

IBM Institute for Business Value

Cloud for insurance

Streamlining business processes, gaining efficiencies and accelerating innovation



Overview

Times are changing for the insurance industry. Empowered customers can easily access information and quickly switch providers. Margins are down, fraud is up and regulations are growing more complex. New digital technologies present both challenges and opportunities for transformation. Within this ever-changing landscape, cloud computing offers a new path for sustainable, efficient, flexible growth. Insurance leaders have shared with us their top reasons to adopt cloud computing: improved internal business process efficiency, reduced costs and better data access and analysis.

Using a combination of cloud-delivered services, companies accelerate time-to-market and enhancements that differentiate the customer experience. Cloud can drive significant value creation and competitive advantage. So how can insurers realise the benefits of the cloud?

Our experience with cloud computing underscores its power to fundamentally shift competitive landscapes by providing a new platform for creating and delivering business value.¹ To take advantage of cloud's potential to transform internal operations, customer relationships and industry value chains, organisations across industries must determine how best to employ cloud-enabled business models to drive sustained competitive advantage.

External forces mean insurers must adapt to new technologies (mobile devices, social networks and digitisation), demographic shifts as the population ages and changes in global markets. Digitally empowered customers freely switch providers and increasingly seek personal contact through omnichannel experiences. Also in the face of all this, in recent years the industry experienced slowed growth, reduced margins, higher regulation costs and increased complexity.

Cloud computing provides a powerful service delivery and consumption model insurers can use to address these challenges. With cloud, insurers can enhance the overall customer experience, transform business processes and expand capabilities. In this evolving environment, it is imperative that insurers create customer focused enterprises, increase flexibility, optimise multi-channel interactions and minimise risk.

Cloud is transforming the business of insurance

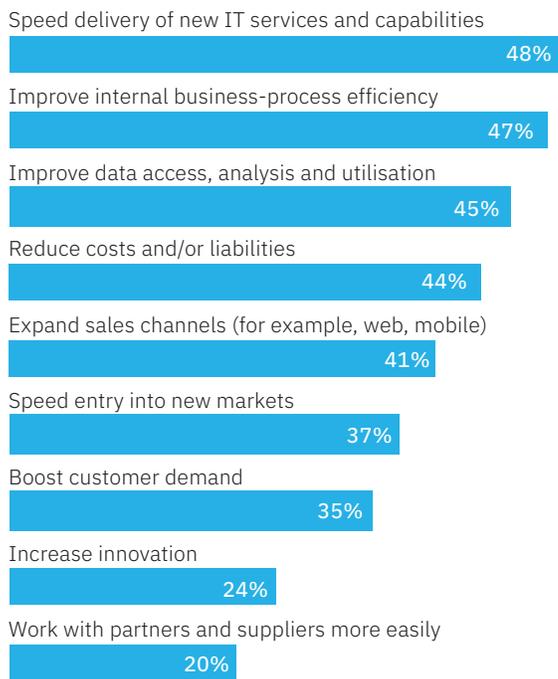
For the insurance industry, cloud computing offers the potential for significant improvements. Cloud can help insurers redefine and personalise customer relationships, transform and optimise operations, improve governance and transparency and expand business agility and capability.



Figure 1

Insurance executives report faster delivery of IT services and improved process efficiency

Clients have realised significant benefits as a result of cloud adoption during the last two years



Source: 'Mapping the cloud maturity curve' by EIU, March 2015.
Question: 'What business benefits has your company realised as a result of using cloud technologies?' n=100

Leading insurers leverage cloud for:

- **Operational innovation** – Simpler and faster processes drive internal efficiency; reduced complexity enables better governance and expanded access to more and broader data to manage risk; and IT capacity is better aligned to business volumes
- **Revenue model innovation** – Customer relationships, data and other assets are monetised more readily; time-to-market is enhanced; and relevant partner services are incorporated more easily
- **Business model innovation** – Third-party services extend into the insurance ecosystem; open collaboration and sharing are expanded; new types of business can be pursued; and innovation is introduced systematically.

As part of the 'Mapping the cloud maturity curve' survey by the Economist Intelligence Unit (EIU) in March 2015, 100 insurance executives were asked to identify their organisations' top business drivers behind cloud adoption. The top-three drivers cited were to improve internal business-process efficiency (cited by 48 percent); boost customer demand (48 percent) and reduce costs and/or liabilities (41 percent).

In addition to seeking the motivations behind cloud adoption, the survey also asked insurance executives which benefits their organisations have realised as a result of cloud. Forty-eight percent of the same industry executives said cloud has sped delivery of new IT services and capabilities, while 47 percent indicated improved internal business-process efficiency, followed by 45 percent with improved data access, analysis and utilisation (see Figure 1).

As cloud adoption by insurers matures, other benefits will also accrue. Business users will be able to design and prototype applications quickly. Organisations will benefit from new user-driven, mobile and cloud-centric information technology. Cloud will support transformation of enterprise IT functions, roles and responsibilities. And business managers will increasingly use cloud for application development to enhance agility.

Along with benefits for the enterprise, cloud also brings the potential for increased customer benefits. Cloud can facilitate new and expanded channels, as well as improve access to client data, allowing for better tailored products and services. By enabling more integrated, compelling customer experiences, cloud helps strengthen customer loyalty and market advantage for first movers.

Industry contacts

Mark McLaughlin
mmclau@us.ibm.com

Sandip Patel
sandip.patel@us.ibm.com

Mike Owens
mike.owens@us.ibm.com

IBM Institute for Business Value

Christian Bieck
christian.bieck@de.ibm.com

Anthony Marshall
anthony2@us.ibm.com

Access the full 'Mapping the cloud maturity curve,' study here: ibm.com/cloudmaturity

To learn more about how you can partner with IBM and explore our as-a-service cloud portfolio, please visit ibm.com/cloud-computing/us/en

To read all available industry-specific cloud executive summaries, go to: ibm.com/business/value/cloud-industry-series

Follow @IBMIBV on Twitter and for a full catalogue of our research or to subscribe to our monthly news-letter, visit: ibm.com/iibv

Access IBM Institute for Business Value (IBV) executive reports on your phone or tablet by downloading the free 'IBM IBV' app for iPad or Android from your app store.

Charting the path for cloud adoption

To succeed with cloud, insurers have to assess its impact on the operating model and determine what actions are required for more effective cloud adoption.

- **Source and manage partnerships and alliances efficiently.** Automate procurement and sourcing functions. Define service-level agreements (SLAs) to secure customer data in a shared environment
- **Proactively redesign business architecture and processes.** Integrate legacy processes into new cloud-enabled, dynamic processes. Establish available and reliable cloud-based platforms
- **Change organisational design and governance.** Prepare to mitigate data privacy and compliance risks with strong risk management systems
- **Evaluate existing performance management.** Develop strategy and metrics that address new levels of reporting complexity. Build performance metrics into contracts for cloud-based services
- **Develop critical new cloud capabilities.** Foster skills in customer and service orientation; vendor and relationship management; virtualisation and network technologies. Build deeper data analytic and operational capabilities
- **Increase adoption of emerging technologies.** Update IT strategy to support new business strategy and cloud enablement. Adjust budgets to cover costs of legacy systems and new network bandwidth
- **Reassess location strategies for optimal cloud adoption and to enhance the customer experience.** Decommission or consolidate technology assets
- **Promote organisational culture changes.** Educate employees about organisational changes, addressing resistance by IT and other functions.

How can IBM help?

IBM® has a superb position in the marketplace with consulting services and enterprise grade cloud offerings. We are ideally positioned to engage clients in conversations to identify cloud adoption entry points that move beyond cost cutting to transforming business models through cloud capabilities that include:

- Business and technology strategy consulting services that help clients leverage cloud to develop executable strategies and transform their businesses, operations and organisations by delivering business value through technology
- The next generation, enterprise cloud service delivery platform, IBM Cloud solutions offer clients excellent service level control. This common IBM architecture for private, public and hybrid clouds is based on IBM hardware, software, services and best practices
- A robust set of IBM Cloud services: computing, storage, backup, SAP, security and unified communications
- Consulting, design, implementation and infrastructure component management services that create an IT environment dynamic enough to effectively support cloud computing deployment.



IBM United Kingdom Limited
PO Box 41, North Harbour
Portsmouth, Hampshire PO6 3AU
United Kingdom

IBM Ireland Limited
Oldbrook House
24-32 Pembroke Road
Dublin 4

IBM Ireland registered in Ireland under company number 16226

IBM, the IBM logo, ibm.com, Global Business Services and IBM Cloud are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or ™), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. A current list of IBM trademarks is available on the web at 'Copyright and trademark information' at ibm.com/legal/copytrade.shtml

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.

This report is intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. IBM shall not be responsible for any loss whatsoever sustained by any organisation or person who relies on this publication.

The data used in this report may be derived from third-party sources and IBM does not independently verify, validate or audit such data. The results from the use of such data are provided on an 'as is' basis and IBM makes no representations or warranties, express or implied.

Reference

- ¹ Berman, Dr. Saul, Lynn Kesterson-Townes, Dr. Rohini Srivathsa and Anthony Marshall. 'The power of cloud: Driving business model innovation.' IBM IBV. January 2013. <http://www-935.ibm.com/services/us/gbs/thoughtleadership/ibv-power-of-cloud.html>

© Copyright IBM Corporation 2018



Please Recycle