with the client's process excellence and claims operations teams, identified and extracted relevant data, ingested this into a process mining tool (Celonis) and iteratively built 25+ process analysis dashboards. This helped identify process variations (~2K), unnecessary claims reassignments (~19%), overprocessing (avg 4-5 outgoing calls) for smaller denomination (<\$5k) claims and leakages (~17% of the cases received interest before settlement pay-out of more than \$500). In addition, we delivered a reference guide and trained the client process excellence team on how to use the process mining tool for similar future opportunities

Top 3 US Bank – Treasury Business: 30-40% effort reduction in process analysis

The client was targeting to improve customer experience and optimize cost in the treasury business operations by speeding up the cycle time to service customer requests. There were 400 request types generating over a million emails a year. We defined the automation strategy and executed the solution that could automatically identify the service request type, extract relevant attributes of the request and fulfil the request in STP and manual assist mode. The client realized significant benefits from the engagement:

- Improvement in servicing speed (manual assisted): ~40%
- Improvement in servicing speed (STP): ~75%
- Cost reduction: 30% – 35%

Looking ahead

With a sharpening focus on increasing customer experience and driving down costs, insurance carriers across business lines can engage customers more effectively by looking at the entire lifecycle of customer engagement, while delivering a low-touch, low-cost, highly seamless experience. Covid-19 is the perfect catalyst for disruption, and insurance companies should capitalize on optimization and automation to differentiate their customer experience from the competition.

Meet the experts



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