



# Fuel the future of insurance

accenture

# Driving new sources of profitable growth

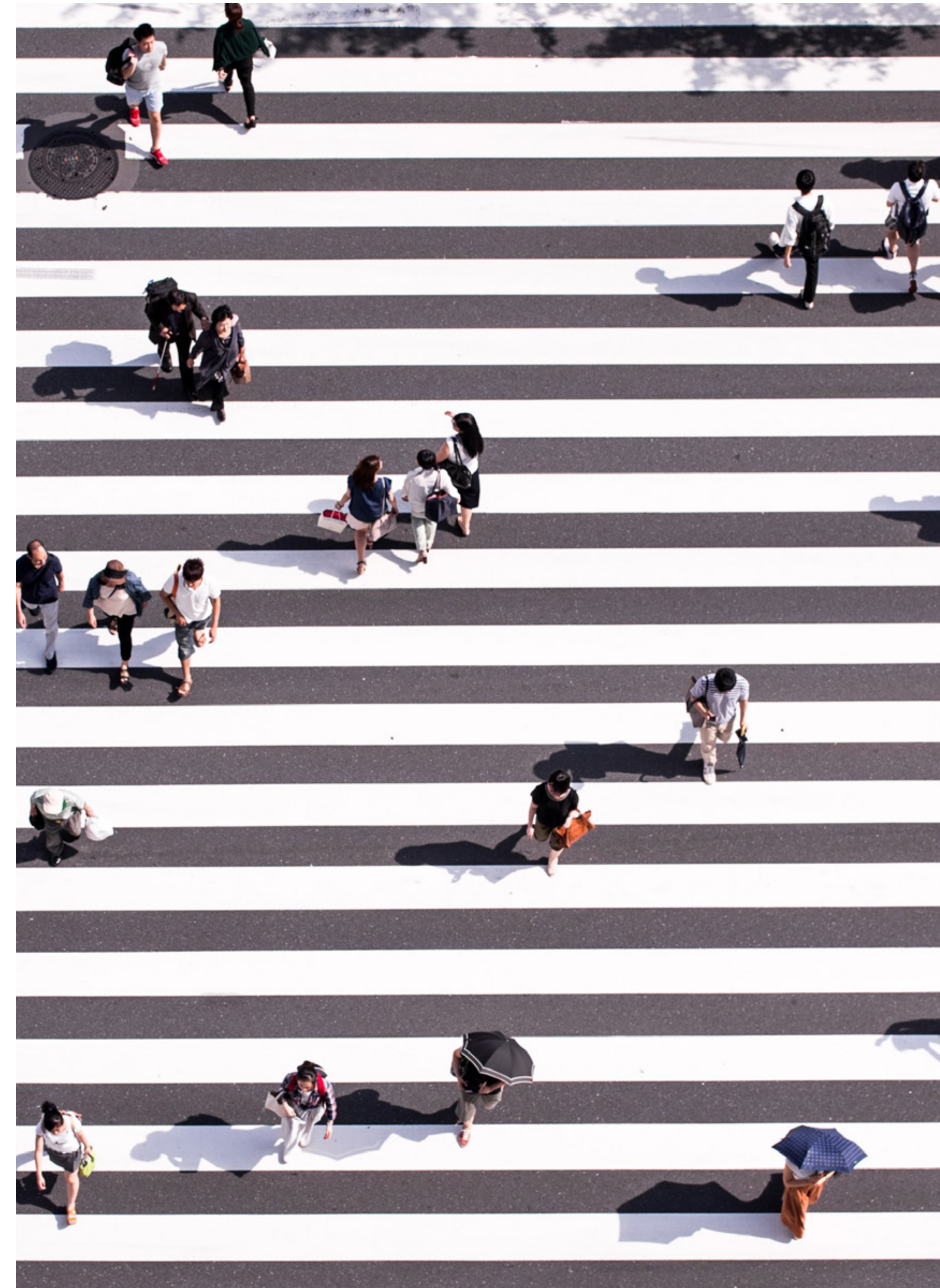
**For insurance carriers, driving new sources of profitable growth with both cost and revenue contributions is a must.**

Increasing demand for real-time risk mitigation requires that insurers modernize their technology infrastructure. Meanwhile, the levers of cost reduction have shifted towards digital solutions using AI and advanced data analytics, which help insurers achieve greater process efficiency and decision effectiveness in core industry functions.

To better understand the challenges and benefits of transformation programs in insurance, we asked industry experts for their perspectives.

Our research included:

- A survey of 25 senior equity analysts from around the world on the cost transformation programs of P&C insurers.
- In-depth interviews with senior leaders from insurance organizations to illuminate emergent themes around their priorities and the real-world tensions they encounter on their transformation journeys. Anonymized quotes from these interviews appear as AN INSURER'S PERSPECTIVE throughout this report.



# Modernize technology to keep up with digital customer demands

In the wake of the pandemic, insurance customers have increased demand for real-time digital solutions that require cloud-enabled, connected infrastructure, and advanced data analytics.



## AN INSURER'S PERSPECTIVE

“Give the consumer a way to self-educate and come to their own conclusions about that coverage and then be able to have that sort of intelligent conversation with their insurance company. I think that is an unmet need. There is no carrier out there that I know that has that today.”

# Customers are looking for new solutions and real-time risk mitigation

Uncertainty stemming from the COVID-19 crisis, geopolitical tensions, inflation, and extreme weather have increased demand for products and services that help customers mitigate risk and protect against loss. Customers are looking to insurers to provide usage- and behavior-based insurance that will adapt to their changing coverage needs.

Such offerings range from fitness and wellness programs tied to life insurance or group and voluntary benefits to embedded insurance products—all with integrated risk mitigation.

Enabling this expanded circle of protected interests requires powerful, real-time analytics, driven by data from connected

and Internet of Things (IoT) devices.

Carriers are better positioned to provide continuous support to customers at every touchpoint—from underwriting to policy servicing to claims—when they mature their analytics capabilities across three levels:

**1** **Descriptive analytics** are routinely combined with automation solutions to underwrite risk and process claims. Such analytics are based on specific data attributes from the past and present, historic risk models, and current market conditions.

**2** **Predictive analytics** allow insurers to look into the future and, using behavioral models, better understand how a customer is likely to respond to potential risks. As more customer data is fed into the model, the more complete the individual risk profile and more accurate the predictions become.

**3** **Prescriptive analytics** are how insurers start creating strategies to help the customer mitigate and manage risk. That requires large-scale, real-time optimization of customer data and the insurer's product portfolio to present a contextualized real-time recommendation in the moment.

## Cloud is the enabler

Cloud infrastructure enables the data formats and analytic speeds required for new, curated customer experiences. As insurers work with ecosystem partners, a cloud-enabled tech infrastructure can smooth the flow of data upstream and downstream in the formats and speeds required, enabling real-time access and insights, regardless of location.

## Data is the driver

A usage or behavior-based insurance offer is only as good as the quality of data captured. By using new and better data in different ways, insurers can increase accuracy of risk selection/pricing and help customers better mitigate and manage risk.



### AN INSURER'S PERSPECTIVE

*“Ultimately, we’ve got such a big tangled mess of technology that we’re sitting on top of, that it’s really hard to say, ‘Let’s just consider that a sunk cost and go forth and do something brand new and different.’ I think that prevents us from offering a more omni-channel experience. It prevents us from so much.”*

## Cloud platform improves time to market for innovative new products

Guardian Life is a strong example of gaining value from the cloud. They took the initiative to rethink their processes for a completely digital world and make it easier to quickly respond to customer needs. Previously, a lengthy process was needed for Guardian to test and deploy a change to how a claim was executed, or to get data as part of an application. With the Accenture Life Insurance & Annuity Platform (ALIP), Guardian says the company can introduce a change on the fly and deploy it in production within hours. Now, they're leveraging cloud beyond front-end customer service. They're also rethinking product development and how they can centralize it and free-up capacity to innovate new products and get them to market faster.



# The new levers of cost reduction

The levers of cost reduction have shifted towards digital solutions using AI and advanced data analytics that help insurers achieve process efficiency.

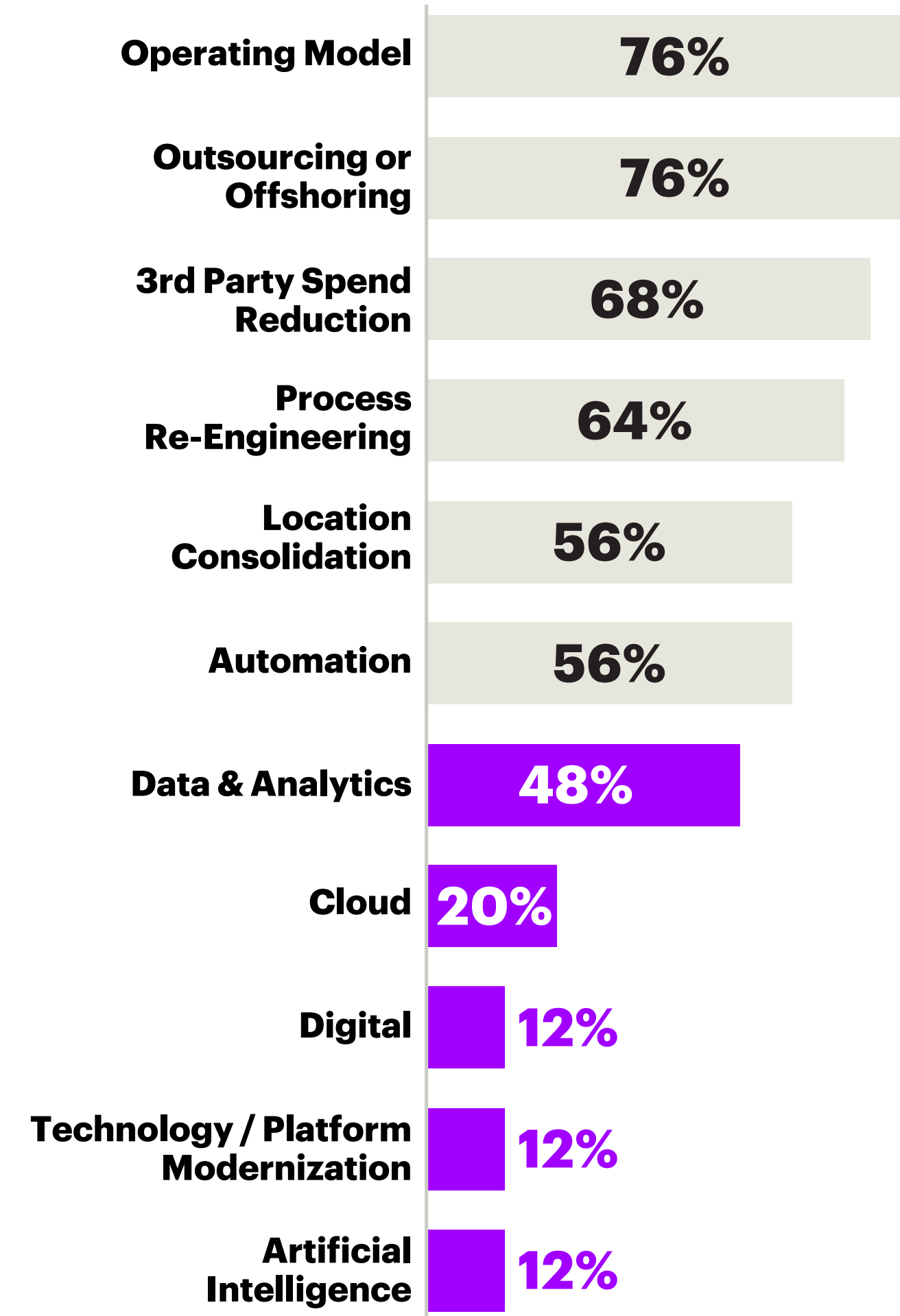


# Cost reduction is about digital and tech modernization

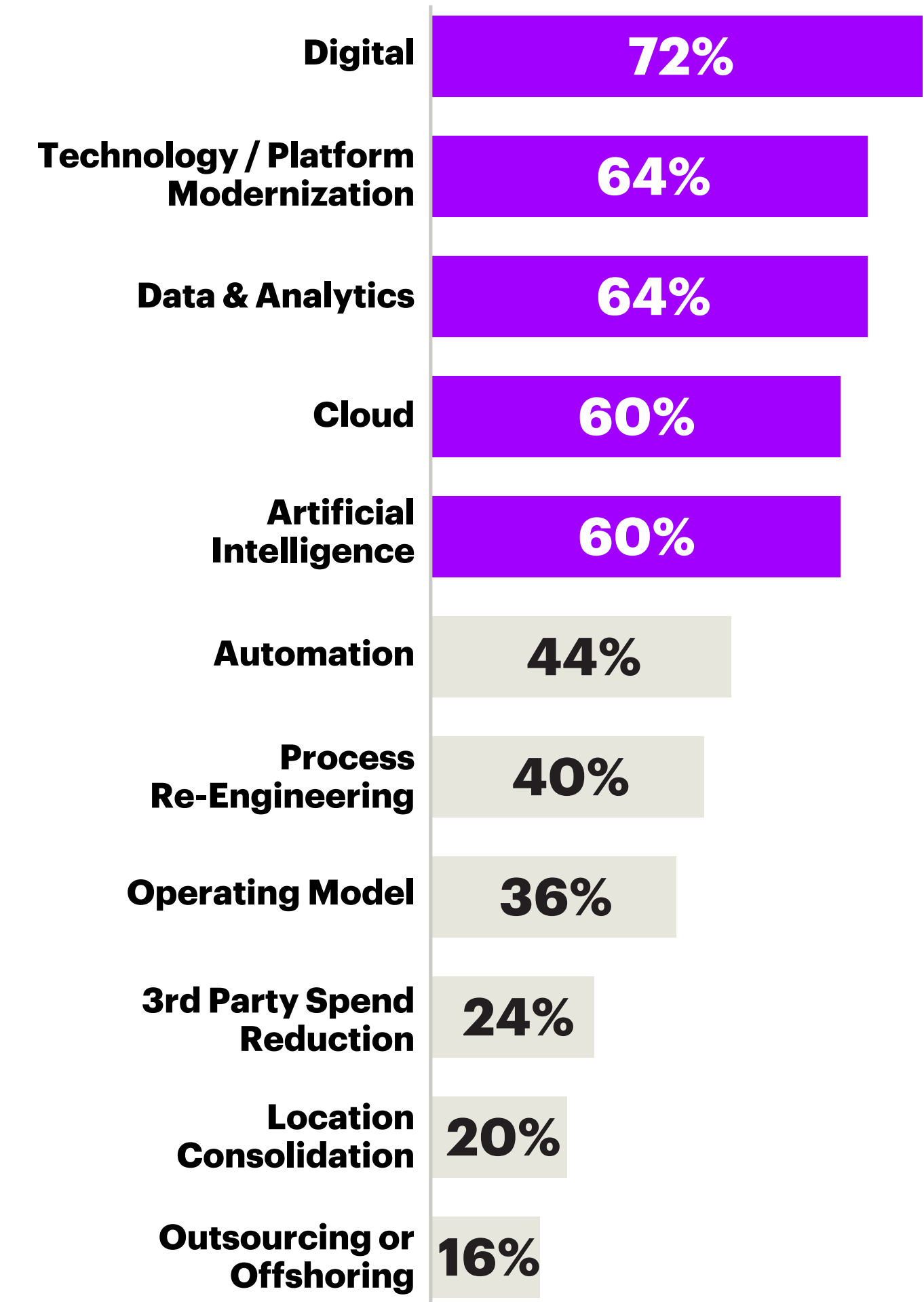
In the previous decade, equity analysts cited workforce location and labor arbitrage as the key levers of cost reduction for P&C insurance carriers. They now look to digital capabilities and technology modernization. These solutions allow carriers to reduce workflows overall through digital engagement and self-service solutions. They also improve how work gets done through better connected systems and data and improved workflows.

## Then and now: What equity analysts say matters in the cost transformations of insurers

### 5 to 10 years ago



### Today



Source: Accenture primary research based on a closed-ended survey of equity analysts.





## Elevating AI to bring costs down

AI is becoming the investment of choice for insurers seeking solutions to address growing cost pressures. Insurance executives say they are investing in data analytics and AI more than any other digital technology to achieve their cost reduction objectives over the next one to two years.<sup>i</sup> Two-thirds of claims executives say their organizations plan to invest more than \$10 million in AI and machine learning over the next three years.<sup>ii</sup>

AI solutions are transforming the efficiency of claims in first notice of loss (FNOL) and admin support—promoting speed to settlement and improved customer experiences. AI-led insurance transformation in claims, enabled by digital intake solutions, can improve claim handling by predicting claim complexity as early as FNOL, driving dynamic triage and assignment, and improving customer retention and loss adjustment expenses.

## Virtual assistant provides both efficient help and improved customer experience

A leading multiline insurer in Europe has created a virtual assistant to help customers experiencing a car breakdown or accident. The bot helps ensure a tow truck arrives, provides the customer with a replacement car, and answers questions. It handles more than three-quarters of customer conversations without human intervention and consistently achieves a world-class net promoter score of 70 or more. The software knows when to search for an answer in the knowledge database, when to book a taxi or rental car, when to ask for clarity, and when to direct the customer to a human agent.



# Enhancing decision effectiveness in claims and underwriting

In addition to improving process efficiency, AI can help humans make better decisions in the core insurance functions of claims and underwriting.

## AI in claims decisions

With claims indemnity representing approximately 60 to 70 percent of the economics of P&C insurers, decision accuracy is the highest impact lever. AI-driven intelligent solutions can provide decision support to claims adjusters and reduce leakage by assisting with coverage determination, informing litigation strategies, plans/budgets and counsel selection, proactively monitoring and escalating open inventory, and detecting fraud throughout the process.



### AN INSURER'S PERSPECTIVE

“The more we can get more precise with the rating variables that are specific to you, the more competitive we’re going to be, because we’re going to have been more accurate in charging you the right rate for your risk. Just, profitability all around.”



## AI in underwriting decisions

AI enhances underwriting funnel metrics (e.g., submission to quote, quote to bind) with intelligent submission ingestion, data enrichment, triage, and appetite and propensity to bind scoring. AI-powered analytical models and profitability insights can help underwriters determine which submissions to pursue, more quickly assess their quality and win propensity, and better prepare for price negotiation. In addition, AI helps underwriters assess risk and identify cross-selling opportunities through analysis of similar accounts/risks in the portfolio.

### Smart algorithm improves underwriting efficiency and customer experience

A life insurer in China has deployed an intelligent risk control system that enables end-to-end automation of insurance applications. Behind the scenes, an intelligent verification engine has allowed the insurer to improve underwriting efficiency, customer experience, and risk control. The system uses technologies such as optical character recognition, facial recognition, electronic signatures, and big data analysis to collect customer information in real-time.

With the customer's authorization, the system verifies their documents, appearance, signature, insurance application history, social relationships, and application behaviors using third-party data. By using multiple data chains, the insurer reduces the risk of incorrect or fraudulent applications. This system has reduced the manual workload of image verification by 60%.



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## References

- i Insurance respondents in the cross-industry survey “[Zero-Based Transformation: The big reset](#),” Accenture (May 25, 2022).
- ii “[Why AI in insurance claims and underwriting?](#)” Accenture (August 3, 2022).

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