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TIN THE INSURANCE NETWORK

Digital Intelligence Industry Report:

Simplify, Digitize, and Scale

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Summary

The technology and capabilities enabling Digital Intelligence are now sufficiently advanced to allow insurers to identify stages of their quote-to-issue processes where efficiencies can be achieved. This Digital Intelligence data offers a roadmap to automation excellence by identifying the best targets for process intervention and improvement, and finding and eliminating friction in the customer journey through the analysis of process data.

This can help deliver the kind of fast, simple, and responsive experience that the modern insurance customer increasingly expects, as well as achieving process efficiency. This report seeks to identify a practical approach towards the “nirvana” of digital enablement, automation, and optimization, and uncover some of the obstacles that insurers are encountering.

What is Digital Intelligence?

Digital Intelligence allows insurers to take data from their automated processes (and manual processes where a digital footprint exists) to identify stages of their end-to-end process where efficiencies can be achieved and offer a roadmap to automation excellence. However, many insurers are still at the start of their automation journey, and for those organizations, deploying Digital Intelligence tools to identify bottlenecks in existing processes remains an ambition rather than a reality. What's more, a classic cause-and-effect dilemma (AKA a "chicken and the egg") lies at the heart of the challenge of achieving Digital Intelligence: in order to gain data driven insights into how to optimize digitized processes, you have to automate those processes.

Based on our industry survey, research, and interviews with Enrico Alessandri, Systems & Processes Expert at Swiss Re, and Jason Cripps, Global Head Operational Excellence and Automation at Zurich Insurance, we have put together a provisional methodology and framework for digitizing processes, which we hope will help organizations to escape this dilemma, and start to realize the benefits of Digital Intelligence transforming the processing of delegated authority business or embracing electronic claims or automation.

This methodology can be distilled into three words, and three stages: **simplify, digitize,** and then **scale**.

Simplify: get the basics right

As we have established, in order to achieve Digital Intelligence, you need systems in place to provide data about your processes, and data that is created by those processes. This is neither transactional data, nor customer data–it's data about the processing of those data sets. Before you start gathering that process data, you need to understand and define your current processes and your workflows: to map, rationalize, and simplify them, before deciding what to digitize or automate. This is the critical first step which is often missing–organizations do not fully understand the processes in their business before automating them.

Jason Cripps:

My recommendation is that you should take a step before that (automation) and really understand your propositions / product landscape, simplify that first, which would then help you to simplify everything else… if you are right at the beginning of your journey, you might use tools like Lean Six Sigma to get a handle on exactly what's happening in the process before asking the fundamental question "is this actually working for the outcome that we want, and is this the best way of doing it? Or can we wrap some technology around it?"

Enrico Alessandri:

So, the first step is to create a workflow, and understand the workflow for each process and agree to it. Do we all agree that there is one process? Often, everybody agrees that (for example) the underwriting process or the administration process is all clear until you go down to brass tacks (usually because you actually have to implement the workflow!) and suddenly realize there is not one process but 20 processes, and they go in every direction.

Jason advocates "starting with the stop": identifying processes and stages of processes that add little or no value and can simply be scrapped:

A methodology that I've driven is that you should "start with the stop": what things can you stop doing first that are adding no value to this business? So, stop things, and you can then start to simplify whatever you've got left and take a lean approach to digital data…and once you've managed to simplify it, you can then think about optimizing it before industrializing it and look at the tools to do that. Should you automate this? Should you outsource it? Should you do something else with it?

Digitize

Once you agree and understand the process, you can assess where the bottlenecks are, and decide whether to digitize/automate, and what to digitize/automate. The first step here is to decide the metrics to use. For example, key metrics such as turnaround time or cycle time are often used as the starting point for process analysis and then a cost benefit analysis to see where the “low-hanging fruit” are before starting to digitize processes.

Enrico Alessandri:

> The next stage is to look at specific activities that we can touch and automate or digitally enable, and that means asking "what happens if we take the human away? What would this process look like?"
> Often what looks like a sensible process from the human standpoint when you have paper running through your organization looks different when you have data flowing through your organization… there is a virtuous circle of getting the visibility that allows you to see the automation potential in certain activities, and then understand where the process needs to change…and this keeps on changing over time as you start automating more and more activities."

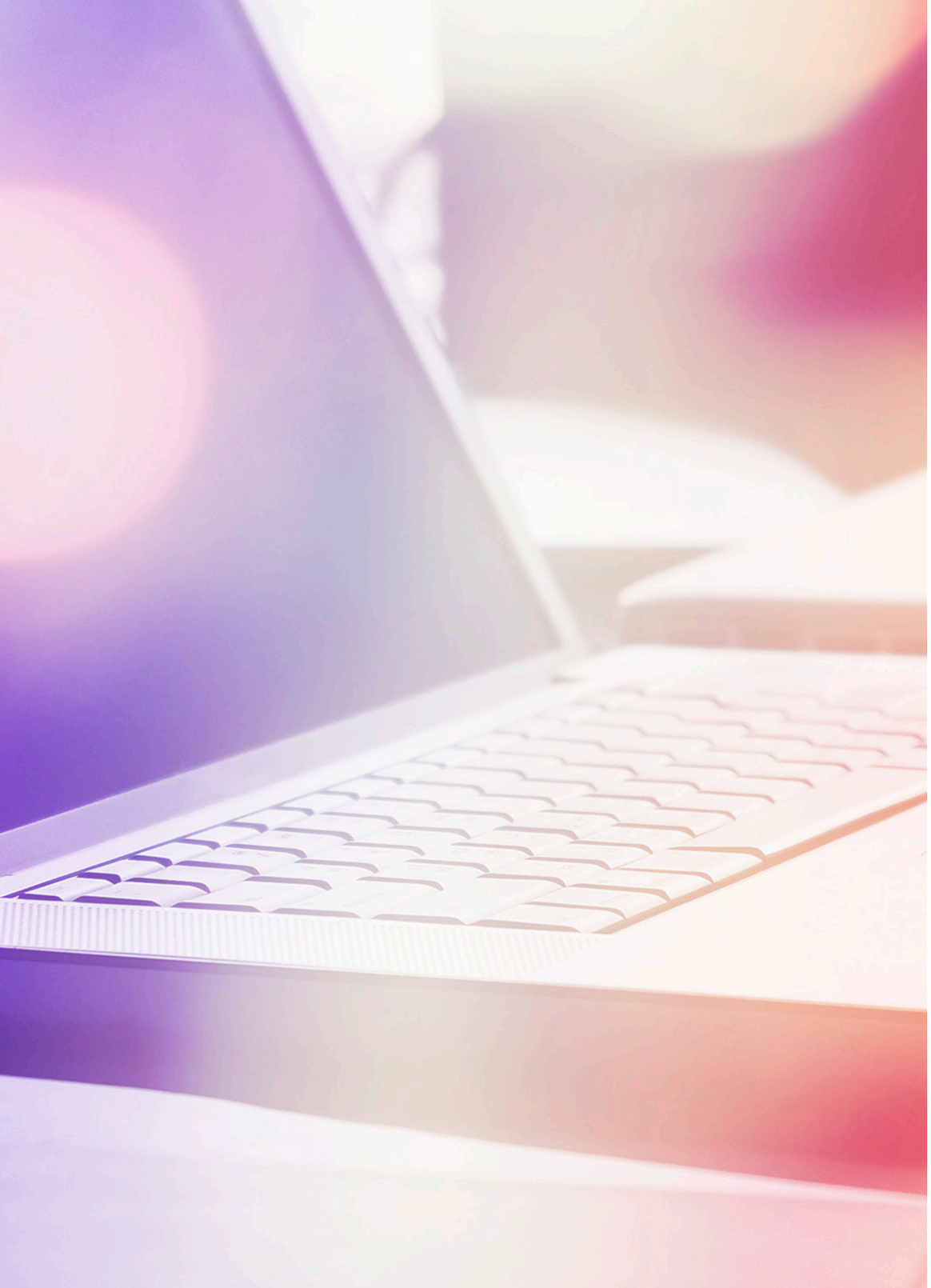
Both Jason and Enrico talked about applying the 80:20 rule in this context:

Jason:

> So, for me, I would always be looking at an 80:20 rule that says to focus on the 20 percent of your transactions that give you 80 percent of your volume.

Enrico:

If you do a value stream mapping of what happens with each package as it goes through your processes, you may find there are certain steps where a much higher degree of value is added than others—in terms of degree of completion of the work (if you define value as where the major effort happens)…the idea is that you digitize the elements that allow you to get your desired outcome as quickly as possible. In a way it's the 80:20 rule, meaning you focus first on the 20% of your processes that will make 80% of the difference to your outcomes.



Gathering digital intelligence to enable scale

Once you have digitized some key processes you can start to gather the Digital Intelligence data and then consider the next steps. Often this will involve AI looking at why exceptions occur and to try and reduce the number of them. You can also employ digital assessment tools to run deeper analysis on how your processes can be further optimized through automation.

Common challenges

If those are the three steps, here are some issues and challenges that practitioners may encounter on their path towards Digital Intelligence.

Data quality

The quality of the insights derived from your Digital Iintelligence will to a large degree be dictated by the quality of your data. One survey respondent commented:

> The dirty secret about the entire insurance market is the bad quality of the data. We always talk about data and how much we have, and we have a lot of it, but, “how good is it really when you look down into it”?

Resourcing

From the survey results it is clear that a key challenge is resourcing the right skills and building capabilities to enable and maintain data-rich, automated processes. The challenge lies in upskilling people in the longer term: the team leaders of 10 years hence will not be data entry people of today who have been upskilled. Organizations will need senior people who really understand the business, and the big underlying trends, a completely different group of people who are not by widely available in the market: so many organizations may have to build their own capability. One interviewee gave this telling insight into the resourcing challenge:

> “A lot of roles are basically “high volume with little analysis”, for example it could involve doing only three things virtually all the time, as quickly as possible. So, these people know in detail their three things, but have limited knowledge of the wider business process. If they’re doing Quota Share work and you give them a non-proportional contract, they are going to be, let’s say, “severely disadvantaged” when the square pegs in their possession won’t fit into the round holes they now have to work with. That’s because their skillset profiles are so specialized, they don’t really understand the bigger picture.

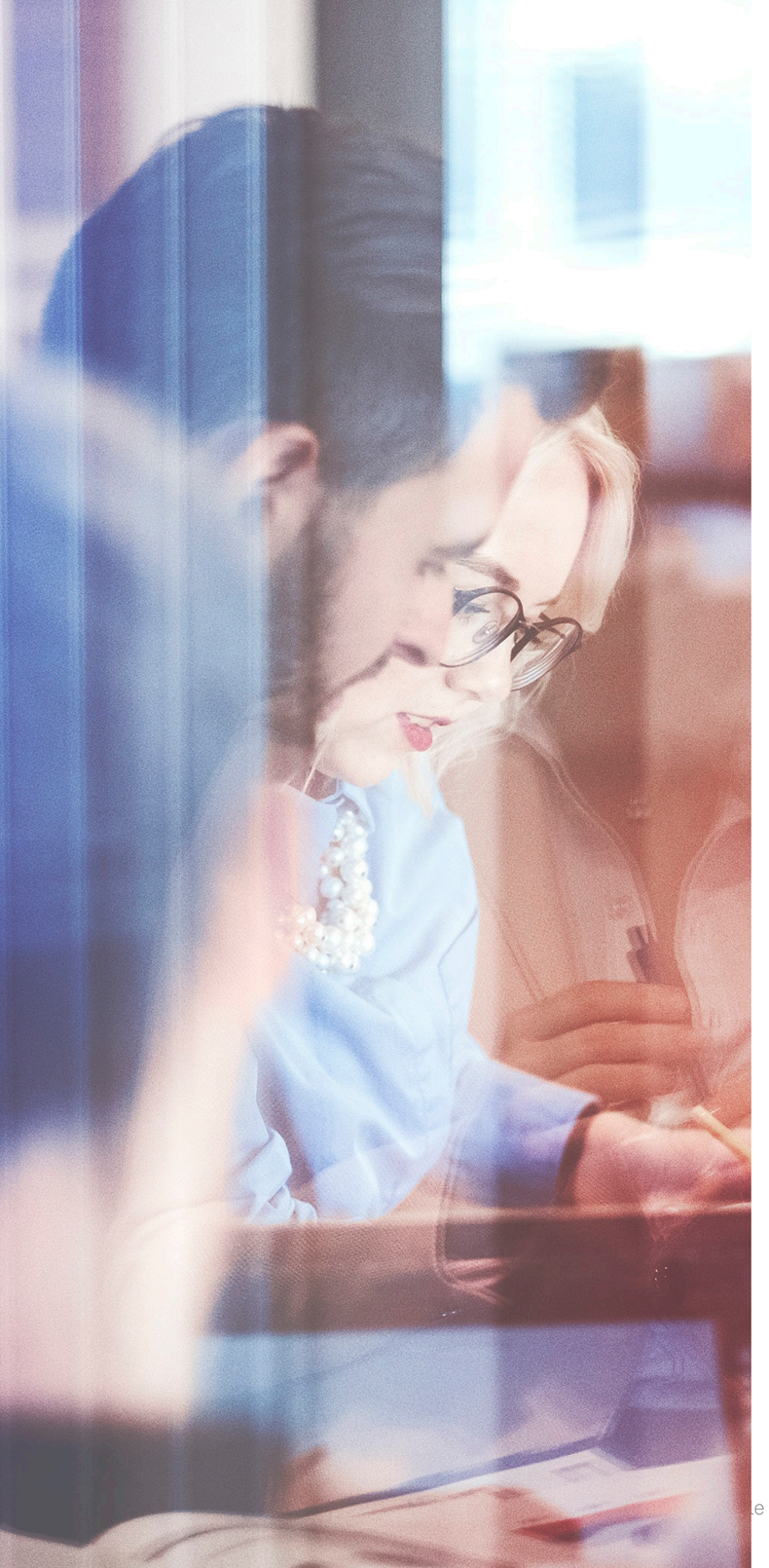
Related to the resourcing challenge is one around culture, strategic leadership and vision, and commitment to change. Many transformations are blocked or hindered by people whose roles will change because they think they are effectively "turkeys voting for Christmas": if "The Robots" are not putting them out of a job, they are certainly eroding their perceived value. Survey respondents cited examples in organizations where recommendations to automate processes to significantly improve customer outcomes, with a business case that also reduces FTE, were blocked by the team manager who doesn't want to lose those people from the team.

Jason advocated shifting the focus in this context, away from replacing roles to enhancing roles and adopting workforce evolution strategies. These can identify the future roles needed by the business "post-automation" and allow for reskilling/ redeploying roles and people who are affected or displaced, thereby making the change a career development opportunity for individuals, and retaining organizational talent/knowledge for the company .

> "Good leaders should see this as an opportunity to evolve roles and reinvest this new capacity into higher value creation activities".

Conclusion

For many insurers, the automation of inefficient and error-ridden manual processes is a key focus of digital transformation, and the investment in technology and process intended to improve the customer experience. Many of these insurers are targeting automation at removing friction from the customer experience in order to digitally transform elements of onboarding, claims journeys, and other stages of the policy lifecycle—but often without properly understanding process performance, and consequently often wasting their investment on automating the wrong areas. It is essential to understand (and enhance) processes before digitizing them: without the right insights, insurers don't always know which process to automate or how to measure success post-implementation. Ben Laidlaw added the following warning...



> Until now, insurers have been limited in this endeavour by traditional process mining and BI tools that can only take a snapshot of process performance from past data, using discrete sources and data types within mapped processes. While that data is better than none, it doesn't fully analyze process effectiveness, or provide a focused view into how each process is performing over time, who touches it, and how much time and money are being spent. By looking at data around process timelines, insurers can see how different workflows perform and assess the overall accuracy of data capture, and where the breakdowns are occurring. These insights can then help insurers identify new and more productive ways to allocate resources and find new ways to deliver exceptional customer experiences.

To enable Digital Intelligence, the insurer needs a robust system that offers these insights in real time and on an ongoing basis—a solution that can seamlessly process documents regardless of whether they originate from web portals, mobile phones, email, file transfers or scans, and extract data from those documents that can provide understandable, actionable insight. The system should automate and accelerate interpretation of all document types as they enter the process, swiftly classifying and exporting them as immediately-actionable data to the relevant business applications. By leveraging AI and machine learning tools like optical character recognition (OCR) and natural language processing (NLP) that can extract valuable data from unstructured documents, these systems offer more adaptability, and the ability to scale at a much lower cost and faster time to production.

Not only do they reduce manual labor and human intervention by automatically extracting content data and routing it to the right system, they can also drive competitive advantage by discovering and removing friction from customer experience in the interactions that attract and retain customers.

Digital Intelligence is an end state that all insurers keen to achieve process efficiency AND a 21st century customer experience should be striving for. There are significant obstacles to be overcome, but there is no doubting the business case for making the necessary investments to overcome them.

ABBYY

ABBYY is a Digital Intelligence company. We provide a Digital Intelligence platform that enables organizations to gain a complete understanding of their business. The platform is designed to allow organizations to deploy solutions in standalone configurations or as a tightly integrated extension of industry-leading RPA, BPM, and packaged application solutions.

ABBYY technologies are used by more than 5,000 companies, including many of the Fortune 500 in finance, insurance, transportation and logistics, healthcare, and other industries. ABBYY is recognized as a market leader in Intelligent Document Processing (IDP) and Process Discovery & Mining for driving impact where it matters most: customer experience, effectiveness, profitability, and competitive advantage.

ABBYY has a worldwide presence with Headquarters in the United States and offices in 13 countries, including Germany, UK, France, Spain, Russia, Cyprus, Ukraine, Taiwan, Hong Kong, Hungary, Australia, and Japan.

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