

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 realize 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, organizations 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 digitization), demographic shifts as the population ages, and changes in global markets. Digitally empowered customers freely switch providers and increasingly seek personal contact through omni-channel experiences. And 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, optimize multi-channel interactions and minimize risk.

Cloud is transforming the business of insurance

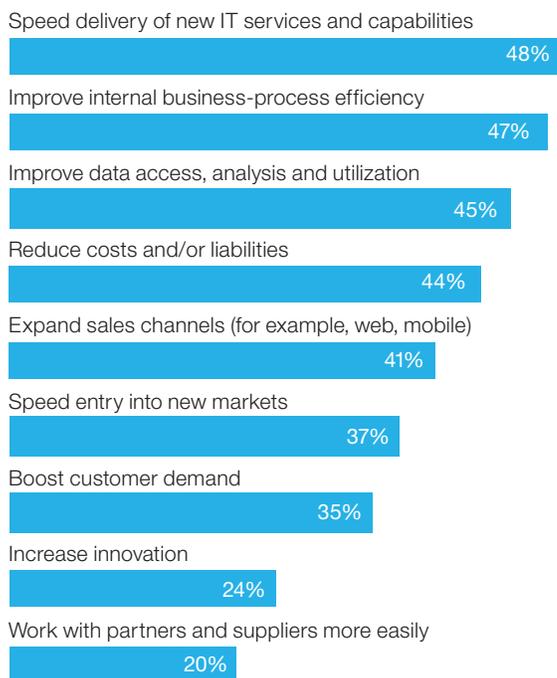
For the insurance industry, cloud computing offers the potential for significant improvements. Cloud can help insurers redefine and personalize customer relationships, transform and optimize operations, improve governance and transparency, and expand business agility and capability.



Figure 1

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

Clients have realized 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 realized 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 monetized 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 organizations' 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 organizations have realized 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 utilization (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. Organizations 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.

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

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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 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 organizational 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; and virtualization 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 organizational culture changes.* Educate employees about organizational changes, addressing resistance by IT and other functions.
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How can IBM help?

IBM has a unique 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 organizations by delivering business value through technology.
- The next generation, enterprise cloud service delivery platform, IBM Cloud solutions offer clients unprecedented 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.



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Reference

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



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