



Elevate every decision with intelligent insurance operations

Fast-track to future-ready performance

Contents

Operations on the move	04
The data and technology gap	07
Knowledge is power <i>Three ways to become future-ready</i>	09
The choice to change	22
About the authors	25
Appendix	26



Elevate every decision with intelligent insurance operations

2020 was an unusually challenging year for every industry

This is especially true for insurers. In addition to the business and economic disruptions of COVID-19, insurers saw catastrophic events linked to climate change upend historically reliable risk models. While these events left insurers exposed in many ways, they also revealed opportunities for insurers to elevate business performance—from driving cost savings from remote working models and benefiting from cloud operations to increasing digital customer acquisitions.

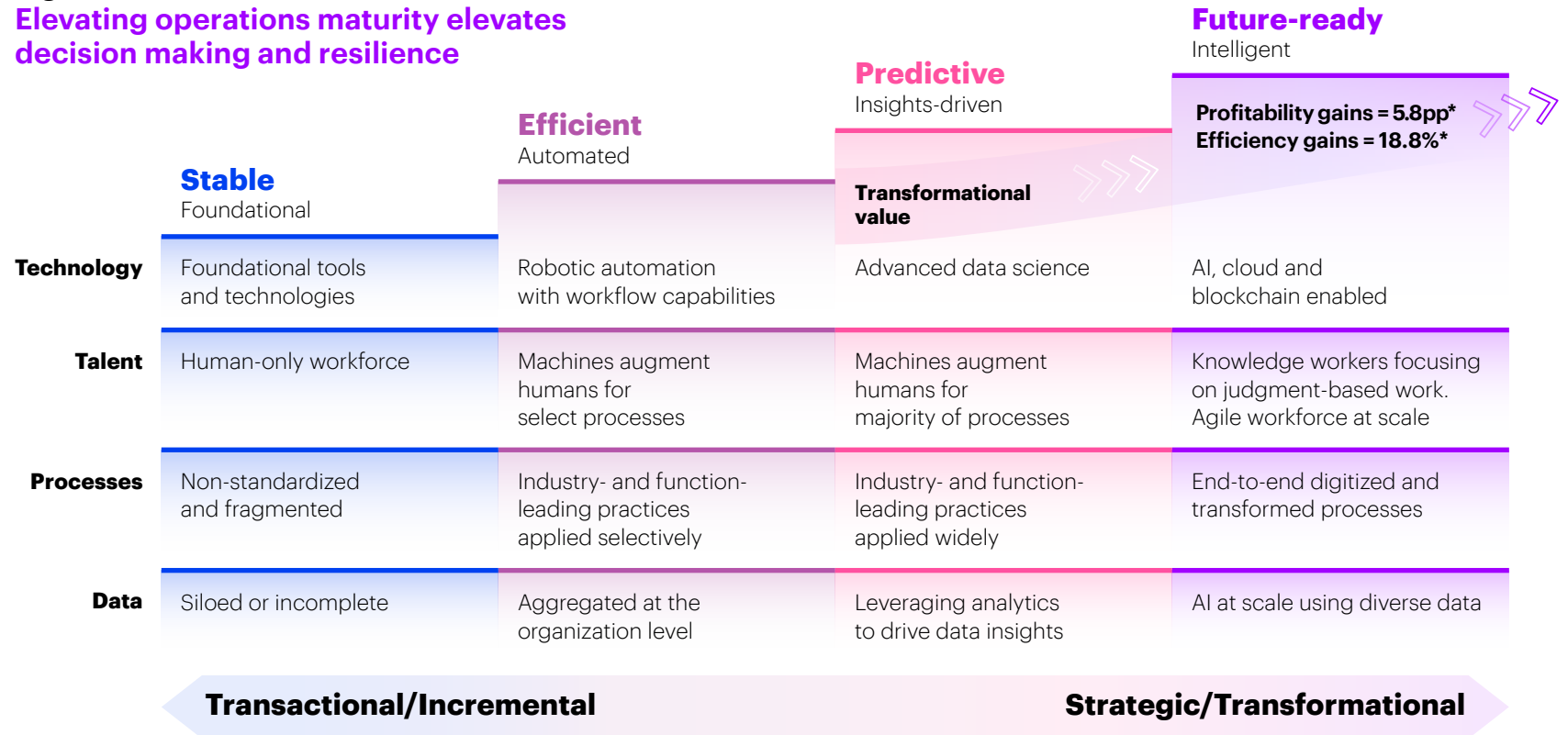
Of the many lessons of the pandemic year, one resonates strongly in this industry: the importance of operational resilience.

As part of a global, cross-industry research initiative, we surveyed 100 insurance companies to understand how they view their journey to operations maturity. Operations maturity can translate into tech-savvy ways to acquire customers faster or discover new revenue growth. This means combining data, technology, processes and people into an intelligent, data-driven—and more resilient—operating model. It's how insurers can reimagine the work people do and how it gets done—from sales and service to claims and finance. It's also how they can offer next-level experiences for employees and customers.

Operations on the move

Accenture's global research¹ indicates that operating model maturity is advancing among global organizations and specifically insurers. Our research and experience reveal four levels of operations maturity: **stable**, **efficient**, **predictive** and **future-ready**.² Each level is grounded in and enabled by progressively more sophisticated technology, talent, processes and data insight (Figure 1).

Figure 1.
Elevating operations maturity elevates decision making and resilience



*Accenture Research and Oxford Economics Intelligent Operations Survey, 2020

Accenture experience shows that additional productivity and efficiency gains up to 50% can be seen in organizations displaying future-ready characteristics.

Achieving the highest level of maturity possible means some organizations become “future-ready.” On average, organizations we found to be future-ready showed a 2.8x boost in corporate profitability and 1.7x higher efficiency than at lower maturity levels, which is a promising indicator for insurers.

Of the 13 industries we surveyed, insurance respondents report a higher than average level of operations maturity. Today,

10%

of insurers say they have reached the threshold of future-ready operations.

57%

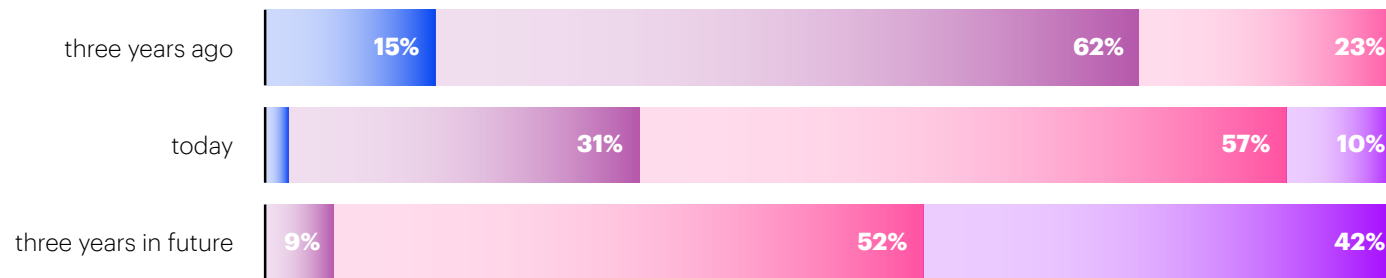
of insurers say they have evolved to predictive operations.

Compare this to cross-industry averages of 7% and 34% respectively. Three years ago, no insurers identified as future-ready, and just 23% called their operations predictive (Figure 2).

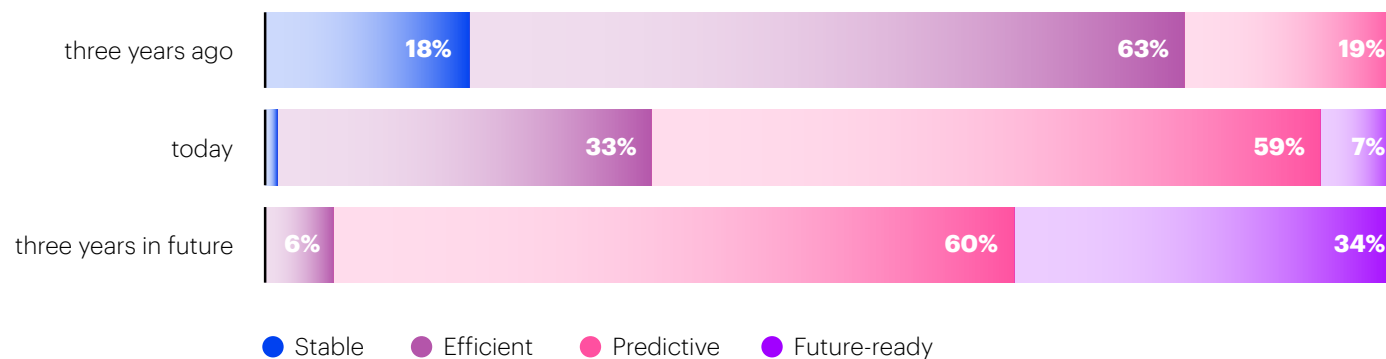
A closer look at the data reveals that insurers’ progress toward future-readiness today is largely due to the operations maturity of a handful of players. For instance, only one out of 35 US respondents and two out of 20 in UK (which represent a larger portion of the respondents) consider themselves as future-ready today. Even so, insurers aspire to make more progress. As Figure 2 shows, over the next three years, insurers expect to stay ahead of other industries, with 42% targeting a future-ready state, compared to just 34% across all industries.

Figure 2.
Insurance organizations say they have made progress in operations maturity—and aspire to make even more in the next three years

Percent of **insurance organizations** reaching each operational maturity level three years ago, today and three years in the future (expected).



Percent of **all organizations** reaching each operational maturity level three years ago, today and three years in the future (expected).

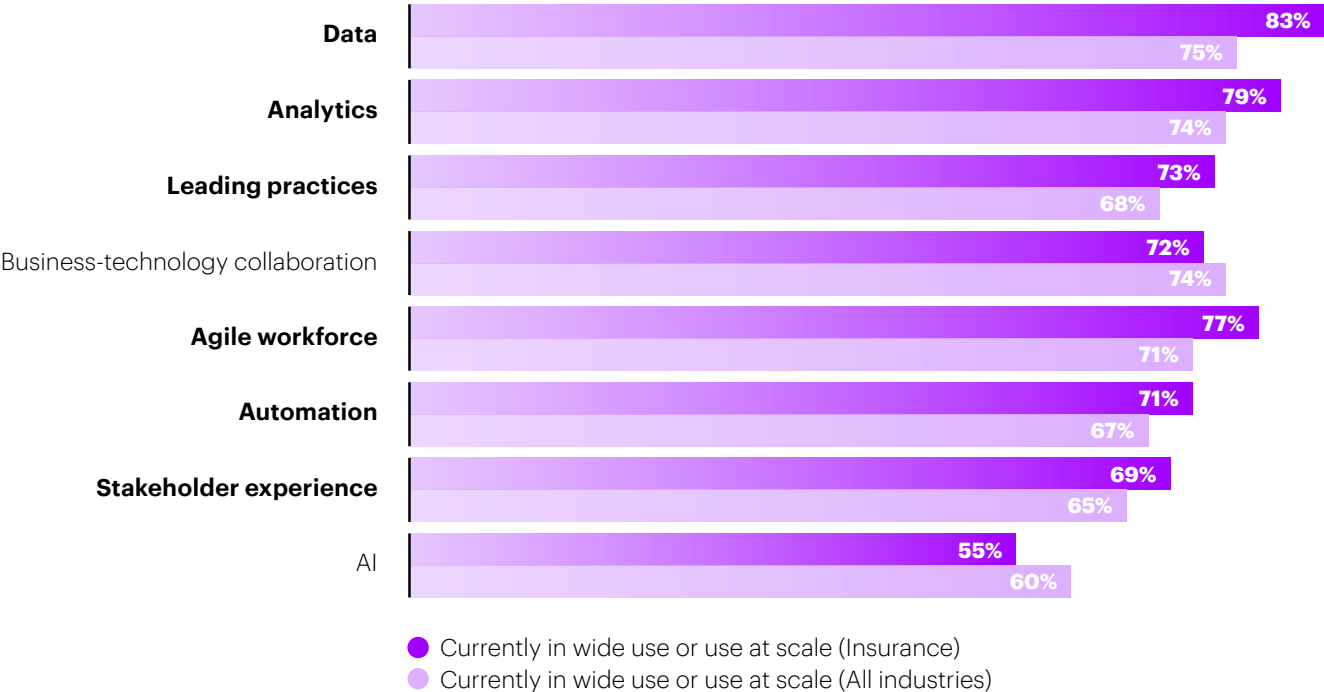


While there are pockets of operations leaders in this industry, insurers still have significant improvements to make and don't want to get behind the curve in challenging markets. When it comes to change here, time is of the essence. That's why insurers need a fast track for future-ready performance.

The data technology gap

Consider how we measure future readiness and why it matters. Being future-ready reflects an organization's ability to scale eight characteristics of operating model maturity: data, analytics, leading practices, business-technology collaboration, agile workforce, automation, stakeholder experience and AI (see Appendix for definitions). Insurers lead cross-industry averages in six of these characteristics (Figure 3).

Figure 3.
The insurance industry leads the cross-industry average across six of the eight characteristics of operating model maturity



Insurers' data acuity is notable. A full 83% say that data is in wide use or in use at scale in their operations today.

Extracting value from data is at the core of this industry. Insurers need access to rich internal and external data sources to inform everything from claims to billing processes to deliver effective and cost-efficient stakeholder experiences.

A common challenge for insurers is extracting the full value of data—think real-time insights from across functions and business lines—which takes analytics and technology enablement. Although 57% of insurers expect to use analytics with diverse data by 2023, today, one in five insurance organizations currently uses analytics at scale, signaling a daunting gap between today's reality and tomorrow's aspirations.

Our research suggests that technology is the final barrier for insurers in future-ready operations. As Figure 3 shows, scaling AI and scaling business-technology collaboration are the two areas where insurers trail other industries. What's more, insurers cite technology as a top challenge to scaling future-ready characteristics.

This is a critical reminder for insurers not to get complacent. The majority of insurers are not where they want (and need) to be in operations maturity. What's exciting is that we know where the opportunities for continual improvement are.

Senior technology executive, US insurer

“This real-time ability to understand or know where your business is heading or where your business should be heading is the capability that we are really missing today across the organization.”

Knowledge is power

While some insurers have high levels of operations maturity, only 1 in 10 has reached the threshold of being-future ready. So how can these insurers push themselves even further, and how can the remaining 90% quickly evolve toward a future-ready state?

We found three things organizations must know to become future-ready:

01

**Know the
ultimate goal**

02

**Know the
key steps**

03

**Know how to leapfrog
maturity levels**

01

Know the ultimate goal

Think big and act together



It can be difficult to take a top-down, cross-functional view of operations transformation with the insurance business being so highly matrixed. The structures of how things are done—from the day-to-day to the strategic—perpetuate silos between functions and business lines. And legal, compliance and security requirements complicate the picture.

As such, insurers tend toward an incremental approach to improving operations, which leads to fragmentation of processes and prevents meaningful productivity and business improvements.

Too often coordinated operations transformation that happens at the enterprise level is the exception. But leading insurers are recognizing that incrementalism is holding them back. Those that use scale and intelligent operations can take a much more holistic approach. Not only can they improve experiences and outcomes in the process, but they can also transform the cost curve.

Make stakeholder experience the North Star

To do this, insurers need a “North Star” that defines their goal for reaching future-ready operations. This should be stakeholder experience strategy. It is something that future-ready insurers have in wide use or at scale, and something other insurers need to improve.

Why stakeholder experience? With the risk of insurance products becoming commodities—and with experience dynamos disrupting the industry—traditional players have to improve experience to compete. This is experience broadly defined. It is customer experience that cultivates loyalty. It is employee experience that drives retention and acquisition. And it is partner and supplier experience that fuels a strong ecosystem.



86%

of all future-ready organizations across industries expect business and technology functions to collaborate fully by 2023.

Bring business and technology together

Technology naturally has a key role in operations transformation—especially for change centered on stakeholder experience. After all, stakeholders expect finely-curated digital experiences.

Advancing the operating model through technology is about more than the technology itself. Technology is an enabler for insurers here—a means to an end of change. Progress happens when business and technology come together through developing joint governance models, by aligning and integrating ecosystem partners, and by co-creating the strategic roadmap so that technology investments align with the business strategy. This is how insurers know that they are investing in technology that is truly useful to the business. It is why they need to scale business-technology collaboration. They have some ground to cover: Just 15% of insurers are doing this today, while 53% plan to do so in the next three years.



Case study

An insurance network leads with strategy to boost competitiveness

Historically, many small insurers didn't have the technology or processes to streamline claims handling, manage their supplier networks and keep their costs in check. A network of European insurers came together with a "think big act together" strategy to take advantage of something that hadn't been available in the market—an intelligent insurance operating model that centralizes claims.

They took advantage of a shared services hub that offers end-to-end claims management services for the auto, home, personal and workers compensation segments. The service supports many activities—from provider price negotiations and claims support to payment processing and customer engagement. A cloud platform makes it possible for insurers and providers to share information. Analytics and easy-to-use dashboards put customer and performance insights at insurers' fingertips.

Today, the center manages more than 400,000 claims, two million documents and 800,000 calls each year. With access to data, technologies and expert talent, smaller insurers can offer personalized, hassle-free customer service. And they can create value faster and make better decisions to compete and grow their business.

02

Know the key steps

Automation, augmentation,
AI, cloud

Every insurer will take different steps in moving from one level of operations maturity to the next level. Yet there are fundamental steps that apply to all players.

Automate at scale to augment human talent

Future-ready insurers know how important automation is to operating as a digital-first company. They rank it as the most critical factor for digitizing business processes, tied with AI for the top spot. The industry as a whole has made great strides in automating manually-intensive and repetitive operations tasks across the value chain. For example, incoming mail is digitally ingested with optical character recognition technology, AI and natural language processing. In addition, insurers are using robotic process automation (RPA) to streamline workflows and repetitive processing steps. Three years ago, just 20% had widespread or full-scale use of automation. That number has rocketed to 71% today. Insurers expect it to hit 95% in the next three years—with 45% scaling adoption across all business processes.

To continue this trajectory and realize associated cost savings, productivity and experience gains, insurers once again should look beyond the technology itself. They should scale automation in lockstep with augmenting human talent to drive operations

maturity. The reality is that automation has changed (and will continue to change) how humans work and the skills they need to be successful. In fact, our analysis shows that more than half of the tasks done by claims and policy processing clerks can be automated and augmented by 2025.³ That is just one example.

Automating at scale is about more than cost reduction. It is about unleashing human potential—shifting higher-value tasks to people to make work more satisfying. Insurers point to lack of the right talent as their top challenge in applying data in operations. Having better data—and a digitized way to ingest and pull out relevant data—can reduce underwriters' time in underwriting an application and make for more accurate risk assessments. Better data can also reduce claims examiners' time in processing claims and help ensure that claims are paid accurately. This creates a better customer experience with better turnaround times. And is why they must prioritize new skilling for the future of work.

75%

(three-fourths) of insurers have adopted cloud infrastructure at scale compared to 64% three years ago.

Boost AI power across the enterprise with cloud

Data has long been at the heart of operations decision-making for insurers. A full 84% say that they design their operating model based on data rather than on executive experience or intuition. Even so, insurers have to keep excelling here, getting even better with data by breaking down conventions and rigid organizational structures that trap it in silos.

Improving their ability to scale AI is a key opportunity for insurers to make different—and better—use of data. AI gets smarter over time by ingesting the data and determining the relevant information to extract to improve decision-making in underwriting and claims processes. The good news is that 43% of insurers have fully adopted AI and data science capabilities. This is a six-fold increase from 7% just three years ago. Insurers can improve core processing accuracy and efficiency with AI-powered advanced data and analytics platforms. As insurers look to scale AI further, the cloud can boost momentum. Cloud costs have decreased consistently over the last five years, and security and regulatory compliance offer strong controls. There is nothing like the cloud to help insurers scale automation and AI while reducing legacy technology debt.⁴



Case study

A top insurer unleashes digital power in claims operations

To improve its service quality and bring its claims costs down to industry norms, a leading insurer wanted to engage with a strategic advisor and managed service provider to establish a centralized intelligent insurance operating model for its US operations.

To quickly upskill agents, centralize processes and increase productivity, standardized tools and processes were introduced along with dozens of automations and minibots. By eliminating manual and repetitive administrative tasks and introducing analytics, employees have new confidence and are making better and faster decisions.

The insurer is introducing a new claims management platform that is expected to dramatically impact productivity and the team's ability to deploy even more intelligent technologies such as virtual assistants, medical analytics and real-time management dashboards.

03

Know how to leapfrog maturity levels

Don't go it alone



Insurers should take a “never satisfied” approach to their journey to operations maturity. There is always room to get better. Our cross-industry research shows that a one-position climb in operations maturity can lead to a projected 17% increase in global profits. This potential alone is reason enough for insurers to set their sights on what’s next—and how to get there fast.

Build ecosystem relationships

A crucial way that insurers can speed up this journey is by taking advantage of ecosystem partnerships to deliver outcomes at scale. This way of working is coming into its own in insurance. Fifty-three percent of the insurers we surveyed say that ecosystem relationships have improved over the last three years. Future-ready players are particularly focused on them. In addition, many insurers turned to the “network effect” of the ecosystem to respond to the pandemic—41% report an increase in their focus here during this period.

These trends suggest that insurers have both existing ecosystem relationships—and momentum around extending them. The ecosystem is an excellent way to bring in more diverse data, specialized skills, leading-edge technologies and new ideas that spark innovation. Insurers can access all of these things through trusted partners, rather than having to make costly and time-consuming investments to stand-up the capabilities themselves.



Case study

A European insurer finds strength in numbers

A European insurer had long relied on their partner ecosystem to manage its sales, service, claims, finance and accounting operations. The company recently redoubled its efforts to grow its business. It needed to take efficiency gains to the next level by introducing an intelligent operating model across core insurance and finance functions.

The company used next-generation talent and industry-leading practices to generate insights and launch new solutions in key areas—from recovering and reducing debt and revenue leakage to boosting service quality and operational efficiencies.

The insurer has reduced its debt over two years and boosted its Net Promoter Score^{®5}, which is a reflection of delivering better experiences. The insurer also improved collections to record levels and generated new revenues. Along the journey, it has become a more innovative and competitive force in the global insurance market.

The choice to change

Insurers don't have the luxury of status-quo operations. So much is changing so fast for them, and falling behind competitors and not delivering on customer expectations is a real risk. To keep up with what's happening on the outside—in markets, with technology and across all stakeholders—insurers need to evolve what's happening on the inside. Fast.

With intelligent operations, insurers can elevate decisions and boost profitability and efficiency gains today. The more that they thread intelligence into operations holistically, the better positioned they are to meet tomorrow's performance aspirations. It's about reaching new levels of operations maturity to choose smarter, act faster and win sooner. It's about becoming future-ready.

Now is the time to make your move to intelligent operations. Here's how:

- **Think** big and go beyond incremental change
- **Enhance** the value of data with technologies that deliver better insights faster
- **Scale** automation and analytics, AI and integrated solutions with leading practices
- **Foster** a human+machine, specialized workforce
- **Put** a cloud infrastructure at the heart
- **Build** complementary third-party and ecosystem relationships

If you fast-track the journey, your operations can become a true catalyst for competitive advantage. And, along the way, you can elevate your business decisions to realize tangible, sustainable, transformational value and growth.

About the authors



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We defined the four levels of operations maturity based on respondents' assessments of eight characteristics:

Analytics

Covering the discovery, interpretation and communication of meaningful patterns in data to provide superior insights for business decision-making. Analytics includes multiple levels from basic descriptive reporting to more predictive and prescriptive actions which can be applied to business processes.

Artificial intelligence

The ability of a machine to perform cognitive functions like sensing, comprehending, acting and learning. AI capabilities (for example, natural language processing, machine learning) enable computers to make decisions and identify patterns and insights for future decision making.

Automation

Sets of technologies that perform repetitive rule-based tasks. Robotic process automation (RPA), one of the most frequently used examples, increasingly includes multiple solutions such as workflows, platforms and software-as-a-service that further digitize the process.

Business-technology collaboration

Comprising IT and business functions with joint governance models, enabling integrated ecosystem partners and driving the organization's strategic road map.

Data

The quality, scope and depth of structured and unstructured data (for example, video, Web content, voice memos, and so on) from diverse internal and external sources, including what is embedded in internal processes.

Functional and industry leading practices

Ways of doing business within a function, organization or industry that are recognized as enabling best-in-class performance.

Stakeholder experiences

The overall engagement experience across all stakeholders of an enterprise including customers, end clients, suppliers, partners and employees.

Workforce agility

Encompassing two key elements: on-demand, collaborative workforce strategy and a work environment where humans and digital machines work together to drive the best outcomes.

What we did

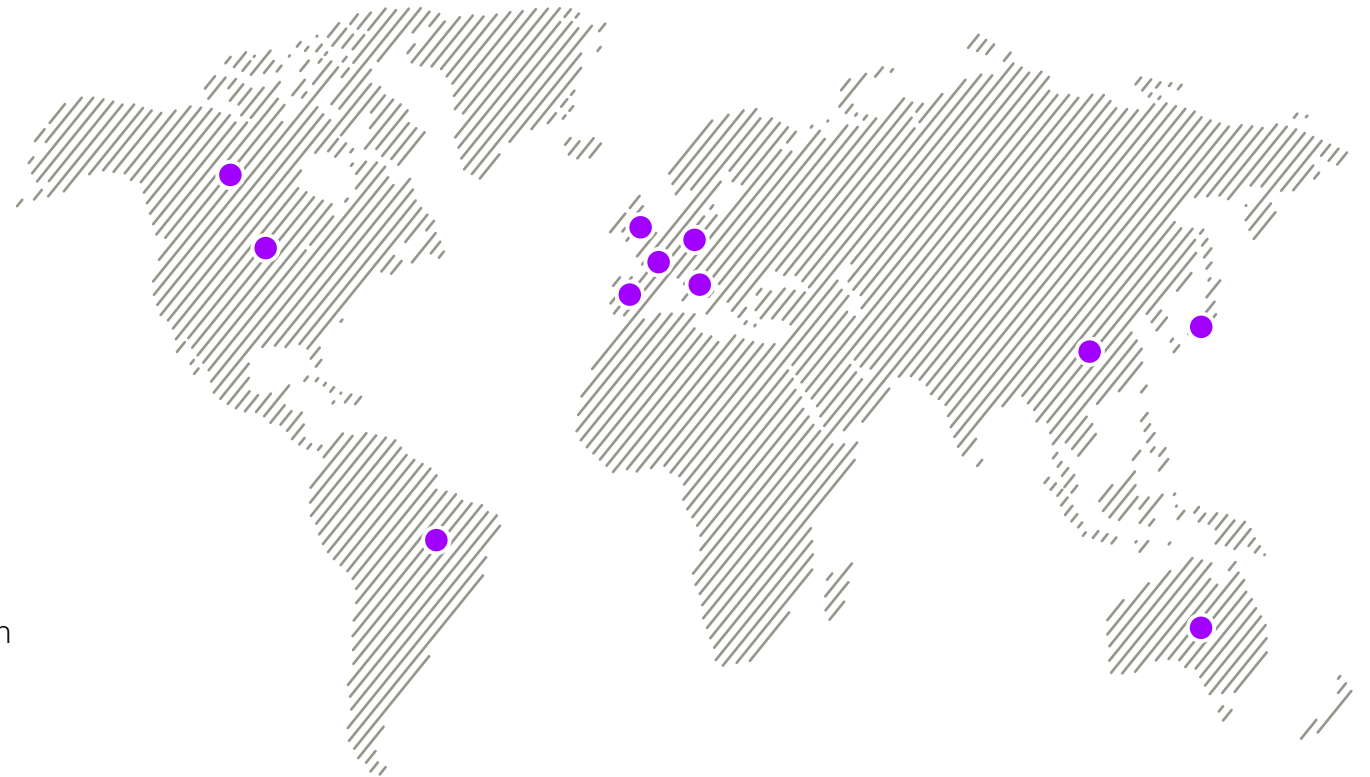
Primary research

Accenture Operations and Accenture Research undertook a 2020 survey, run by Oxford Economics, among 1,100 executives globally—44% of whom were C-level or equivalent—across 13 industries and 11 countries. Oxford Economics also conducted 12 in-depth, off-the-record interviews with executives across countries and industries.

11 countries

125	Australia	50	France	50	Spain
50	Brazil	50	Germany	125	United Kingdom
50	Canada	50	Italy	375	United States
50	China	125	Japan		

Figure 4.
Survey demographics Part 1



Source: Accenture Research and Oxford Economics Intelligent Operations Survey, 2020

Figure 5.
Survey demographics Part 2

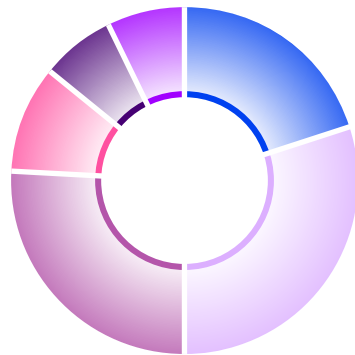
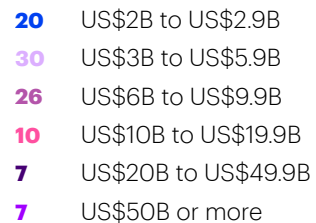
Industry



Country



Revenues



Roles (to nearest equivalent)



Economic modeling

Our modeling is based on data from the 2020 Accenture Research and Oxford Economics survey. Each participant was asked about their company characteristics (for example, industry, employment and revenues) and past, current and expected level of operating maturity. Financial data from 2017 to 2019 for each public company was matched from S&P Capital IQ including EBITDA, revenue growth and total shareholder return.

We identified a group of future-ready organizations based on their operating model maturity and analyzed the key underlying factors and operational maturity actions that differentiate these organizations from their peers. This involved developing and implementing econometric models of the relationship between organizational differences in operating maturity position (based on four categories: stable, efficient, predictive, and future-ready, which identify increasing levels of operational maturity) and key financial outcomes. See Figure 6.

The modeling framework also controls for background differences across firms such as geographic location, industry and size. Using our model, we were able to assess the nature and magnitude of the connections between operating maturity, business investments and business outcomes. For example, we found that companies that were just a single step higher up the ladder of operational maturity in 2019 exhibited, on average, better returns. Moreover, investments in leading practices AI and automation were most strongly linked with improved performance.

Scenarios: Using our model and secondary data from S&P Capital IQ, we assessed the implications of hypothetical scenarios of companies raising their maturity level. For example, if all companies were to take a one-step improvement (for example, from stable to efficient) then global profitability, captured by EBITDA, could rise by as much as US\$1.9T (17%). If they were all future-ready, then profits could be US\$5.4T higher (48%).

The report includes case studies and stories from our own experience of guiding 400 clients on the journey to intelligent operations—33% of *Fortune* 500 companies or 60% of *Forbes* G2000 companies.

We have helped organizations in 20 countries (Australia, Belgium, Brazil, Canada, China, France, Germany, Greater China, India, Ireland, Italy, Japan, Netherlands, Singapore, Spain, Sweden, Switzerland, United Arab Emirates, United Kingdom and United States) and 18 industries (Automotive, Banking, Capital Markets, Chemicals, Consumer Goods & Services, Communications & Media, Energy, Health, High Tech, Industrial, Insurance, Life Sciences, Natural Resources, Public Services, Retail, Software & Platforms, Travel and Utilities) to achieve intelligent operations.

Figure 6. Measures of financial performance

The tables below describe the various financial metrics used in our modeling:

Financial metric

EBITDA, % of revenue

Operational efficiency (OPEX per dollar revenue)

Revenue growth
Total return to shareholders
Changes in market capitalization
Productivity (revenue per employee)
Return on invested capital, %
Operating profit, % of revenues

Alternative variants of the financial metric

Change (total and average) in metric since 2019 vs 2016
Three-year average metric 2017 to 2019
Metric in 2019
Dummy variable identifying companies in the top percentile of revenue growth, profitability and efficiency

We were only able to find robust, statistically significant relationships for **profitability** and **operational efficiency**.

References

- 1** Accenture, “Fast-Track to Future-Ready Performance,” at <https://www.accenture.com/us-en/insights/operations/future-ready-operations>
- 2** Visit <https://www.accenture.com/us-en/insights/operations/future-ready-operations> for more information on the four levels of operations maturity
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- 5** Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

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