Eighty percent reduction in insurance carrier costs? Cloud as rainmaker.

Slow but steady worked for insurers for years. In an industry tailored to offer clients security, solidity took precedence over lightning-speed innovation.

Until recently.

As insurers change the way they do business, one common element must exist for successful change: cloud.

A large multi-national insurance company achieved an 80% reduction in the cost of a specific environment of an application suite. The use case was a development testing environment migration of a commercial suite of actuarial systems to cloud infrastructure.

Insurers often hesitate to embrace cloud for three main reasons – all fallacies.

1. Insurers believe lifting and shifting applications to the cloud does not work. There are in fact savings to be realized in some lift-and-shift scenarios, such as migrating development and test environments to cloud workloads.

2. Insurers think sunk costs are unrecoverable. Thirty-five percent of insurers say unfavorable total cost of ownership is holding back their cloud adoption. Some forward-thinking insurers don’t buy into that, including one insurer that shrunk its data center space by over 75 percent while moving to the cloud.

3. Lastly, insurers may assume digital transformation can happen without cloud. Many industry-specific applications are exponentially increasing opportunities for revenue and savings. These technologies require cloud’s flexibility, reliability and security.

Fallacy #1 – More than half of insurance executives cite current technology processes as impeding business objectives. A new cloud model, that is utility-based and offers self-service and transparency, is necessary.

Fallacy #2 – Given that half of insurance executives report their current legacy infrastructure evens three to five years, most have an opportunity to optimize and align this refresh cycle to cloud migration.

Fallacy #3 – New cloud-based industry entrants are capitalizing so successfully on cloud technology that 82 percent of insurers say these competitors are disrupting the industry.

Three steps for insurers to consider to find their 80 percent savings:

1. Prioritize and optimize migration to the cloud balancing decision factors like application cloud readiness, demand fluctuation and digital insurance business data needs.

2. Track value realization, focusing on metrics such as the claim response times, ratio of cloud to legacy applications and the number of resource hours saved.

3. Quantify the return on agility beyond cost savings, measuring the additional revenue achieved through faster rollout of new cloud-enabled capabilities.

See how to realize value through the cloud in our full report. View the complete report.

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