



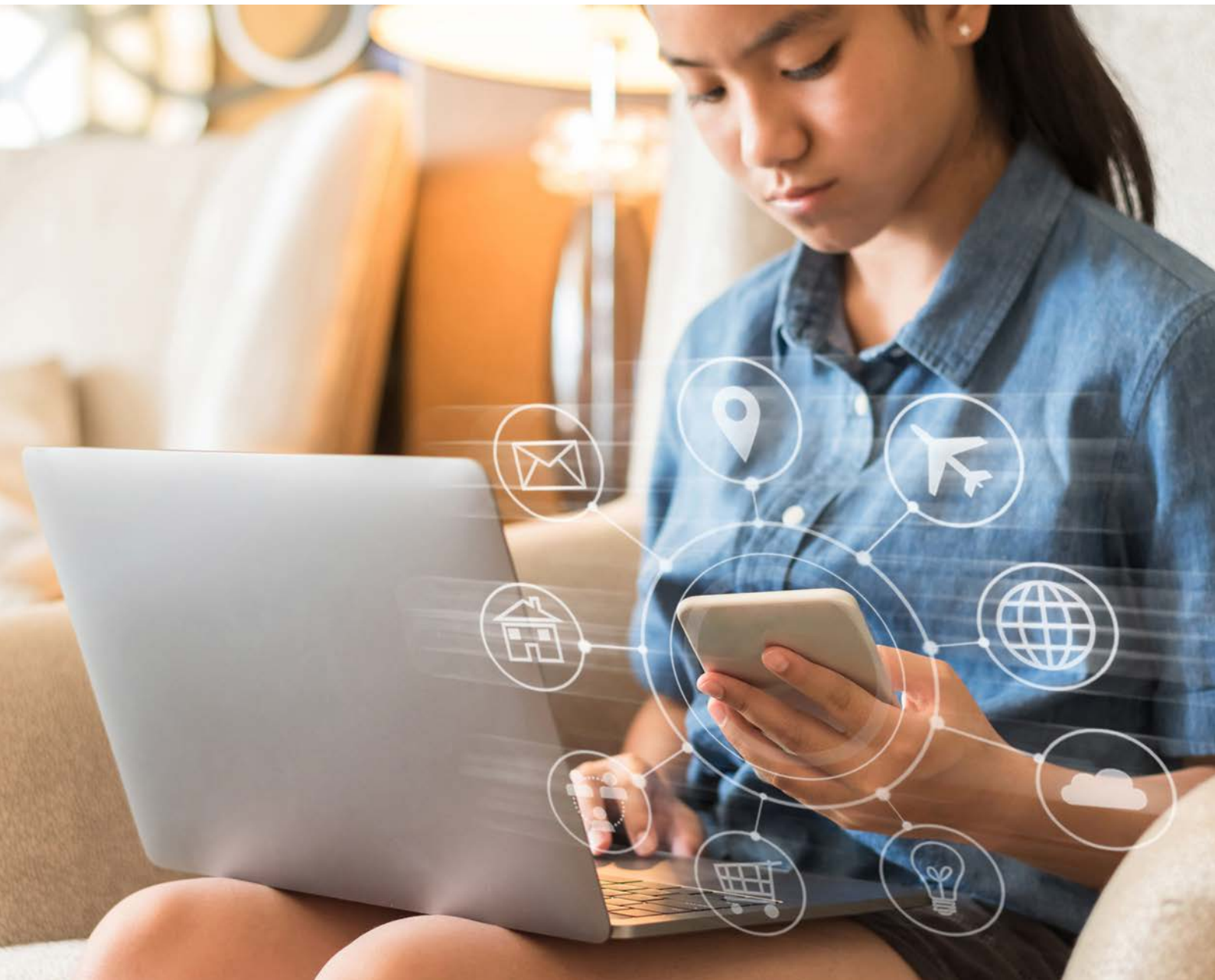
Modernizing Customer Experiences Drives Cloud for the Insurance Industry

As competitive pressures intensify, cloud-first insurers will gain advantages over rivals

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The insurance industry has been adopting new technologies at an accelerated rate to improve customer interactions, develop competitive solutions, and optimize business processes. By digitizing solutions and partnering with new value-chain allies, insurance companies can connect with customers in innovative ways and increase operational efficiency. To capitalize on these opportunities, insurance companies must ensure they can utilize an ever-increasing flow of data, protect customer and business information from cybersecurity threats, and retain customers when technology makes it easy to switch providers. However, the biggest challenges for insurance companies in remaining competitive through modernization efforts is creating an effective digital transformation (DX) strategy that permeates the organization.



A Modern Industry Forced to Drive Digitization Further

Frost & Sullivan spoke with numerous insurance company executives¹ globally on how industry leaders can excel at DX. Zubair Mohammed, director of technology for M&P PLC, has been instrumental in modernizing M&P's legacy platform and implementing cloud solutions when needed.

Mohammed told Frost & Sullivan, "The challenge I have seen is mainly around, obviously, doing the technology transformation... There's no doubt about it. But I think to me, the bigger challenge is how do we actually land the transformation? And by that what I mean is, once you actually do the migration to an open system, to a hosted platform, to a cloud-based application, what does it really mean in terms of the efficiency of the operation team supporting the platform? And [has] the transformation actually worked out for the customer experience?" In Mohammed's experience, the industry's focus on the "heavy lifting of the technology" may sometimes miss the most important goal of DX: "How do we actually land the transformation and ensure that the customer service is not taking the hit, and it just continues to get better and better?" he asks.



1 All quotes from Frost & Sullivan's Virtual Think Tank sessions with the insurance industry, 2021

Monica Sasso, FSI EMEA chief technologist for Red Hat, acknowledged the challenges facing the insurance industry and the need for each organization to forge its path. In many ways, Sasso says, cultural obstacles are as important to overcome as technological ones. “It’s about being able to take people on that journey,” Sasso said, noting that this often means a hybrid approach to infrastructure that fosters agility. Sasso continued, “If you can do it on-prem, if you can do it in a containerized manner, you have flexibility whether you want to run on-prem in your private cloud or whether you want to move it over to Azure or Google or other hyperscaler, or other third-party data center provider. There’s options, but I think it starts with a strategy and then it continues on with the people... Technology is actually driving a change in culture, rather than people driving these changes in culture.”



Technology Enhances Future Workspace Scenarios

The COVID-19 pandemic accelerated many insurers' plans to virtualize the customer experience. It also forced a new way of thinking about how employees should interact with people, processes, and technologies. Mohammed noted that "COVID has been a catalyst in terms of digital adoption."

While many advanced modernization processes already existed in the industry, pivoting to a work-from-home employee base was a major and unexpected change. Going forward, the industry must rethink how it meets employee needs to attract and retain top talent. Mohammed said, "It's very easy to lapse back into the old habits of working from an office and doing the same thing that we were doing back in 2019. So how do we actively encourage, intervene, provide the right technology, equip our workspaces to ensure that we can actually support hybrid working?... Across the industry, when we surveyed our employees, the feedback was unanimous that they wouldn't want to come and work five days a week [in an office]. So there's a lot of appetite and demand for flexible working, remote working, only turning up to the office for collaboration and using workspaces as collaboration hubs." Mohammed said that while not the only area of focus, remote work is a critical topic to address. Evolving workforce needs add to the pressure insurers feel in managing growing data generation and usage. Systems and apps need to be accessed by a distributed workforce with varying levels of security and functionality on their devices and networks. Leading insurance companies are beginning to

recognize that having the agile and secure modern data infrastructure plays a fundamental role in accommodating remote or semi-remote personnel. Cloud infrastructure's advantages in agility, flexibility, and security go beyond improved computation power; they enable employees to access data, work on projects, and collaborate with colleagues efficiently and securely, whether in the office or remotely. Sasso concurs, stating, "Cloud is more than just a technology, and I think the pandemic has highlighted that."



The Urgency to Exceed Customer Expectations Grows as Technology and the Competition Advances

Customer needs also changed, as Sarah Greasley, chief technology officer for Direct Line Group, stated, “Product lines are starting to blur as a result of the pandemic. We’ve got motorists with different driving patterns, we’ve got travelers facing travel restrictions, we’ve got homes that aren’t only homes anymore, because with working from home it’s now your office too.” She told Frost & Sullivan that changes bring forth a great opportunity to highlight the importance of customer engagement. “Insurance is not often at the forefront of people’s minds”, Greasley said. “Customers tend to have a view that they engage with the insurance companies twice in a year. One is when you renew, and the other is if you have to have a claim, both of which can be stressful experiences.”

How does the industry solve this conundrum? Greasley says it is crucial to create an easy—even pleasant—customer experience combined with a personalized approach. “We need to do more to make it an experience that is as frictionless as possible,” she stated, “it’s about personalization.” Mohammed reiterated this point, noting that one strategy is to use a



microsite, which he defined as “personalized web pages to their [the customer’s] particular situation.” Majid Nazari, VP of technology for Generali Global Health Insurance, built on the idea of a customized experience. “I believe the future of insurance should become a micro contract between these entities, bringing the patients, the physicians, and the insurance company in one micro platform,” Nazari stated, adding that the industry may not be doing enough. “Currently, we [the industry] are in a passive mode...We have very linear processes. We are collecting the premium. We go through the process, and after each year we are going to review their risk assessment and then go for the new premium ... How can we change this process for our customers, for our providers, or even the physicians? For the future, we have to see them as part of the ecosystem.”

For an insurance company to offer innovative, competitive, and personalized solutions, it requires high volumes of data coupled with robust analytics. This need will grow as the industry broadens its partnerships with third-party service providers to enable even more unique products. Open platforms and cloud-driven analytics help to share data and insights securely and appropriately across the value chain, creating necessary synergy across suppliers, partners, and customers. As one executive told Frost & Sullivan, “What we are doing is that we are looking at how you can expand your reach to client and client context through cooperation with cloud providers.”

Technology is essential to realizing a bespoke and efficient customer experience. Moving from a one-size-fits-most solution to a highly personalized one will require artificial intelligence to drive insights and customization. Containers help streamline app development and keep data volumes in check. Daniela Alexandrescu, the chief enterprise architect for CCI in Australia, spoke to Frost & Sullivan about the complex data strategy that creating a robust customer experience demands. “There is strategy around it,” she said. “There is data curation, data lineage, master data management, data governance, and also all the insights and analytics that are fundamental to any digital transformation.” Using the cloud gives insurance companies the flexibility and agility to make these solutions a reality. Open-hybrid cloud infrastructure also helps mitigate risks, such as averting the cost of building out and securing large on-premises server expenditures without having to migrate all on-premises workloads.

Cloud Flexibility and Agility Enables Modernization, Efficiency, and New Customer Experiences

The data confirms the drive to the cloud. The industry increased its adoption of hybrid and multi-cloud infrastructure dramatically in 2020. A Frost & Sullivan survey published in March 2021 showed that hybrid cloud usage by FSI businesses rose by 8% in 2020 and increased by a staggering 70% for multi-cloud usage. The industry already had high cloud usage, with 90% of the survey sample either using cloud infrastructure or planning to do so by 2022. Alexandrescu envisions a (very near) future in which a hybrid cloud is necessary for the insurance industry. “Everyone is going to evolve into having some application born in the cloud,” Alexandrescu said.

Sasso was not surprised by the uptick in cloud usage. “Rapid cloud migration dovetails with trends in the EMEA market,” she said. Cloud usage is the basis for a flexible and, arguably, more pragmatic strategy for data core modernization. Core modernization relies on extending app development, and to control data storage and management it often makes more sense to leverage cloud flexibility than try to run more efficiently on-premises. David Malligan, the global chief delivery officer for ERGO, agrees. He stated insurance companies must transition into technology-forward organizations to stay competitive. He said, “It’s changing the dialogue from how tech is enabling or supporting the business to [how] tech is the business... that’s a hard one to change, that mindset.”



Costs, as well as increased flexibility, agility, and scalability, come into play when looking to expand to the cloud. A hybrid cloud strategy helps businesses match the investment needed for growth with data utilization while still retaining some workloads on-premises, thereby not forfeiting the hard work that created them. As Greasley noted, “We will not do a mass migration from on-premises to the cloud. The business case is not there for that.” Hence, the value of the hybrid cloud is unmistakable. Greasley continued, “It is the change capacity ... and that gives us a huge amount of flexibility that has resulted in faster delivery. But actually, the cost of that enabling services has been much lower than it would be if we were not in the cloud.”

Alexandrescu stated that cloud services can keep information technology (IT) operating expenses “as minimum as possible, then you’re winning. Because you have a digital pathway where you can actually run and transform an organization from ideation to innovation, rather than ... trying to patch things and just fix things.” Being cloud-first reduces this level of back-and-forth and averts increasing technical debt. A hybrid cloud strategy allows a company to consider cost, future usage demands, and security when determining what to retain on-premises, what to create in a cloud-native environment, and what to migrate. “We know that the 80/20 rule will always prevail,” Alexandrescu said, meaning 80% cloud and 20% on-premises. Frost & Sullivan’s research shows that about one-third of companies had to repatriate workloads to on-premises in 2020. Inadequate skill sets are a growing challenge in the industry. About 59% of FSI businesses report “insufficient expertise” as their major hurdle to cloud adoption. This was up from 27% of companies two years earlier.²

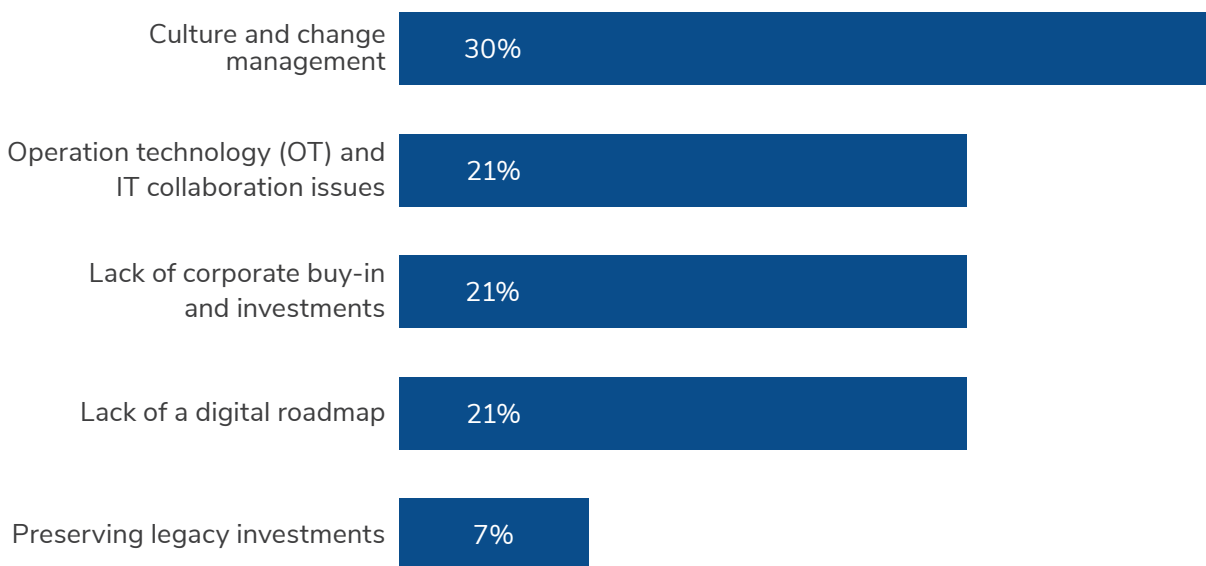
Working with the right partner can lower the risk of technology and infrastructure upgrades and ensure that any DX activities fully support the business and customers. Before engaging in transformation projects, insurers must clearly articulate their enterprise strategy, business advancing outcomes, and customer needs at the outset. Customer impact should prevail as the reigning motivation—and benefit—for DX in the increasingly competitive insurance space.

2 Source: All data from Frost & Sullivan. Contact www.frost.com for more information.

Impediments to the Cloud Often Emanate from Within

Along with a lack of expertise, many companies across industries struggle to gain stakeholder buy-in and overcome a company culture that is resistant to change. This is particularly challenging in a move to the cloud infrastructure, but it impacts all aspects of DX. Another study from Frost & Sullivan across industries showed that over half of what stymies DX is getting everyone on board: “Culture and change management” was the main challenge, accounting for 30% of the difficulty, and “lack of corporate buy-in and investments” accounted for another 21%. Greasley noted that the solution is to have a collaborative, open, and modern culture. She stated, “It is the way of working, it is the culture, which also attracts people and women in particular because it is much less hierarchical, much less command and control. It is much more about outcomes.” Sasso agrees on the importance of collaborating with solution providers to improve insurance products. “[I like] to share experiences and to see how, together, we can try to impact your customer experience,” she said about Red Hat’s work with insurance companies.

Exhibit 1: Top Restraints for DX



Security is another perceived issue that hinders rapid modernization. While the cloud’s ability to secure data, apps, and systems can be as good, if not better, than on-premises infrastructure, insurance companies may need to convince regulators and their stakeholders of this. Having a clear strategy and the right cloud management partners helps make the case for the cloud and reduces risk. Mohammed emphasized this: “I’m not challenging that you can secure the cloud, but it’s about going through the process, making sure we have the right controls, making sure that our stakeholders across the business, all the teams, our risk

team, compliance team, the way we articulate it to the regulators, I think are absolutely clear in terms of how we are managing the controls and how we're managing the risk. Those can be sort of the bigger challenges rather than just the actual technical migration of moving from a data center to cloud."

Nazari stated that data hygiene and security regulations are definite obstructions to cloud utilization. "When we go to the cloud, another challenge is the privacy and the regulation.... Europe and the GDPR are hitting everyone hard.... China's regulation is another difficulty." Along with data migration costs and risks, regulations are another reason that some information and systems may always remain on-premises. That said, on-premises is limited but the cloud is comparably unbounded in its ability to scale to the evolving needs of the enterprise. As Alexandrescu told Frost & Sullivan, "We have a principle of cloud-first, but that does not mean the cloud all the time. A new application will typically be created in the cloud. All our core insurance systems and applications will then be cloud-born." Having a cloud-first approach balances the ability to scale at the rate of innovation, allowing for hybrid- and multi-cloud infrastructures when possible while retaining sensible cost and regulatory procedures.



Mounting Advantages of a “Mostly Cloud” Strategy

Despite the efforts to get stakeholders on board, the regulatory reasons that compel some data to remain on-premises, and the need to find partners that can compensate for the lack of in-house skill sets, the executives who spoke with Frost & Sullivan considered heavy cloud usage in the insurance industry as a *fait accompli*.

Mohammed noted that the “optimal road will be to start hosting on cloud. Primarily because it’s going to save capital investment, but also the flexibility that it offers. I think it still makes sense for us to move to cloud, but I think it has to be in a sensible way.” He says that a full “lift and shift” from on-premises to the cloud is not advisable, but building in the cloud can grow innovation and make it easier to incorporate new technologies. Efficiency and productivity are also key drives, as Malligan states in regards to complex operations “on-prem, a calculation might take two to three days. We’ve now got it to the point where these calculations are coming back in less than an hour” thanks to the cloud’s compute power. At the end of the day, the benefits for cloud usage are mounting. Insurance companies who are able to overcome internal obstacles early and increase their cloud usage more quickly will be able to gain precious advantages in scalability, flexibility, and excel at the elusive, personalized but efficient, customer experience.



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