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Insurance to the Power of Digital

Intelligent Automation and the Future of Insurance:

An insurance executive's guide to automating front to back office across the value chain

Enterprise to the Power of Digital™

Navigating the New Insurance Paradigm

In today's volatile, uncertain, complex, and ambiguous (VUCA) business environment, insurance organizations face a multitude of challenges, including rising catastrophe losses, escalating operating costs, digital disruption from insurtech startups, shortage of talent, and legacy technology through multiple M&A. Moreover, stringent compliance requirements are putting additional pressure on insurers to collect and process more data to bolster regulatory reporting. There is also the challenge of rapidly evolving customer expectations, which have been shaped by daily interactions with big tech companies.

> Today's policyholders want to have real-time, highly contextualized conversations with their insurers. To thrive in this experience economy, insurance organizations need to become more data- and customer-centric to gain a competitive edge and drive profitability. Mitigating those challenges would also require insurance companies to overhaul existing business workflows and enable straight-through processing, reducing turnaround time, boosting accuracy, and enhancing operational productivity. The only way they can achieve that in a scalable and cost-effective manner is through intelligent automation.

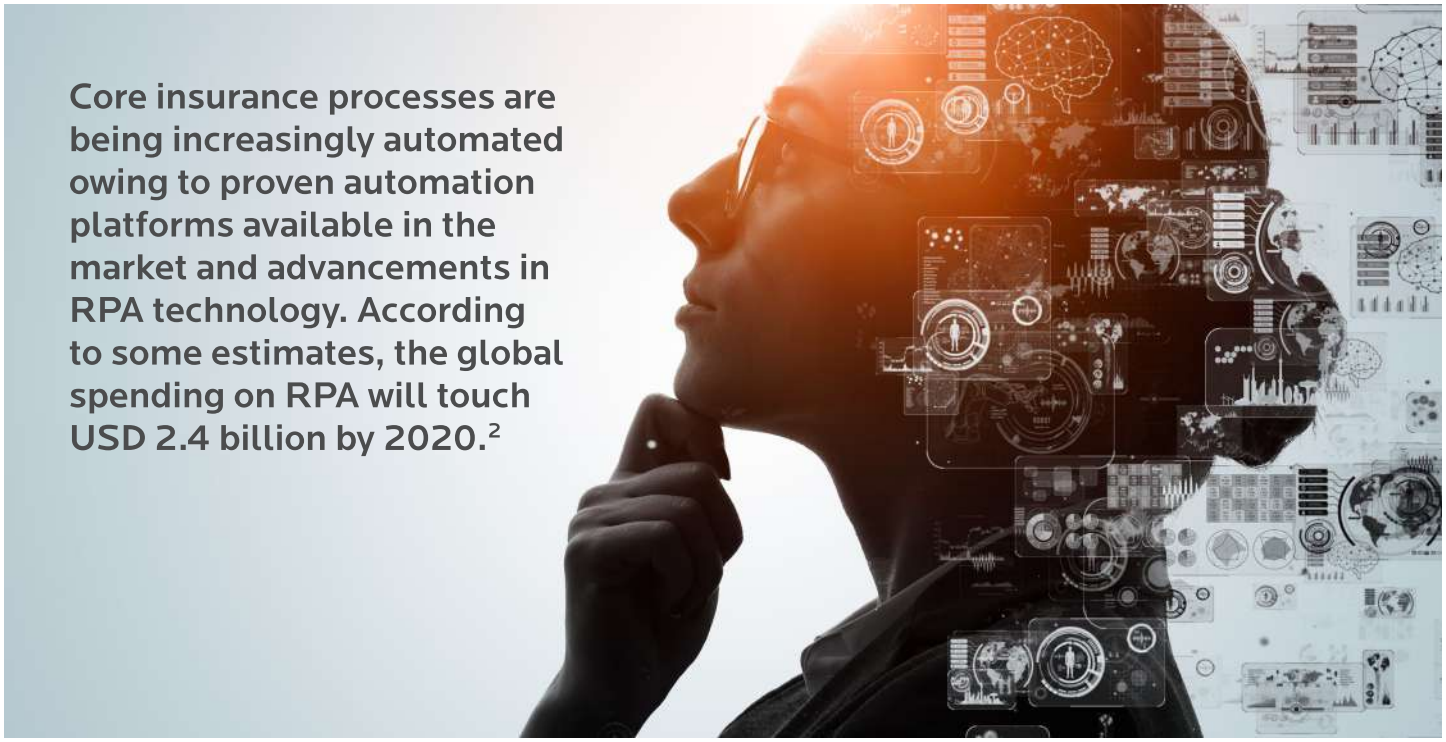
The idea is to select the repetitive, high volume, non-value adding activities that take up considerable time and effort to execute; and augment and automate them using Robotic Process Automation (RPA), Artificial Intelligence (AI) and Machine Learning (ML). The insurers can utilize the additional bandwidth created through automation for moving employees up the value chain to work towards building relationships with stakeholders, delivering more customer value, and creating new products.

RPA is a technique by which complex digital processes can be automated, as the technology imitates how a human user would execute a task, based on a set of pre-defined rules. If a process is stable, mature, optimized, and rules-driven, it is usually a right candidate for RPA implementation, achieving excellent results across cost, quality, and cycle time. Through intelligent automation, insurers can not only improve 'as-is' processes but deploy new workflows that enhance policyholder interactions. For instance, sharing timely updates about the status of the application or policy which could be time-consuming for humans, but can be easily automated with RPA.

What will define the success of such automation projects will be a prudent, well-rounded digital transformation strategy. That would involve selecting the right automation platform and use cases, investing in skill-building, ensuring robust integration of various systems, configuring, testing, and deploying business rules, all the while controlling project costs and timelines. However, the question remains – are insurance organizations ready for leveraging technological levers to alleviate operational challenges they now face? In this piece of literature, we will discuss the latest trends in RPA adoption, specific high-ROI use cases, and practical tips to ensure your next RPA initiative is a success and how you can measure that.

RPA Adoption in the Insurance Industry

From accelerating submission clearance to claims processing and report generation, RPA is being deployed to revolutionize how insurance businesses operate. Gartner is categorizing insurance companies as one of the biggest adopters of RPA, along with banking, telecom, and utility companies.[1] The reason behind this enthusiasm is the ROI associated with RPA projects. According to estimates by McKinsey, the returns range between 30 percent to over 200 percent in the first year.



RPA solutions require structured data to automate existing tasks and processes, and that has been made possible for insurers through digitization, legacy modernization, and availability of digital skills as a result of strategic partnerships with service providers and insurtechs. Because RPA is a non-disruptive technology, it operates in the presentation layer interacting with existing applications and systems. It can be modified easily in line with regulatory or operational requirements. In the long term, RPA would pave the way for better workforce utilization, creating more business value, as insurance employees divert their time and effort towards high-value activities.

Case in Point: Claims Transformation with RPA

Claims management is a crucial stage in the insurance lifecycle that determines the overall policyholder experience greatly. From the first notice of loss (FNOL) to settlement, the entire claims process presents multiple customer engagement scenarios that can be augmented with the help of RPA. A Novarica Digital Transformation survey found that 55% of agency leaders who responded ranked claims as one of the top five areas for transformation. So, it should be – P&C insurers spend around 80 percent of the premium revenue on claims payouts and expenses.

> According to McKinsey, through digital claims transformation, insurers can experience a close to 20% increase in customer satisfaction scores and reduce claims expenses by 25-30%. Moreover, by embedding RPA across key claims processes, companies can eliminate data entry error rates, bolster compliance processes, reduce fraud leakage, and minimize wait times.[3]

By making decisions on cases faster, insurers can contain their exposure to fraud, pay more attention to other complex claims, and reduce litigation costs. What is needed is the dissolution of process silos to enable a no-touch, straight-through claims process with minimum unnecessary touchpoints and a seamless policyholder journey.

Let's look at various stages in the claims lifecycle to appreciate how RPA can create value in terms of efficiency gain, turnaround time, accuracy, and cost reduction. By integrating RPA with machine learning, image processing, and natural language processing (NLP), insurers can automatically use unstructured information from emails, video feeds, images, and handwritten documents to analyze it and trigger an FNOL communication. In the case of auto insurance, ML-powered RPA bots can receive telematics data from automobiles involved in an accident to assess the damage and process the FNOL. That is particularly beneficial as, according to estimates, only 13 percent of the 10 million U.S. drivers involved in accidents provide the FNOL from the scene of the accident – a worrying statistic for auto insurers who are trying to optimize their cycle times and accelerate the repair process.[4] Similarly, on the P&C side, the proliferation of IoT and sensor technology will help homeowners process non-catastrophic claims faster with real-time data being collected from home security systems, water sensors, and smoke alarms. That data is analyzed using RPA and pre-defined thresholds to file the FNOL on behalf of the policyholder.

Typically, effectively capturing and managing of claimant data requires adjusters to read data from forms or systems and re-enter the information in the format needed in the claims system. It gets more complicated when claims submissions consist of pictures and paper-based documents. RPA, along with technologies such as Optical Character Recognition (OCR), can ensure that the right information ends up in the right systems and is attributed to the proper claim. It also helps alleviate challenges of the swivel chair interface where employees are continuously switching between applications and screens to access and re-key data. Moreover, RPA can be used to analyze the unstructured data in the submission of a claim, automate the classification and annotation process for every new claim, and route it to the most appropriate SME for assessment. It can extract information from multiple documents – the police report, doctor's statement, and more – and assess the damages for a given claim based on set business rules. At this stage, RPA can also flag data outliers and detect fraudulent claims to prevent leakage at later stages of the settlement process. That may help control fraud - according to the Coalition Against Insurance Fraud; the U.S. insurance industry loses close to $80 billion annually due to fraud.[5]

While low-risk claims may be processed automatically for payout, high-risk, complex ones need to be routed to an adjuster. RPA can assist adjusters by collating additional data stored in disparate sources and verifying the claim against it. For example, it can check police records to ensure the claimant was not arrested for DUI or hit-and-run. Manual claims adjudication is also highly prone to human error resulting in unprecedented delays and rejections, adversely affecting the overall customer experience. Automating data entry and analysis can potentially help insurers achieve 100% accuracy in the claims processing data. However, it is essential to remember that not all lines of insurance can benefit as much from RPA as the others. Intricate lines of business would still need substantial adjuster intervention and rely on human experience and expertise.

Finally, RPA helps with the claims auditing process, which can be manually intensive, involving a lot of paperwork. Figuring out if a $10,000 payout was made instead of the $1000 claim could take an auditor multiple days of going through dozens of documents. On the contrary, an RPA bot can organize, read, and review records and spot the inconsistency at a lightning-fast pace with superior accuracy. It also creates reliable digital audit trails by logging everything during the claims process and ensuring the quality and integrity of the audit trail.

Designing a High-ROI, Tailored Automation Strategy

Most digital transformation projects fail because they go over budget or miss timelines or both. The success of any automation program depends on a carefully curated plan that complements the company's core business objectives. While deploying automation technology, insurers must remember to:

Assess

To identify the best use cases

Identify repeatable processes where employees are spending considerable time and effort performing low-value tasks and rank them based on a thorough cost-benefit analysis. Also, size the actual value that can be created from automation at scale. Choosing the right use cases for automation can help determine the success of such initiatives and shape the management's outlook towards making future investments.

Align

To secure strategic buy-in

Secure management buy-in at an early stage to fight organizational inertia and make automation a strategic priority. Set aggressive, measurable targets, encompassing cost savings, accuracy, downtime, compliance gaps, cycle time, FTEs, employee satisfaction, customer satisfaction, and more.

Act

To finalize a tangible milestone led execution

Decide on the right implementation strategy, including which automation platform is to be used, what internal capabilities are to be built, and which strategic partner should be onboarded. Streamline and redesign business processes and document them in detail to prepare for the RPA implementation. Create a center of excellence to simplify the governance of projects, drive innovation across the insurance value chain, and monitor progress.

Accelerate

To review the macro picture at a process level

While going after low-hanging fruits may not be detrimental in the initial phases, the focus should be shifted from task-level automation towards automating end-to-end processes and operating models. Ultimately, integrate intelligent technologies, such as OCR, AI, and ML, with RPA to realize the full potential of automation.

Advocate

To drive rigorous change management

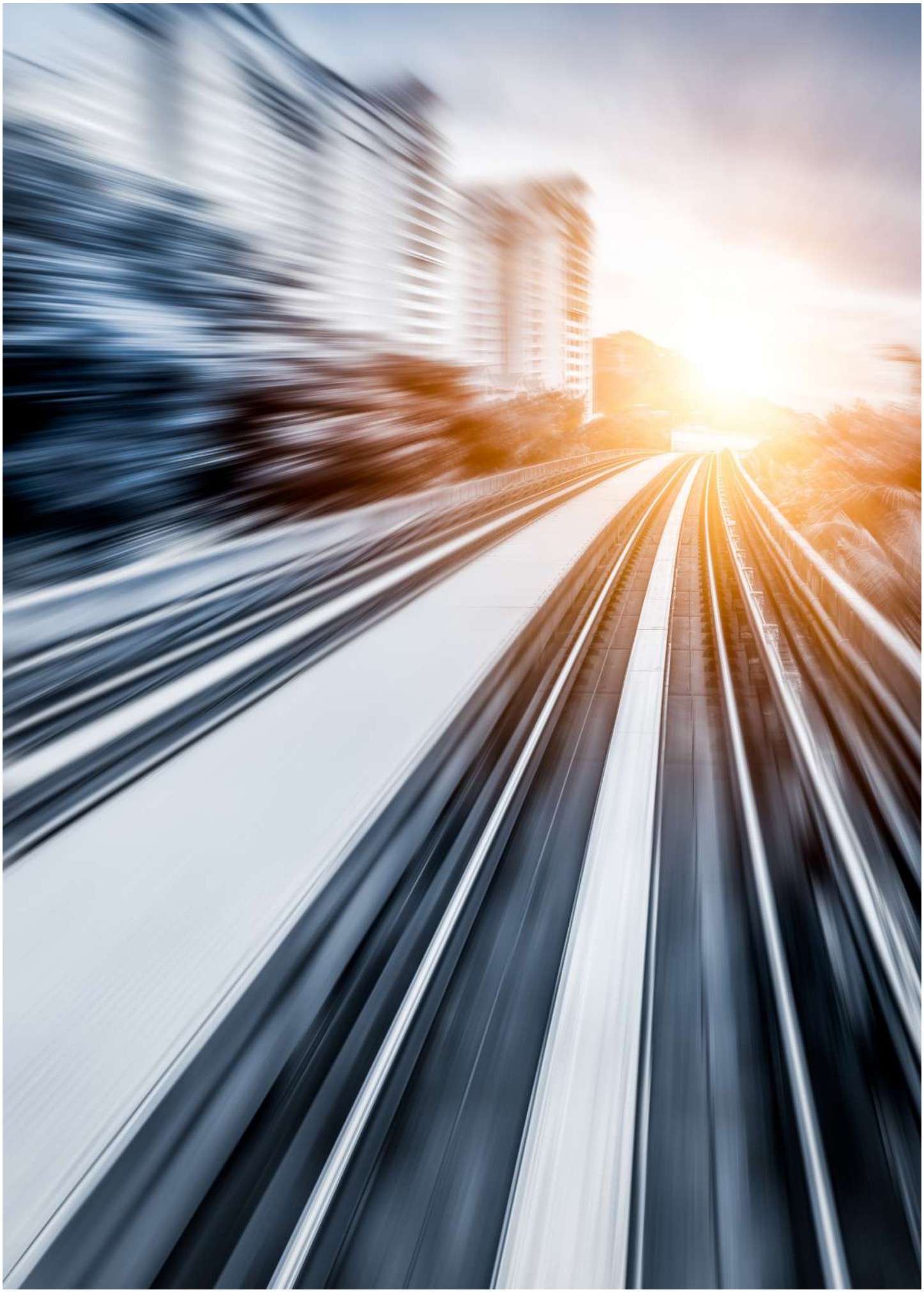
Democratize the automation journey by educating and training employees from across departments about the benefits of automation, driving a fundamental shift in mindset across the organization, boosting the adoption of RPA, and scaling up existing RPA investments.

The Road Ahead

The insurance industry can benefit significantly from the application of RPA to solve critical operational challenges. However, insurers must avoid some pitfalls to reap those benefits. Ill-defined or incomplete processes, lack of appropriate controls, and use cases targeting stop-gap automation can undercut the benefits of your automation programs. Plan wisely and fine-tune your strategy keeping in mind the future-readiness of the RPA solution and its scalability. The success of your RPA project can be quantified and should be measured carefully to take corrective measures and make a business case for scaling up. Here's a simple nine step approach to bring this strategy to life.

1. Determine the net change in process velocity or average handling time, across seasonal shifts and deadlines, as a result of the automation
2. Perform an FTE cost analysis including the cost incurred on hiring, training, and retaining employees.
3. Measure the amount of rework that needs to be done due to errors before and after the RPA implementation.
4. Monitor the downtime required by the RPA bot in case of patches upgrades and software deployments.
5. Track the employee engagement and turnover rate.
6. Find out the proportion of audit trails that have been digitized.
7. Count the number of new projects being undertaken (indicative of freed up bandwidth).
8. Take stock of compliance deficiencies over a period.
9. Measure the savings accrued as a result of tool rationalization owing to the deployment of the RPA bot.

Gaining visibility into those metrics will significantly impact the way you manage and scale your automation efforts and help you build a robust, forward-looking digital transformation roadmap.



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