

Insurance breaks the mold: The case for AI, automation and intelligent workflows



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Introduction

Insurers are slow to make substantial changes in how they operate, yet their value propositions continually evolve as access to data increases. They continue to focus on near-term cost reductions to impact current earnings while driving growth and improving customer retention with longer-term projects. But now technology allows automation and data collection to turn company processes into streamlined and efficient workflows, and insurers are being forced out of their comfort zones to survive.

Corporate investment in IT is shifting toward efficiencies gained through the integration of data technology and machine learning (ML) to fuel automation. One of the highest impact areas for IT investment is the intelligent workflow space. Intelligent workflows can reinvent an insurer's core processes to drive business outcomes across an end-to-end workflow. Where automation and point solutions can deliver benefit in any single area in terms of labor and other cost savings, intelligent workflows apply exponential technologies, such as AI, to deliver continuous and transformative value through more efficient and effective intelligent operations.

Intelligent workflows start with a vision—a reinvention of how work should be done to achieve specific business goals. They reorchestrate the flow of work using data, AI, intelligent automation and other technologies. And they utilize a modern, flexible and modular architecture that's typically platform driven to provide access to a relevant set of tools, assets and accelerators.

Through intelligent workflows, insurers can realize continual gains in efficiency—like effort, cost savings and turnaround time—and effectiveness. The latter is gauged by analyzing revenue acceleration, quality and leakage improvements, and customer satisfaction across a wide scope of processes with a streamlined set of applications and systems working together.



92%

of insurers don't capture the entire value of process automation.¹

55%

of business leaders think AI can optimize business processes and workflows.²

Insurers may be slow moving but swift to employ innovation

Until now, insurers have only applied automation to one project at a time, very often in a siloed, incremental fashion, using disparate, nonintegrated tools and systems across the enterprise. But recently we've seen a few approaches that attempt to kick-start the industry's journey toward automation.

1. Some insurers have standardized on a specific robotic process automation (RPA) engine to address customer needs.
2. Others have decided to automate multiple tasks within a business process, committing to deeper business process management (BPM) methods.
3. Finally, there are some insurers that have taken a parametric approach to automation with event-based supported conditions.

All three approaches have viable and proven short-term financial return on investment (ROI) expectations and results, but the tradeoffs begin when insurers seek improved efficiency, better use of data, lower cost of operations and higher customer net promoter scores (NPS) all at once. This blended outcome is virtually impossible when process reorchestration is required across multiple swim lanes.

Nearly 92% of life and nonlife insurers don't capture the entire value of process automation.¹ As a result, insurers face even more significant challenges in successfully integrating automation within their organizations. While the volume, variety, velocity and veracity of data is a hot topic among executives, only 55% of business leaders think AI can facilitate optimization of business processes and workflows.²

When insurers focus on automating tasks within their workflows, emphasis falls on individual tasks and not on a meaningful end-to-end process. Take auto claim policy validation, for example. Automating this part of the process with RPA increases operational efficiency but has little impact on the entire first-notice-of-loss process, as there are many vital activities and critical data points that need to be integrated. Automating this action for every possible incident would require exponential "if-then" considerations compared to the intuition of a trained claims adjuster, making RPA cost-prohibitive.

Thus, a business automation strategy that's too narrow—or the lack of an enterprise-wide automation strategy—can profoundly limit the upsides the technology provides.

For example, where claims automation doesn't natively integrate with the core systems or underwriting and pricing, insurers need to address the sticking points to achieve greater benefits from automation. These sticking points can include a lack of communication from leadership, lack of skills or insufficient flexibility to take advantage of natural trigger points for automation, such as acquisitions or catastrophe events.

In a typical auto accident claim, several process streams go into handling the incident. Our experience confirms that in a simple multi-car accident without injuries or fraud and where both cars are drivable, most claims tasks could be automated. This approach can drive significant savings both through efficiency gains and long-term repeatable expense savings.

Insurers who are slow to adopt automation may realize they're delivering varied and frustrating customer experiences, requiring a large human effort to process moderately complex claim cases that ultimately result in inconsistent handling and high leakage. Then they often look to IT to fix the problems the business likely caused through its nonintegrated processes. In 85% of cases, according to an unpublished IBM global insurance survey, technology teams didn't follow a variable-based insurance automation reference architecture.³ So, even if they wanted to take advantage of exponential, integrated technologies to reorchestrate processes and alleviate the effort and leakage, they couldn't.

This process is now changing because leaders have a greater focus on deep digitization, core modernization and the adoption of hybrid cloud strategies. The addition of exponential technologies shortens the time it takes insurers to process work.



90%

of Ping An's retail auto insurance quotes are created automatically.⁴

11%

reduction in the annual cost of Ping An's call center agents.⁵

Ping An: Automating with AI

The property and casualty insurance business Ping An, in China, has a better-than-industry combined ratio of 96.4%. This ratio is fueled by its industry-leading approach to online claims services. The company launched the "Ping An Motor Insurance Trust Claim" service for auto owners with safe driving behaviors in 2019. Through this service, Ping An Property & Casualty shortened the annual average turnaround time of a single claim to only 3 minutes. The cutting-edge, AI-powered, image-based loss assessment system provides precise customer profiling technologies with no back-end manual operation involved.⁴

Additionally, Ping An uses technology like robots and optical character recognition (OCR) to pursue RPA of tasks, including quotation, data entry, policy issue and endorsement. In Ping An's retail auto insurance business, over 90% of quotes are created automatically. There's no manual data entry, and the turnaround time from quotation to policy issue can be as short as 20 seconds. Ping An's self-developed speech robots provided services 850 million times in 2019 in 83% of financial sales scenarios and 81% of customer service scenarios across the group, cutting the annual cost of call center agents by 11%.⁵

Of the nearly 40 million online policy administration cases handled through Ping An's "Smart Customer Services," 90% were processed by AI with a daily average of around 24,000 cases; the shortest turnaround time was 3 minutes.⁶

Integrating data changes everything

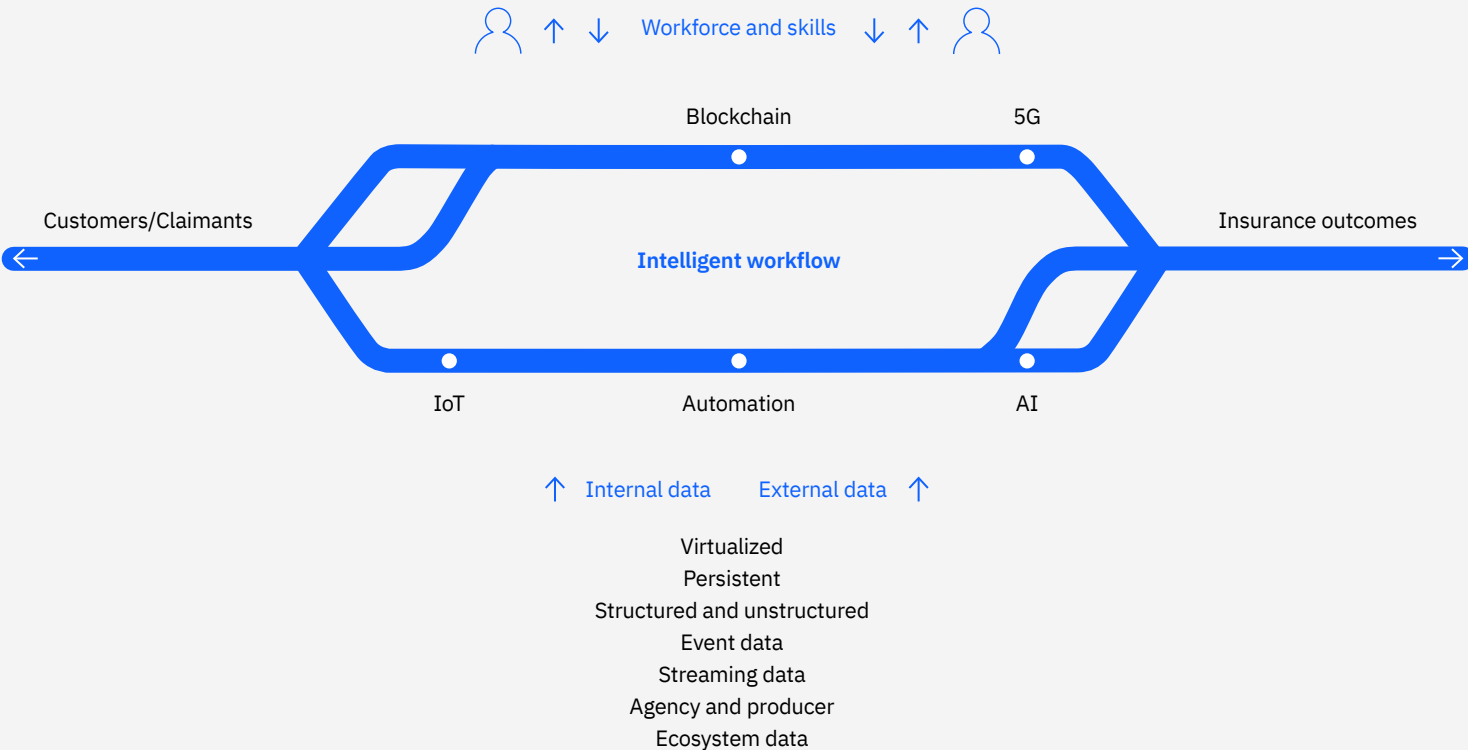
Insurers have a treasure trove of historical and internal data that, if used correctly, can shape the customer experience and economic outcomes. In most cases, the data collected for claims in the past provides a retrospective view. This approach confines the organization to react to things that may no longer be relevant.

Integrating data from multiple sources, including external data in motion, and behavioral and streaming data, enables the organization to gather multidimensional views to predict better and simulate outcomes. For example, a prominent US insurer uses drones and aerial imagery to evaluate property damage and help settle home claims. It also used images captured by cameras mounted on fixed-wing drones during the recent wave of wildfires to settle many home-loss claims the same day that they occurred. Previously in a wildfire situation, it might have taken weeks or even months before the insurer could safely send a team to inspect a fire-damaged property and adjudicate the loss.

Furthermore, utilizing external and internal data to address business problems and provide insights can help reduce administrative expenses and improve customer and employee experiences. This process can help open the door to new innovative products and revenue-generating models. Real-time data from all places can be the foundation on which insurance companies can build new adaptive, cognitive risk models that will ultimately drive pricing, underwriting and product development decisions.

Adding exponential technologies and modern reference architecture to the mix allows disparate claims processes and the management cycle to operate. Claims become the starting point and nucleus for enterprise-wide intelligent workflows.

The Cognitive Enterprise requires embedding intelligence and integrating various types of data into workflows with exponential technologies



Creating a better insurance experience

The use of intelligent workflows, AI and automation, in tandem with mobile technology, has not only streamlined operations for those insurers forward-thinking enough to employ them, they have also enabled firms to offer customers a more positive experience while using their products. In a crowded, competitive field, consumer satisfaction can be a key differentiator.

In fact, it's essential. Now, because of the technologies available to them on personal computing devices and in the cloud, customers are more reliant than ever on mobile technologies to buy or access insurance products and services. In the face of that trend, insurers would do well to aim for user experiences that meet their customers' expectations.

The ability to make damage assessments, for example, based on photos uploaded from a mobile device by a customer filing a claim, provides the customer a more positive and expedient user experience. It also eliminates the need for a claims adjuster to observe the damage firsthand, thus allowing skilled adjusters to become more efficient. For example, launching mobile-device-enabled reporting and adjudication allowed another large US insurer to quickly eliminate 100% of its drive-in claim facilities. By creating an instantaneous claims experience, the company was able to gather initial data on an incident in real time and employ advanced analytics to settle or set up a claim with a claimant. The company is now using the next generation of this technology to help adjusters process even more complex claims with better outcomes on both sides of the transaction. As the use of ML continues to expand, the company also anticipates even greater cost savings to come from faster decisions around best paths of action, regardless of claim type.

Call to action

Intelligent workflows that are based on next-generation automation and exponential technologies can be the basis for the insurance operations of the future. They represent an actionable way to integrate change using a value-based approach as the big idea that connects processes and data across functional towers, optimized by the right tooling and technology platforms, while ensuring that subsequent steps are essential and build value.

The following actions can help insurance companies establish a target state that shortens the time to process core insurance work and expedite the transition to enterprise digitization:

- Define a strategy that promotes change based on how processes are performed, also known as process mining.
- Invest in a professional automation mindset shift, engaging across the organization and ecosystem of partners.
- Utilize a flexible architecture that can adapt to real-time events.
- Have a plan to reskill talent while discovering and enhancing skill sets.
- Break the big vision into logical, value-based steps driven by intelligent workflows.
- Think of data as a commodity, basing risk assessments on rich data profiles.
- Collect data as broadly as possible, whether from third-party data collection firms, social media, industry intelligence or other sources.
- Invest more heavily in robust cloud services packages to handle the increase in your data volume.
- Be transparent with customers about your use of their data at the same time; earn trust with openness and convenience.

How IBM can help you

- Insurance solutions. Our solutions can help insurance organizations make their policy holders' experiences more personalized.
www.ibm.com/industries/insurance
- Insurance customer experience. Discover how successful insurance carriers are creating technology-driven customer experiences.
www.ibm.com/industries/insurance
- Intelligent automation. Automation has gone beyond creating simple efficiencies and cutting costs. It can create better experiences at speed, enhance employee productivity, streamline operations and build customer loyalty.
www.ibm.com/cloud/automation

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With 40 years of IBM experience, Mark Carter has spent the past 16 years as an industry expert in his current role as business innovation manager for the global insurance industry. He specializes in identifying crucial global insurance industry trends that contribute to sustained year-over-year business growth. Mark advises executives across the insurance industry who are facing transformation, automation and profitable growth challenges. Additionally, he delivers solutions that utilize intelligent automation (IA), blockchain, the Internet of Things (IoT) through connected ecosystems, hybrid cloud and security. Mark's focus on intelligent workflow to build digital workforces has awarded him two patents pending:

1. Dynamically customizing a workflow separate from domain logic
2. Intelligent secure automation of claim preemptive subrogation

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Ava is an associate partner who's focused on intelligent workflows and the reinvention of business processes using exponential technology. An IBM patent holder, she helps define innovative solutions that build brand, financial and human performance using her design and business background, over 20 years of cross-industry experience, and passion to build more circular, no-waste systems.

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