Duck Creek
Technologies

Microsoft

Simplifying Insurance Tech Talk

Exploring how AI, SaaS, and cloud are simplifying and innovating in the insurance industry

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Duck Creek Technologies and Microsoft joined together to explore the technological considerations, capabilities, and platform-level solutions insurers need to take into consideration to meet new market demands, stay competitive, exceed customer expectations, and improve operational efficiency. Learn what digital transformation looks like in the era of AI, how AI is humanizing insurance, and specific steps and strategies insurers should plan for in 2024.

Today's conversation is about simplifying the complexity of the insurance industry, for IT and developers, for agents and underwriters, for back-office operations, and of course customers.

So, let's start with why? Why is insurance and the technology that it relies on inherently complex?

Nick Merino, Duck Creek Technologies

I love this question because all you need to do is look out the window to get the answer. Just about anything you see could be insured and just think about all the complexities that come with that. Each unique object has its own value and level of risk. There are variables that can change based on location or who's insuring it, and even government regulations that come into play. Getting all that right is so much of what an insurer's secret sauce is made of. Having the technology and flexibility to accomplish that is undoubtedly complex.

Despite the complexity, what is the industry trying to achieve and where is it going?

Dalia Ophir, Microsoft

There are a few major trends that I'm hearing as I talk to customers, engage with analysts, and work with ecosystem partners. The first is that the **balance of power is shifting towards customers**, driving change in how, what, and when they want insurance, giving them more purchasing power. The second is about **customer expectations**. Both individual and business customers are increasingly demanding simplicity, transparency, and speed in their transactions when dealing with their insurance agents and carriers. The third is that more and more **insurance will be 'bought' by customers as opposed to being 'sold' by agents**. In fact, in a

recent survey of US consumers, more than 32% of all respondents and 50% of those aged 18 to 25 said they prefer to work directly with insurance carriers. So that is really changing the role of the insurers, agents, and the entire value chain.

All these changing customer demands are forcing the industry to innovate and deliver better products and services much faster. That's why we are seeing greater adoption of digital platforms, cloud, and of course AI.

While AI is dominating the conversation and already being used by insurers, we first need to talk about the underlying infrastructure, data, and technology stack that are powering insurance platforms.

Where are most insurers at in their digital transformation today? What are they taking with them, what are they leaving behind, and how is it impacting their organization and customers?

Nick Merino, Duck Creek Technologies

There are three basic phases to digital transformation, and they mostly center around where your solutions live. The first is having your solution **on-premises and owning everything** from the ground up, from the data centers to the VMs to the network. You need to master all of this before you can even get to supporting the business logic that sits on top of your infrastructure.

So that's how we get to the next phase, **going to the cloud**, which yields a huge leap in digital maturity. It takes a lot of ownership of the underlying systems away from the business and puts that in the hands of a trusted cloud partner whose business it is to run those systems. It also opens the door to being able to take advantage of so many other technology partners and solutions. So many of the really cool innovations going on now simply aren't available on-premises.

That takes us to the third phase which is leveraging **As a Service** offerings. Much like cloud providers, partners like Duck Creek offer platforms and services which not only help abstract more of the underlying technology concerns away from your solutions, but also give you access to capabilities that take a lot to run in-house.

When it comes to digital transformations, it's all about making your way through these phases to hand off technology concerns to trusted partners. This allows you to focus more on business processes and to run your solutions in locations which give you quicker access to capabilities, enriching your own offerings.

With the three different abstraction levels we've just described, where are insurers today with cloud adoption?

Nick Merino, Duck Creek Technologies

We continue to see many hybrid setups across the three phases, but most, if not all insurers have some footprint in the cloud. In fact, Resource-Pro recently reported that that 98% of insurers' new deals are cloud-focused.

I'm also seeing varying levels of maturity adopting As a Service solutions. The most common use-cases being platforms like Duck Creek OnDemand with digital innovation and AI from Microsoft Azure and partners whose data helps enrich the insurance solutions being offered – such as information about the properties being insured or the insured parties themselves.

We're at the point where cloud adoption is almost essential for success, but it's that third phase, **embracing As a Service solutions, where we're seeing insurers really be able to accelerate their time to market, take advantage of new partnerships, and streamline their processes.**

What are some of the benefits of cloud-native digital services that you can't obtain on-premises?

Dalia Ophir, Microsoft

The value proposition of cloud is so multi-dimensional, from contributing to cost savings over traditional on-premises models, to providing flexibility in services and being able to leverage cloud powered digital capabilities such as AI-cognitive service, Gen-AI-chat bots, and more.

First, cloud optimizes your cost structure by shifting from a CAPEX to a OPEX model, which improves cash flow by only paying for what you need. Another is the deep investment by the cloud provider in security and resiliency to ensure your workloads are protected. For example, Microsoft Azure Security Center provides a strong foundation to strengthen your security posture and built-in HA and DR options ensure you stay resilient. Cloud also provides you with global scale and the ability to provision on demand, with automation that makes IT operations faster and more efficient. Naturally, this frees up IT staff to address more pressing issues and architect for the future.

Cloud's value-based strategy supports C-Suite imperatives for revenue growth, customer retention, and staying secure.
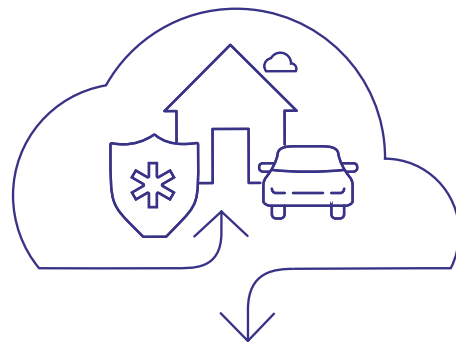
As insurers make their way up their digital transformation ladder to the platform and As a Service phase, what do they need to be thinking about?

Nick Merino, Duck Creek Technologies

I'll start with the insurance-centric lens. It's important to choose a partner that will ultimately help you get new products and experiences out the door as fast as possible. For that, there are a few key questions to ask:

- **What level of expertise and staff ramp-up is necessary for product development on the platform?** Can my existing team of insurance experts handle it, or do we need additional developers and IT professionals? To help address this, you want to opt for platforms with a low-code, no-code development approach.

- **Do I have to start from scratch for each new product?** If the answer is yes, you're dealing with a complete hindrance to innovation. In the complex insurance industry, look for platforms that allow configuration reuse. Duck Creek's proprietary architecture lets you define a product once and apply it across multiple products. Think of it like the coding principle "Don't Repeat Yourself" (DRY) for efficiency. This means easy updates, like rolling out rate changes, without complex IT projects. Embrace "Common as Possible, Different as Necessary" for accelerated efforts.

- **Is the platform always evolving?** You want to choose platforms with continuous upgrades for the latest features and technology. If your platform supports this but you're on an older version, make the effort to upgrade for the best return on investment.

- **How simple is it to enhance my solution with other partners' capabilities?** No single platform covers everything that makes your product unique. Opt for a solution that seamlessly integrates with a wide ecosystem of partners offering data, analysis, embedded insurance, and more. For example, a typical Duck Creek customer may have over 50 integrations for competitiveness.

And finally - I can't stress enough how important it is to also pick a solution that really leans in on the power of leveraging cloud native platforms and services.

Dalia, what is Microsoft's role in that transformation?

Dalia Ophir, Microsoft

With Microsoft Auzre Infrastructure, Data and AI solutions, we're driving transformation across the entire insurance value chain, but I want to home in on how AI is empowering and improving the lives of contact center agents, underwriters, and claims managers.

For **contact center agents**, Azure enables them to transcribe, summarize, and gain insights from customer interactions, allowing real-time sentiment analysis. Insurers are benefitting from aggregated insights, enhancing key performance indicators like customer satisfaction, engagement, and Net Promoter Score.

Underwriters who deal with vast amounts of unstructured data are benefiting from Generative AI, optical character recognition or OCR, and Microsoft document intelligent services. This combination acts as an "underwriting assistant," extracting, organizing data, summarizing content, and suggesting opportunities based on logical criteria.

And **Claims Managers** are using Generative AI to improve the claims lifecycle, using it to summarize policy documents and provide quicker responses during a claim or the first notice of loss. Claim adjusters utilize AI to promptly handle high-priority claims and prevent delays. Some of specific technologies from Microsoft that make this possible include Co-Pilot, Power Apps, Power Automate, Azure Cognitive Services, and AI Builder.

Where does Duck Creek see AI having the potential to simplify customer experiences, agent productivity, claims processing, and underwriting?

Nick Merino, Duck Creek Technologies

Let's start with customer experiences. Duck Creek recently conducted our 2023 Global Consumer Insurance Insights study to understand what policy holders think about insurance and the industry. What we found is mixed sentiment towards the amount of technology that gets used. In some cases, it's very much appreciated, especially with millennials and gen z's that are new to the insurance market. Things like being able to shop for insurance, submit a claim, or manage your billing from an app are very appreciated because you can easily do these things on your own and not have to interact with a human.

But then in other cases, like trying to understand all your options for your homeowners policy or making your way through a more complex claim process, too much automation and bot-driven experiences can be very frustrating because you are sacrificing empathy for efficiency. I'll use the anecdote of an automated claims process that sends a claim check to someone's home that was just lost in a wildfire. Sure, nobody had to be involved in sending the check, but imagine how that would be received by the homeowner.

So, it's important to understand that customers prefer humanized experiences in these nuanced or delicate cases and given everything we heard from Dalia, there's no reason why the industry hasn't reached a level where AI can incorporate a human in the loop. That can range from fully automated, end-to-end with no human interaction to where the system understands context and provides relevant data or suggestions, guiding the humans on the insurer or consumer side through their decisions.

Duck Creek is focused on finding that balance of efficiency with AI and human empathy as we dive into our machine learning AI capabilities. Our aim is to provide a lot of out of the box experiences, but then give customers the ability to toggle just how much AI goes into that customer experience. That's what really matters and what the power of AI delivers because it can feel less botlike, more personable, and take sentiment into consideration.

Dalia Ophir, Microsoft

Let's look at how OpenAI cognitive services and process automation are used to simplify and enhance the journey by providing real time recommendations and information in a natural language. And keep in mind, this type of scenario can apply across the entire insurance spectrum including individual consumers and businesses, agents and brokers, or even an auto repair shop.

Generative AI enables insurers to deploy powerful knowledge base systems, chat experiences, and Q&A's that enable brokers or agents to answer questions more accurately and easily. Generative AI is also helping in data collection and analysis, providing more personalized responses and speeding up workflows. AI is also being used for risk prevention and predictive analytics to forecast high-volume claim events like storms or floods, which can be cascaded down to customers to ensure they have adequate coverage.

Everything we're talking about around AI is clearly amazing, but where does an insurer even begin to get started?

Nick Merino, Duck Creek Technologies

We could spend an entire hour on this alone, but simply put, it needs to **start with data and use cases**. Data first because **you can't train an AI model for your unique business operations, processes, and use cases without the right data**. Fortunately, we've evolved from needing to pre-form and analyze the data and put it in a state where it makes sense, to where the models can just be given the raw data. Essentially, you can give the model all the data you have and then make sense of it after the fact. What's important for insurers getting started with AI is to collect all the data you can because you can always tweak it after the fact.

Next is use cases, and it's imperative you **define your use cases before you even touch a line of code or a data model**. Treat it logically from a business perspective, asking what are my use cases and where do I think we can be enabled by AI.

The last thing is your staff. Despite all the amazing AI tools and platforms like Azure and Duck Creek, having knowledgeable staff is crucial. Yes, leverage this technology and partners, but recognize the need to invest in individuals like data scientists who deeply understand your business and data models and can tie data to use cases.
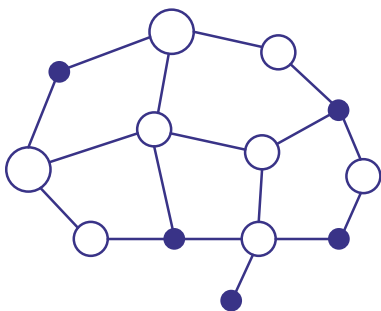
Let's bring everything we've talked about to life. Who's already taking these approaches and making gains towards simplifying the complexities within their own businesses, and what can others learn from their success?

Dalia Ophir, Microsoft

FRISS is one of the world's most implemented solutions for trust automation at P&C carriers. They developed an automated process to screen customers and policies according to their risk appetite. This new capability is now saving FRISS $9.2 million annually through better fraud prevention, and it's a great example of Microsoft providing the technical capabilities for a specialized insurance solution in partnership with Duck Creek as the core system provider. FRISS has also collaborated with Microsoft and Duck Creek to enhance its AI fraud model using Microsoft Azure OpenAI Services.

Another example is Allstate, who is using Azure speech services for real time for natural language, automated transcription, and claims call analytics. Allstate is saving 9% with this solution while achieving greater customer empathy, better customer satisfaction, and reduced manual work.

Nick Merino, Duck Creek Technologies

I'd like to talk about a recent success story with a Tier 3 auto insurance carrier. They had an ambitious goal of doubling their reach from about 21 to over 40 states, and they recognized early on that their on-premises solution wasn't going to cut it. Doing it on-premises was going to take a lot of time and be very repetitive, so they knew they needed to transition to a platform approach. Duck Creek and Microsoft partnered with them and it really was a match made in heaven.

A few things I'd like to highlight about this implementation and partnership were the call center efficiencies they gained, reducing their average call time by three minutes. When you are taking thousands of calls a day, three minutes per call really adds up. I'm also impressed by how they improved the speed of their product launches when they entered a new state, which went from fifteen months to just four months. Duck Creek was able to exploit those reusable patterns and configure their products in a way that let them achieve this rapid time-to-market and positioned them to set their goals of adding even more states by 2027. This story is about so much more than technology, because it highlights how technology empowers the value in the business.

Duck Creek has developed our own SaaS platform that brings everything we've talked about today and more into an As a Service model. Can you give us a brief overview of Duck Creek OnDemand and how it's made better with Microsoft?

Nick Merino, Duck Creek Technologies

So much of what we've talked about is what Duck Creek went through with our own platform, as we moved through those three phases from on-premises to As a Service. We made our transition to the cloud leveraging Microsoft, which helped accelerate our own needs and opened the doors to innovation, expansion, and more efficiency.

Duck Creek OnDemand is an active delivery model which enables us to continuously push out new capabilities into the platform, addressing customer concerns and market demands. Because it runs on Azure, it also enables us to accelerate our reach into new regions. Duck Creek OnDemand offers the flexibility to configure your products, claims workflows, and billing schedules on a very, very configurable platform that is constantly improving.

What's the one thing you want everyone to take away from today's conversation?

Nick Merino, Duck Creek Technologies

First, start your digital transformation now. Lean into the cloud and As a Service adoption for speed to market and innovation. And do this by choosing trusted partners like Duck Creek and Microsoft that are invested in both technology and gaining a deep understanding of your business. Second, stay current with technology and use the latest versions because it might just be that new piece of technology or a partner that sets your insurance products apart. And last, data. Explore your data, analyze it, and find new ways to integrate it into your business and processes.

Dalia Ophir, Microsoft

I'd like to close by emphasizing Microsoft's commitment to delivering best-in-class technical platforms and capabilities to the insurance industry and their customers. With partners like Duck Creek, we're bringing together our most accomplished technical minds and industry expertise to help **simplify insurance challenges across digital and business transformation, customer experience, and operational efficiencies.**

In an inherently complex industry, AI, As a Service, and cloud are dramatically impacting the entire insurance value chain. Customer experiences are improving, creating empathetic humanized interactions. Agents and brokers are made more efficient and intelligent with analytics and AI generated recommendations and answers. And insurers are yielding dramatic cost savings, operational efficiencies, and better risk assessment and prevention with AI and data analytics.

Duck Creek Technologies and Microsoft sit at this intersection, partnering to co-innovate, simplify, and transform the insurance industry. From completing your digital transformation to Azure and moving to an As a Service model to embracing AI and data analytics, Duck Creek and Microsoft are the trusted, proven, experienced partners to take you there.

About Duck Creek Technologies

Duck Creek Technologies is a leading provider of core system solutions to the P&C and general insurance industry. By accessing Duck Creek OnDemand, the company's enterprise software-as-a-service solution, insurance carriers are able to navigate uncertainty and capture market opportunities faster than their competitors. Duck Creek's functionally rich solutions are available on a stand-alone basis or as a full suite, and all are available via Duck Creek OnDemand. For more information, **visit www.duckcreek.com**.

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