



THE CLOUD IMPERATIVE FOR INSURANCE

Outmaneuver Uncertainty

For many insurers, the COVID-19 pandemic has shifted understanding of the cloud agenda from one of long-term aspiration to a more urgent mandate. The rapid cost reduction to be found in cloud adoption can, in parallel, help fund other much needed investments to modernize channels, applications and infrastructure.

While most insurers have gradually enhanced technology capabilities since the financial crisis of 2008, historically the industry has been slow to change. A few early adopters of cloud technologies are now reaping the rewards, but we estimate that not more than ten percent of insurance industry workloads currently run on public cloud platforms.

Finding the right cloud approach does not have to be complex or overwhelming. Readily available cloud technology offers insurers opportunities to take bold action, stay ahead of competitors and outmaneuver uncertainty.

A few early adopters of cloud technologies are now reaping the rewards, but we estimate that not more than ten percent of insurance industry workloads currently run on public cloud platforms.

Challenges creating a burning platform **now**

Despite compressive disruption that had challenged insurers with low growth, slowly declining EBITA and eroding barriers to entry in recent years, the insurance industry had cause for optimism at the start of 2020. The industry was well positioned for growth in most markets with global premiums having recently passed an all-time high of \$5 trillion.¹

That outlook changed with the COVID-19 outbreak. Insurers suffered a severe financial hit. Aggregate valuations dropped an average of 20 to 30 percent across global markets, and falling GDP threatened to further compress top-line growth.²

Physical distancing measures and a rapid demand for remote work had entire industries scrambling to enable their operations on the cloud. Three key challenges continue to create a burning platform for insurers.

1. Accenture Research based on Swiss Re data

2. Accenture Research based on Capital IQ data



Top-line Revenue Pressure

Macro-economic declines in GDP and underlying risk are weighing down the top line, with disproportionate impact in some customer segments and lines of business (e.g. Small Business, Workers' Compensation).



Sales and Service Model Disruption

Traditional in-person sales and prospecting channels and service models through local agents and nurses have previously been advantages for large incumbents. Physical distancing has leveled the playing field for digital attackers. An enormous pool of revenue is now in play.



Bottom-line Profitability and Increased Liability

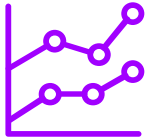
Zero percent interest rates reduce investment income and profitability. Regulatory interventions threaten margins and loss reserves. In parallel, insurers have been forced to re-visit technology and operations security and resilience with the abrupt disruption of sourced services.

Cloud-powered solutions deliver

Insurers face a difficult road ahead to combat a multi-dimensional set of challenges to their economics and operations. They urgently need a solution that delivers rapid cost reduction, while simultaneously finding ways to make significant investments to modernize their channels, applications and infrastructure.

A cloud-powered strategy, tailored to the insurer's book of business and competitive position, can help the insurer navigate recovery and find pockets of growth in their core businesses and adjacencies.

Why Cloud? Why now?



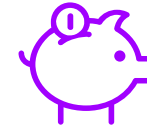
Growth Acceleration

Defend and expand market share with new models for existing products and new platform and ecosystem models for the latest products and offerings.



Data-Driven Digital Transformation

Drive digital transformation in the business, led by enhanced data disciplines, for new business and renewal sales, service and claims.



Cost Curve Transformation

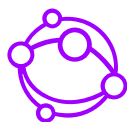
Through a combination of Smart Spend (providing program funding), Tech Modernization and Smart Op Model, insurers can identify and focus on strategic, core capabilities while accessing enabling capabilities “as a service.”

Growth Acceleration strategies



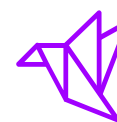
Digital Attacker (SMB)

- COVID-19 has had disproportionate impact on Small/Medium Businesses and simultaneously increased receptivity to digital models.
- Insurers need a cost-effective (i.e. digital attacker) model to deliver new products for existing business risks (i.e. income protection/continuity) and services for new risks (e.g. Cyber insurance wrap-arounds including security monitoring & restoration for SMBs moving online).



Platforms and Ecosystems

- To seek out new revenue in adjacent sectors, insurers will need to better understand consumer behavior in attractive demographic segments.
- Insurers must connect with ecosystem partners to deliver platform-based services beyond traditional insurance products (e.g. Health + Financial Wellness for Millennials, Home + Health + Wealth services for seniors).



Re-inventing the Offering

- Insurance demands are changing with declines in asset ownership, gig and contract work and usage, IoT instrumentation, etc.
- Insurers must accelerate product design and market entry to address changing risks in market (e.g. liability coverage for autonomous vehicle manufacturers, smart contract + climate sensor for crop and inland marine products).

Data-Driven Digital Transformation strategies



Digital Journeys

- Most insurers continue to operate with local agents and face an amplified need to deliver remote/digital sales and service, as more customers explore digital interactions.
- Insurers must move quickly, merging data and analytics with behavioral insights, to understand the needs of customers and predict intentions based on interactive signals.
- Success of designed digital journeys is visible and self-sustaining, based on operational metrics such as the percentage of new business and renewals bound in remote/digital model, percent reductions in service and operations cost and the percentage of interactions deflected to digital channels



AI-led Claims

- Claims represents approximately 75 percent of the economics of an insurer and has traditionally been the slowest to embrace innovation. Past hesitations were somewhat understandable considering the conservatism required of the claims function.
- Now, the new demands created by remote teams and claim adjudication methods demonstrate that this is an opportune time to contextualize deep analytic insights across multiple industries, such as Automotive, Health, Life Sciences and Insurance, to AI-led claims and use modern data platforms to transform claims.

The possibilities of Cost Curve Transformation strategies

85%

**in approximate
Combined Ratio
results delivered**

20%

**in approximate
Expense Ratios
underpinned by
modernized
technology**

75/25

**Run/Change IT cost
ratio (from 85/15)**

How insurers are putting cloud to work

GROWTH ACCELERATION			DATA-DRIVEN DIGITAL TRANSFORMATION		COST CURVE TRANSFORMATION
Digital Attacker	Platforms and Ecosystems	Reinventing the Offering	AI-led Claims	Digital Journeys	Major specialty insurance brand's migration to Azure and transformation to a highly automated cloud operations model yielded a 30 percent reduction in IT run costs.
Top 10 global Life insurer launched a new digital insurer in less than 8 months with a Cloud-powered application suite, using three clouds, in a cohesive, business-enabling technical fabric.	Top 5 U.S. P&C carrier innovated beyond their core to offer families of seniors peace-of-mind with a digital platform deployed on AWS that enables wellness check-ins and easy coordination of tasks for everyone in the care circle.	Top 10 U.S. Life insurer offering tracks health and disability data through a wearable medical device for a pay-as-you-live program that rewards the customer with up to 25 percent premium savings for good health behaviors.	Top 10 U.S. P&C carrier's next-generation AI/ML platform captures audio, video and images from the customer after an accident, providing real-time claim assessment, accelerating processing times by 30 percent and improving accuracy.	Top 10 U.S. Life insurer used the Advanced Customer Engagement (ACE) model to create a robust digital factory to enrich customer and intermediary experience while reducing operational costs.	

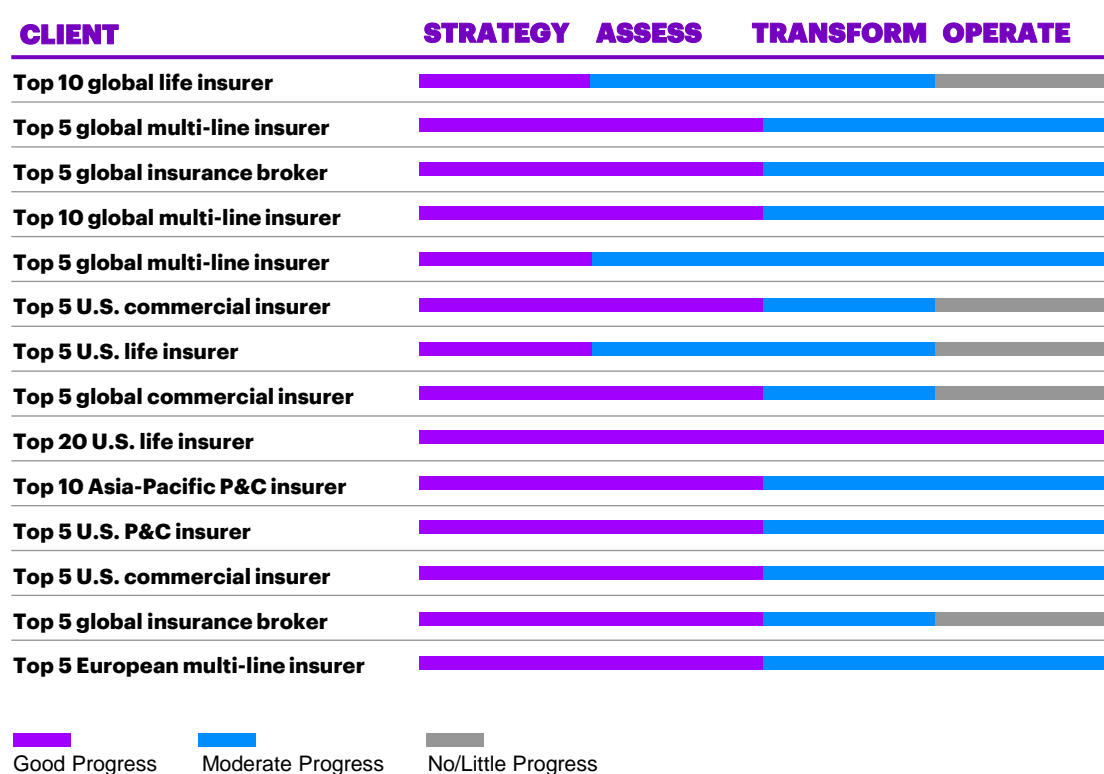
The insurance cloud outlook

Insurers in general have been slow in migrating core applications to the cloud

- Minimal insurance industry workloads are currently in the public cloud—the optimal approach to the cloud for insurers given its lower cost and near unlimited scalability.
- Platform transition to cloud in key areas, such as claims management, is rare.
- Only a few insurers are taking advantage of cloud capabilities for their most important platforms.

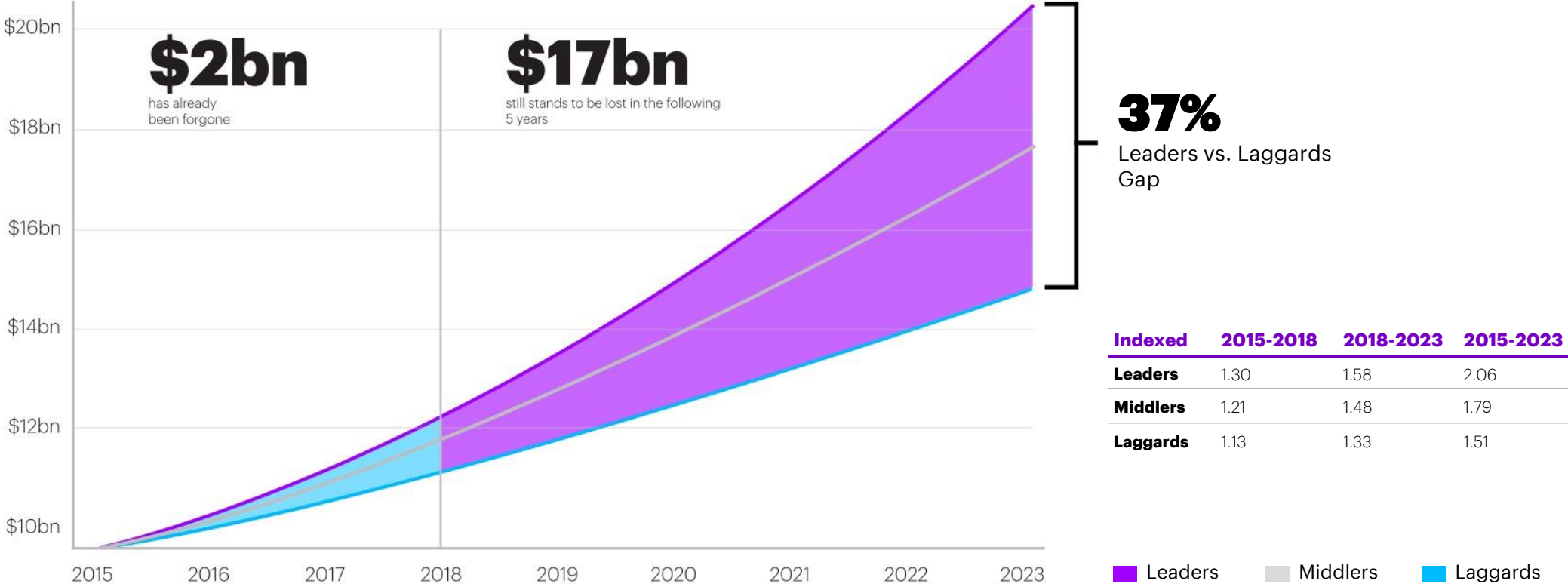
A snapshot of insurance industry cloud progress

CLIENT	AZURE	AWS	GCP
Top 10 global life insurer	Y		
Top 5 global multi-line insurer	Y	Y	Y
Top 5 global insurance broker	Y		
Top 10 global multi-line insurer	Y	Y	Y
Top 5 global multi-line insurer	Y	Y	Y
Top 20 global re-insurer	Y		
Top 5 U.S. commercial insurer		Y	
Top 5 global commercial insurer	Y		
Top 5 U.S. P&C insurer		Y	
Top 5 U.S. life insurer		Y	
Top 20 U.S. life insurer		Y	
Top 10 Asia-Pacific P&C insurer	Y		
Top 5 U.S. P&C insurer		Y	
Top 10 global commercial insurer		Y	
Top 5 U.S. commercial insurer		Y	
Top 5 global insurance broker	Y		
Top 5 European multi-line insurer	Y		
TOTAL	10	10	3



The competitive field is beginning to separate

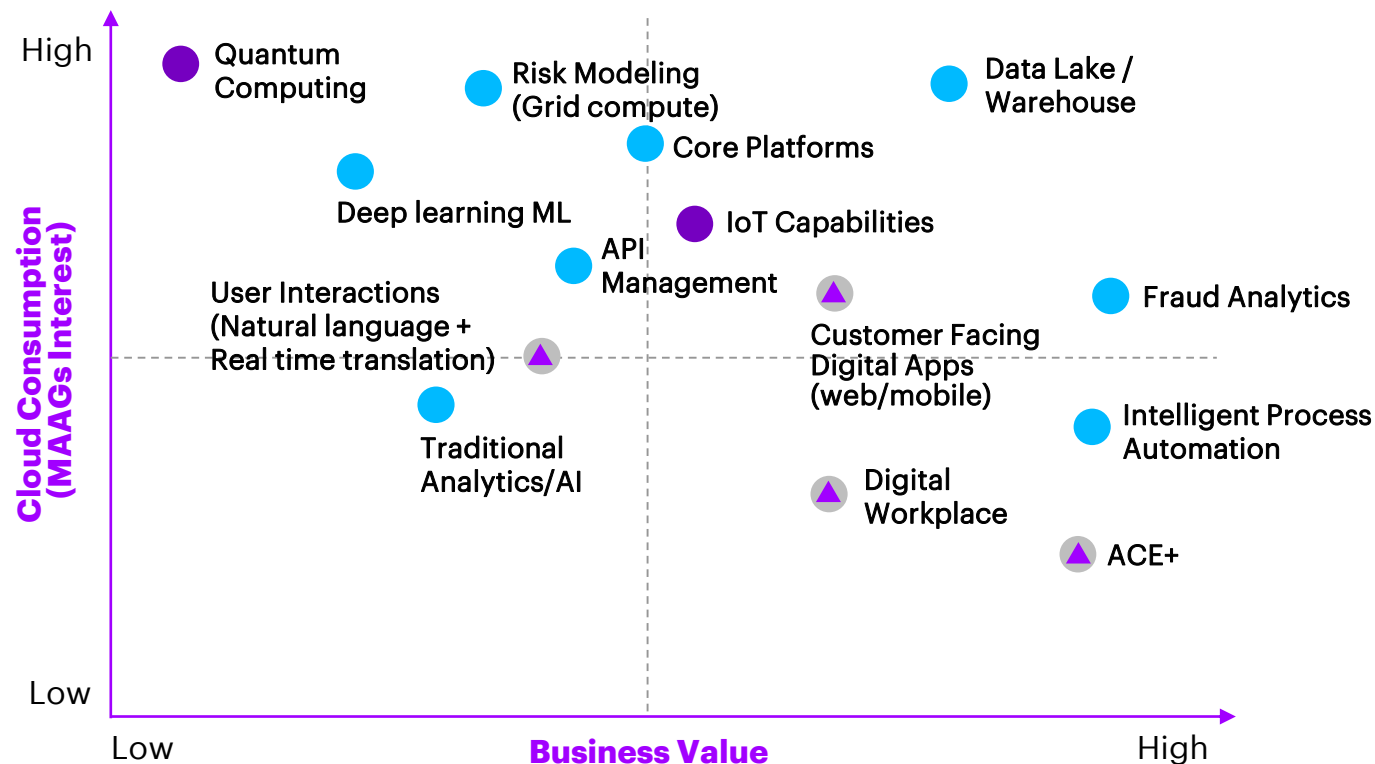
Insurers who made early and bold moves in cloud are already reaping the benefits with Leaders on course to double their revenue base for the eight-year period between 2015 and 2023



Illustrative model showing opportunity cost based on a company with \$10 billion in revenue in 2015.
Source: Accenture, *Future-ready Insurance Systems*, 2020

Insurance industry cloud use case landscape

Value Alignment Matrix



Comments

- Aligning business value and MAAGs interests can help maximize investments from platform providers to help accelerate the journey
- COVID-19 has shifted the prioritization of both business capabilities and increased the urgency for cost optimization
- Emerging Tech such as IoT enable disruptive plays with adjacent industries including autonomous driving and personal health monitoring

- ▲ Increased importance driven by COVID-19
- Digital Customer / Agent Journeys
- Modernized Data, AI/ML capabilities
- Emerging Technologies

The value case for cloud **now**

The economics are two-fold—direct improvements to technology costs and catalyzing the ability to capture the economic upside of business improvements



Migrate

- Seamless hybrid, multi-cloud migration
- Speed, automation
- Security embedded



Accelerate

- Cloud-native architecture and applications
- Data foundation
- Digitize with product, platform focus



Innovate and Grow

- Insurance industry solutions and outcomes
- Data, AI, Insights
- Innovation-led customer reinvention

Migrating infrastructure and software to the cloud reduces IT run costs and technical debt, and enables scalability on demand.

Building on a more robust cloud infrastructure, accelerate technology enhancements and impact basic efficiencies in business operations, reducing IT change costs and capturing efficiencies in business operations (e.g. service center enhancements, reduced rework, reduced system lag and downtimes)

Platform solutions accelerate and de-risk business improvements with proven, evolving solutions—including claims optimization (Expense & Loss Ratio) and enhanced agent/employee journeys for renewal retention and new business.

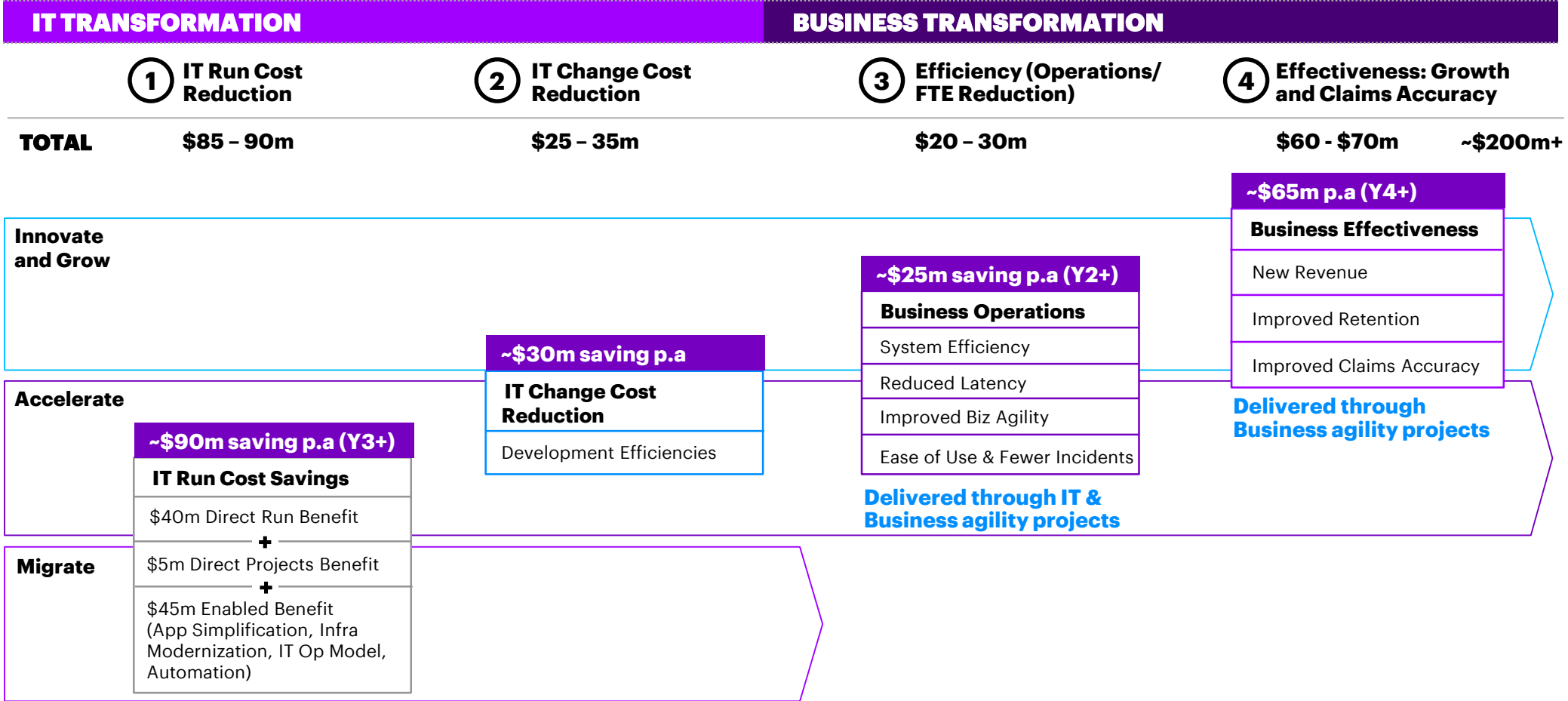
The cloud value proposition has never been stronger

- Cloud costs have decreased consistently in the past 5 years with **continual price drops** and structural pricing improvements.
- In parallel, the **public cloud services market has expanded**; approximately 30 percent CAGR in the past five years and expected to grow from \$300B this year to \$411B by 2022.^{4, 5}
- The major public cloud platforms are releasing several thousand new, innovation-enabling services each year with increasing sophistication and **tailoring for specific industries**.
- **Security measures and regulatory compliance** have fully matured and now offer stronger controls than on-premise solutions.
- **Cloud platform providers are now willing to co-invest** to accelerate the journey in exchange for committed workload consumption. This is a critical enablement lever to capture.

4. Forrester, The Public Cloud Market Outlook 2019 To 2022, July 2019

5. Forrester, Predictions 2020: Cloud Computing, November 2019

Example of a global insurer's economic case for cloud



Efficiencies found in cloud yield competitive advantage

Top 20 U.S. life insurer

- Mass migration to AWS helped reduce data center footprint, driving business transformation and operational efficiency, and included migration of production workloads, such as data analytics platform, customer portals and direct-to-consumer services.
- Fault-tolerant, secure infrastructure enables prototyping and development of new applications.
- Data lake built on AWS and Amazon EMR support anticipated data growth and analytics strategy.

Large U.K.-based insurer

- Transformed its risk identification capabilities by running risk assessment algorithm instances on Amazon Elastic compute cloud.
- By processing on AWS, recalculating policies took minutes, rather than hours or days.
- AWS enabled the insurer to scale-up their algorithm and deliver more granular assessments to their customers.

Mid-size provider of diversified insurance products

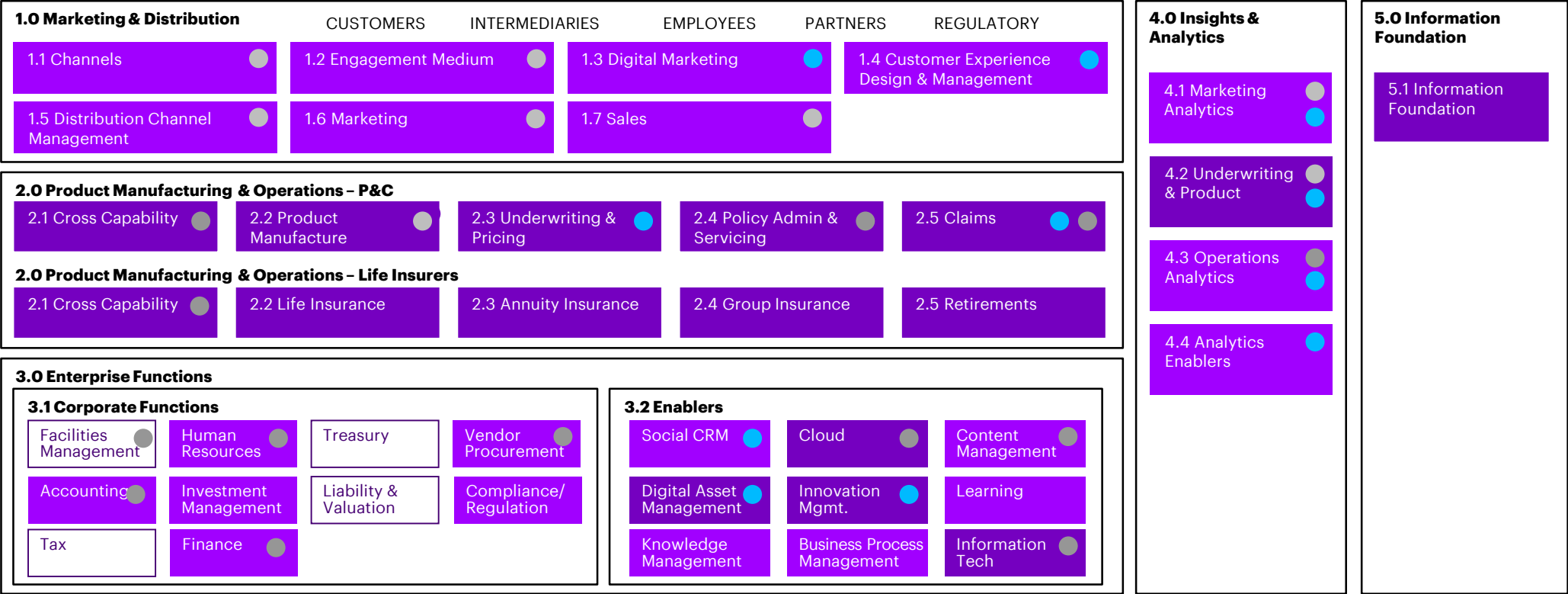
- Began cloud journey to be more agile and responsive.
- Plan to migrate business applications over 18 months to Azure cloud.
- Cloud capabilities expected to drive material cost savings through integrated application and infrastructure operating model.

Moving to top-down cloud action

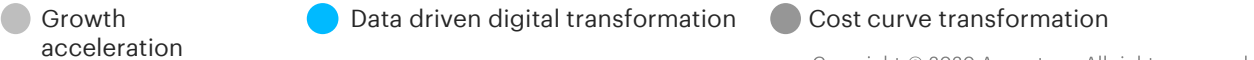
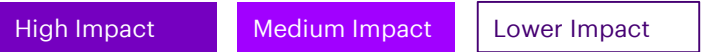
- Most insurers are dabbling with cloud but have yet to see the full benefit. With many initiatives struggling to gain traction it is clear that only strongly sponsored, top-down driven initiatives will achieve the full benefit.
- The journey will differ for each insurer depending on existing technology architecture and their modernization maturity state.
- To inform your cloud strategy, we recommend drawing from the growing body of industry successes and precedent to inform your approach across key dimensions, including data architecture, security and compliance, best-fit platforms (single vs. multi-cloud), migration approach, etc.

Insurance cloud value heatmap

Benefits of implementing cloud capabilities across the Insurance business architecture.



Impact is degree to which the operations of a function change as a result of emerging Cloud and InsurTech



Analyze the value opportunities for your business

MIGRATE			ACCELERATE		INNOVATE AND GROW	
IT Run Cost			IT Change Cost		Business Efficiency	Business Growth, Claims Accuracy
Technology and Business Use Case Examples	<ul style="list-style-type: none"> Regulatory reporting Data warehousing Client reporting Business reporting 	<ul style="list-style-type: none"> File share reduction Archiving and safe storage rationalization 	<ul style="list-style-type: none"> Client and agency facing portals CRM/CLM and enhanced client experience Internal policy and claims portal 	<ul style="list-style-type: none"> Product design Actuarial tasks Front office applications 	<ul style="list-style-type: none"> Virtual workspaces and collaboration tooling Right-size tools for productivity and greater innovation 	<ul style="list-style-type: none"> Analytics for usage-based insurance products Risk modeling and pricing cloud analytics for targeted marketing and advertising
Benefit Opportunities	20 to 60 percent: Technology cost reduction; operational efficiencies	10 to 90 percent: Capacity planning enhancements; technology cost reduction; greater security	30 to 50 percent: Business innovation in line with digital agenda, time to market and agility, revenue focus	30 to 40 percent: Accelerated application delivery, greater security	10 to 30 percent: Time to market, agility and flexibility; increased employee productivity	40 to 70 percent: Develop new solutions, targeted marketing/sales

Chart your unique journey to the cloud

- A thorough analysis of value opportunities for the insurer's business helps **complete the roadmap and prioritization**.
- Early implementation of use cases that create significant workload consumption can assist in securing co-investment from cloud providers to **help offset migration costs**.
- **Perform rapid migration**, guided by the value path that we can help you define based on our insurance and cross-industry experience.
- Accenture's High Performance Insurance architecture can be used to help **define phasing of your journey** based on your business objectives.

Software as a Service (SaaS)

Move non-core applications and functions to SaaS on cloud

Infrastructure as a Service (IaaS)

Rehost high volume, scalable functions on IaaS

AI and Machine Learning (ML)

Establish a cloud-based data infrastructure to take advantage of data, AI and ML

Platform as a Service (PaaS)

Leverage PaaS and the innovation power of Microsoft/Amazon/Alibaba/Google (MAAG) to advance products and services

Digital Decoupling

Decompose other legacy technologies; for example, reduce mainframe data processing to reduce MIPS utilization

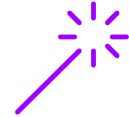
Achieve outcomes by accelerating cloud adoption at scale

Plug-and-play platforms with embedded Accenture IP—Accenture myNav and Accenture myWizard®—power our solutions and accelerate your ability to realize value at speed



myNav

Define your cloud target state across your infrastructure, applications and data, using Accenture myNav to assess, disposition, architect and simulate best-fit cloud solutions at scale.



myWizard

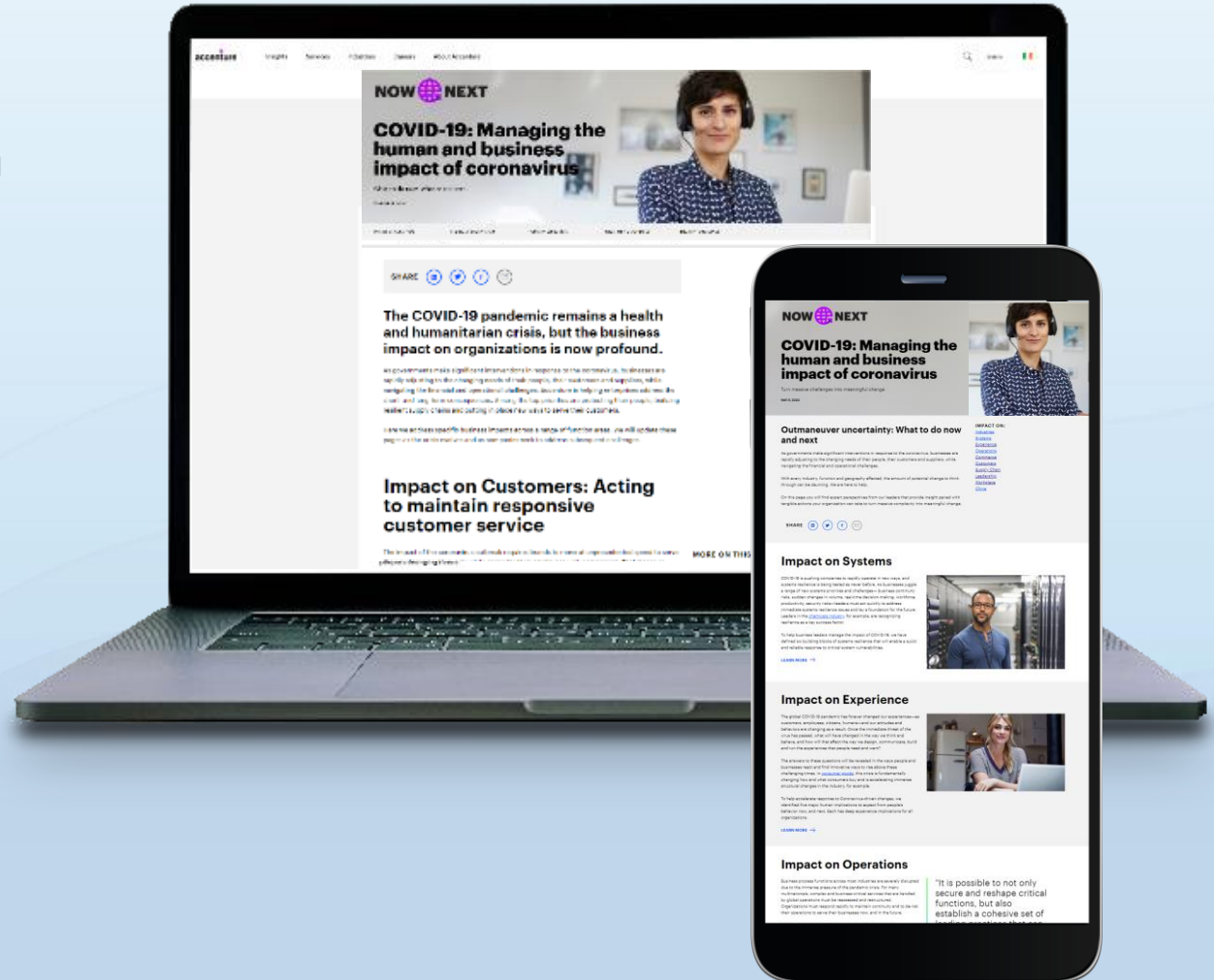
Migrate your workloads rapidly, securely, and with confidence to the cloud infrastructure best suited for your needs, whether public, private, hybrid or multi-cloud, leveraging highly automated tools such as myWizard.

The Cloud will be both transformational and disruptive in the post-COVID-19 world, offering savvy insurers improved scalability, efficiency and security. Insurers must move aggressively now on their strategy if they are to gain true competitive advantage.

To help our clients navigate both the human and business impact of COVID-19, we've created a hub of all of our latest thinking on a variety of topics.



[Visit our hub here](#)



Contacts



Kenneth Saldanha

Global Lead –
Insurance



Steve Murphy

Global Lead –
Insurance, Technology



Venkat Viswanath

Innovation Lead –
Insurance, Technology



Richard Simon

Insurance Lead –
Technology Strategy
& Advisory, North
America



Francois Mélin

Insurance Lead –
Technology Strategy
& Advisory, Europe

AboutAccenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With 513,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives.

Visit us at www.accenture.com

DISCLAIMER: This document is intended for general informational purposes only and does not take into account the reader’s specific circumstances, and may not reflect the most current developments. Accenture disclaims, to the fullest extent permitted by applicable law, any and all liability for the accuracy and completeness of the information in this presentation and for any acts or omissions made based on such information. Accenture does not provide legal, regulatory, audit, or tax advice. Readers are responsible for obtaining such advice from their own legal counsel or other licensed professionals.