



Evolving times, *evolving solutions*

Global populations are maturing,
but insurance operations are still adapting



Insurance in the digital age

To say insurance is facing dynamic times is an understatement.

Inflation, a post-pandemic thaw, changing demographics, geopolitical concerns, and sustainability goals are fueling new digital trends and software solutions. While technological upgrade is necessary, insurers are finding themselves well behind the business transformation curve compared to other industries.

Insurers need to manage these changes and incorporate new levels of cost efficiency, fraud detection, data security, and a host of other complex business and regulatory processes. Concerns on reduced growth and unpredictable financial returns have created a need for insurers to search for new ways forward.^[1]

Despite this, many insurers are still working with legacy technologies and business practices. As consumer expectations have grown more complex, and insurers have a priority to heighten personalization, traditional practices are putting such insurers at risk of falling behind.

It's time for the insurance industry to step into the next-generation, and with a wealth of new technologies and business strategies, there has never been a better time to begin a transformation journey. However, understanding the key challenges that insurers face is vital before taking the first step.

Five pressures in the insurance market

Between global disruption, shifting demographics, and escalating cybersecurity concerns, insurers have a dynamic set of challenges they need to consider:

- **Insurability:** An array of disruptive global trends, the fallout of the pandemic, concerns over climate change, and geopolitical challenges have led to an increased interest in life insurance. However, escalating losses have raised concerns over whether insurers can manage a sudden spike in claims.
- **Affordability:** Families and businesses are more conscious of their spending. This has led to policy lapses and surrenders, which translates into lost revenue.
- **Demographic changes:** The global 50+ population is set to double by 2050 and will require an entirely new approach to offers.^[2] This also means a substantial, intergenerational wealth transfer that many policyholders may not be fully aware of. Attracting younger generations also means enhancing educational materials and new, digital solutions.
- **Customer demand:** Consumers expect the same kind of seamless, connected, and omnichannel services that they find in other industries, like retail. Manual and paper-based processes not only create delays, but they can also turn clients, especially younger clients, away.
- **Security and regulations:** Increasingly sophisticated cybersecurity threats and evolving regulations require a more agile approach to data protection and management. Insurers need to bridge the gap between elevated security and faster, automated services – all while adhering to regulatory requirements. Increasing cyber awareness for their customers can inspire confidence, but this is made complex with the industry's wide security landscape, from monitoring policy portfolios to protecting against fraud.

So, how can insurers build this robust, modern approach to insurance?

^[1] Capgemini, *Life Insurance Top Trends 2023*

^[2] Capgemini World Report Series 2023, *Life Insurance: "The Aging Well Opportunity"*

Make the first step to modernization count

While insurance is a multi-faceted industry with many branches, the necessity to optimize and upgrade legacy technologies and ways of working, is universal. This is especially true from a client-facing perspective, where the need to digitalize processes and build relevancy with changing customer demographics is a priority. Fundamentally, elevating insurance hinges on digitalization, simplifying offers, and automating processes with a focus on customer-centricity.

In fact, the Capgemini Research Institute found that business and operating model restructuring will be a defining feature of the insurance industry in the years ahead.^[3] With a strong focus on customer experience, rapid product innovation, new sales opportunities, and scouting for new revenue streams,

forward-looking insurers are already exploring their options.

Asking the right strategic questions can help insurers narrow their focus and set practical goals. Possible questions could be:

- Do customers have omnichannel access to our services?
- Which processes can be digitalized?
- Where can new technologies be integrated?
- Is there a budget set for automation?

Building a strategic methodology is complex and time-consuming. With the right partner, insurers can develop clear paths towards better business agility and cost optimization, while receiving dedicated support during and after a transformation.

^[3] Capgemini, *Life Insurance Top Trends 2024*





The AI insurance edge

Advances in hybrid AI are also unlocking new potential for insurance. It's a powerful tool that can supplement, automate, and enhance a host of processes. However, AI is not without its risks and it's important to set clear objectives from the onset. This helps to minimize errors based on inaccurate or non-existent data, while ensuring it is being implemented efficiently.

One of the most powerful functions AI can be used for, is to unlock deeper insights into value-driven data. For example, this could mean a rapid assessment of a particular customer's needs, background, and portfolio, which meshes with data analytics software to quickly generate an accurate customer persona. This persona can then be used to build more relevant offers,

rapidly solve customer inquiries, and help insurers determine where customer experience can be improved.

AI functionality can be used to enhance various tasks, from new offers that can supplement policy servicing with accelerated customer engagement via an AI-powered chatbot, multi-lingual, digital avatars to support customer service, automatic pricing based on services, and simplifying the process of scheduling a visit to the doctor's office for health insurance.

Further advancements in AI are driving new business strategies and promoting sustainability. Insurers should consider how they can begin to leverage AI to bolster and optimize their operations.

Generational changes are re-shaping insurance operations

While new technologies pave the way for better services, one of the most significant steps insurers can take is addressing the shifts in global demographics. The increase in the elderly population means insurers need to re-think their existing models. This should be balanced with crafting appealing offers and services that will attract the next generation of customers.

A driving force behind achieving this balance lies in personalized, value-added service offers. Compounding policy offers with additional service options, drives deeper customer engagement, and expands revenue potential.

For example, a property insurer can offer a range of added services to a policy, from home monitoring to roadside assistance, and these offers can be layered. Customers can select from additional options based on their needs, which in turn can deepen loyalty and retention rates. In fact, a survey found that 53% of property and casualty insurance customers are willing to pay for additional risk prevention services.^[4]

Older demographics will require a different approach, particularly as they begin to retire out of the workforce. Insurers can use this as a marketing and educational opportunity. A survey conducted by the Capgemini Research Institute discovered that many elderly policyholders do not consider wealth transfer a major concern, even though this should be a top priority.^[5]

Understanding the right digital-to-human mixture is an additional factor to consider. Younger demographics expect omnichannel, digital access. Digitalizing processes, from enrollment to portfolio management, is a necessity in today's connected world. However, elderly demographics may be reluctant to use too many digital tools, and a more human-centric approach will be required.

Cross-generational engagement, while a challenge, will bolster relevance and build growth.

^[4] Capgemini Property and Casualty Insurance Top Trends 2023 – Page 10

^[5] Capgemini World Report Series 2023, Life Insurance: “The Aging Well Opportunity” – Page 13



Integrating with the right business capabilities

While facing these trends, insurers need new business models and technologies to weave into their operations. However, finding the right customer experience and cost reducing solutions in a highly regulated and competitive industry is a complex process.

Insurers should evolve their offers with new models of services to maintain relevancy and retention, all while driving new growth. Cautious consumers are taking time to price shop for the most optimal offers, and this requires insurers to be more conscious of their go-to-market solutions.

Intelligent process automation, which incorporates AI and data analytics, is a firm foundation for any operational transformation. This is an umbrella of automation upgrades that can be implemented at scale. From automating manual tasks and data extraction to leveraging AI to boost anomaly detection, there are a wealth of options insurers have at their disposal.

Additionally, harnessing technologies, like digital twins, allows insurers to see, in real-time, which processes can be optimized. This can help them to spot and understand inefficiencies in their current state of operations, while giving them more confidence when investing in an upgrade. Having this kind of visibility allows insurers to identify pain points and implement at scale solutions at a far greater pace, while reducing the risks of investing in new technologies.

Managed services can also give insurers added flexibility. With an experienced partner, they can reduce expenses and simplify transformation initiatives. This also gives them more room to focus on their core insurance offers, while routine operations, like customer service, can be supported by onshore or offshore capabilities.

Optimizing insurance enrollment with streamlined business operations

One of the largest American pharmacy retailers reached out to Capgemini to help optimize their healthcare processes. They needed to balance fluctuating, seasonal enrollment volumes at an increased pace, while complying with strict regulatory guidelines. This was an opportunity to leverage both Capgemini's business and technology transformation solutions.

Our approach built a dedicated, core team to help manage the enrollment process. We implemented a modular staffing approach to rapidly adapt to seasonal enrollment volume shifts, which helped the client reduce costs and meet demand with agility. To support this, an online, cloud-based training module was introduced to optimize employee training effectiveness, while reducing training timelines.

As a managed services partner, Capgemini also provided business advisory support. Through our Digital Global Enterprise Model (D-GEM), we were able to deploy methods like ESOAR (Eliminate, Standardize, Optimize, Automate, Robotize). The ESOAR method analyzes business processes, enabling intelligent automation, and supports existing technological investments while looking to cut down on time, cost, and effort. Our ESOAR workshop identified over 50, practical innovation opportunities for their operations.

We presented a comprehensive service portfolio, which included everything from member enrollment services, outbound calling support, workforce management, data analytics, and more. With flexibility, this gave them a wealth of options to consider. Business and technological transformation, combined with our shared service professionals, unlocked a wealth of new value for them.

Realizing automation opportunities translated into reducing turnaround time, while freeing-up employees for more business-critical tasks and reducing hold-ups, like pending claims. It also mitigated compliance error risk with a service-level agreement accuracy of nearly 100%. While crucial KPIs could be fulfilled, they also modernized their approach to enrollment processing, optimized employee training, and saved hundreds of thousands of dollars.



Capgemini's comprehensive shared and managed services approach for insurance

Capgemini possesses a variety of horizontal business transformation strategies for insurance, ranging from HR, finance, procurement, and beyond. This is enhanced by our global network of experts and a robust ecosystem of partners.

By combining business consulting strengths with technological expertise and managed services solutions, we help clients achieve new heights of operational efficiency, no matter the scale. We work with partners to build a strategic roadmap towards more efficient operations, automation, and analyzing where and how technologies can be integrated.

Shared or managed services give companies the advantage of ensuring that tasks such as HR, customer experience, and other, logistical tasks, are in the hands of experts. Insurers are better able to focus on delivering strong offers, while receiving advisory and support in strategy and management.

We can help implement a host of new operations to give clients a competitive edge in the industry. This includes the ability to build operating models that focus on continuous improvement of services. There are several other practices to help drive positive outcomes, and these include:

- Reporting tools to monitor KPIs and SLAs to give insurers greater visibility and control
- Building a knowledge academy, with a curated approach, to support learning and development
- Introducing information management systems to cover a range of certifications and ease audits

Today's insurance industry stands at the gates of transformation. It's time to make an assessment and plot a course towards a new era of digitalization and innovation.

About Capgemini

Capgemini is a global business and technology transformation partner, helping organizations to accelerate their dual transition to a digital and sustainable world, while creating tangible impact for enterprises and society. It is a responsible and diverse group of 340,000 team members in more than 50 countries. With its strong over 55-year heritage, Capgemini is trusted by its clients to unlock the value of technology to address the entire breadth of their business needs. It delivers end-to-end services and solutions leveraging strengths from strategy and design to engineering, all fueled by its market leading capabilities in AI, cloud and data, combined with its deep industry expertise and partner ecosystem. The Group reported 2023 global revenues of €22.5 billion.

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Contacts

Aneta Szporak

Global Insurance Offer Lead
Capgemini Business Services
aneta.szporak@capgemini.com

Sanjay Pawar

Global Insurance Portfolio
Capgemini Financial Services
sanjay.c.pawar@capgemini.com