



DISRUPT OR BE DISRUPTED

Clearing the Path to Digital Transformation

Introduction

Digital transformation in the insurance industry is real, led by InsurTech startups that are demonstrating how the creative application of innovative technology can deliver the products, services and overall experience customers want from every business they connect with. Agents and employees, as well, want a modern way to access, share and work with information, and a complete view of their customers at any time.

With outdated and siloed legacy systems unable to meet these demands, insurers have to decide whether they want to take part in this disruption or be among the disrupted.

To accelerate their digital transformation, insurers should look at platforms that integrate, wrap and extend legacy systems, providing a bridge from their functionally limited present to their agile and responsive digitally transformed future.

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Technology, Customer Expectations and New Competitors Drive Industry-Wide Transformation

Insurance executives believe in and want to be part of the digital transformation disrupting the industry.

New InsurTech companies, digital and integrated with core systems from the start, combine big data, analytics, artificial intelligence, the cloud and the Internet of Things to gain insights in order to sharpen their focus on consumers, develop innovative products and deliver the convenient, simple and responsive user experience that today's customers expect. That means immediate access to insurance services, any time. Consumer-centric tech-enabled offerings from these upstart competitors include pay-per-mile auto insurance (Metromile), crowd-sourced peer-to-peer insurance pools (Friendsurance), fast and low-cost renters and homeowners insurance (Lemonade), on-demand ride- and home-sharing coverage (Slice), life insurance targeting younger consumers (Ladder) and even by-the-flight drone coverage applied and paid for on-the-spot through the customer's smart phone (Verifly).

9
out of
10

Nine out of 10 insurance CEOs surveyed by PwC agreed technology will either completely reshape or have a significant impact on competition in the next five years

No wonder nearly nine out of 10 insurance CEOs surveyed by PwC agreed technology will either completely reshape or have a significant impact on competition in the next five years. It's already happening. One Forrester analyst described the consequences of the emerging transformation more dramatically: By 2020, every business will have become either a digital predator or digital prey.

But many established insurers are far from ready for the changes sweeping the industry. Research firm Novarica says fewer than 50 percent of executives are enthusiastic about their companies' basic digital capabilities, let alone transformative ones. Demonstrating insurers' intent to turn that around,

By 2020, every business will have become either a digital predator or digital prey.

more than 50 percent of insurance IT budgets in 2017 are dedicated to digital transformation projects, according to Novarica and SMA. Many of these projects include core system replacement, modernization and enhancement, which insurers are counting on to help them become more agile and responsive.

That's easier said than done.

Legacy Systems: Obstacles to Transformation

The biggest challenge for insurance IT is that digital transformation requires working with massive amounts of data. This is true regardless of company's size, the markets it serves or the depth or breadth of its digital strategy. A company can streamline processes to improve efficiency and delight the customer. Or it can become a truly digital insurer, delivering new products through new channels possible only through creative technology application. Either way, these objectives depend on new types of data and more of it. But insurance companies can't manage or effectively use the data they already have.

Employees routinely waste time searching for documents they need to complete critical tasks. They often have to leave their core application to retrieve related information and documents, ask policyholders repeatedly for information the company already has and even write notes on paper so they can manually re-enter information from one siloed system into another. These inefficient, error-prone and unsecure processes and workarounds delay service delivery, reduce customer satisfaction and increase costs.

70%

70 percent of insurers' corporate business systems are legacy applications, most in place for decades, with many in use since the 1960s

The problem is legacy systems. By some estimates, nearly 70 percent of insurers' corporate business systems are legacy applications, most in place for decades, with many in use since the 1960s. Outdated, patched-together and slow, these highly siloed systems deliver only a partial view of information. It's difficult to provide insureds with the best possible experience when you're only seeing half the customer information you need to open a new policy, process a claim or pay a commission.

In addition to the many and varied pieces of information residing in core claims, policy administration and billing systems, insurers also have a tremendous amount of content, processes and casework managed by niche or outdated applications outside of the core. These include certificates of insurance, endorsements, claims photos, medical records, proof of identification, emails, spreadsheets and videos.

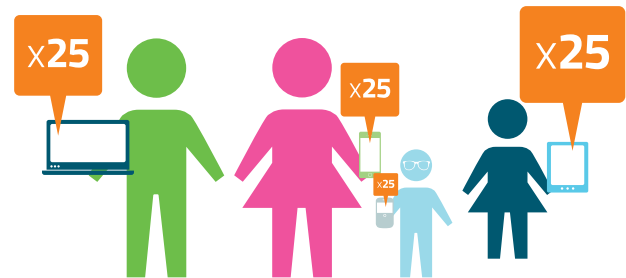
Most of this content, generated externally, comes into the organization through the mailroom, an individual's email inbox, mobile devices, fax, a web-based portal or a secure electronic batch of documents. Add to these the internally generated content created in the context of routine business processes: print output for policy creation, correspondence creation, renewals, declination letters, claim settlement packages, litigation packages and limitless more examples.

That's today. But what about tomorrow?

Data Deluge Ahead

The digitally transformed insurer of the future will receive inputs through the Internet of Things, from sensors embedded in cars, buildings, appliances and wearable devices. By 2025, a family of four could have more than 100 connected devices, predicts the consulting firm A.T. Kearney. Photos will come from drones. Status reports will arrive from social media — as they did during Hurricane Sandy, when more than 20 million tweets helped insurers track storm trajectory and damage, according to EY.

How are insurers going to capture, share, analyze and work with all of that information?



By 2025, a family of four could have more than 100 connected devices

It won't be through trying to patch together systems that were never intended to integrate. That wastes time, loses money and stifles innovation. Each disconnected content silo increases the risk of security vulnerabilities, results in duplication of information, leads to discrepancies in data and increases the challenge of audits and discoverability.

Non-digital, manual, paper processes still in wide use introduce additional opportunities for human error and compliance breaches: documents printed at shared devices picked up by the wrong person; sensitive information transferred to an unauthorized user; customer information faxed to the wrong number; pages produced with no audit trail recording who handled the information, when, and what they did with it.

Accelerate Digital Transformation

Rather than put off transformation until they can replace legacy systems, insurers should look for a more immediate solution to the looming content explosion and to bridge the gap between today's core systems and the digital insurer of tomorrow. A solution that integrates with modern core systems and business applications while it also extends legacy systems can accelerate digital transformation. To accomplish this, insurers need a way to manage the content, cases and processes that core systems can't. This requires filling gaps in core systems such as Guidewire and Duck Creek with comprehensive enterprise content management capabilities such as capture, document management, secure file sharing, workflow and customer communication management.

Such a solution achieves three primary objectives:

1 SIMPLIFYING INFORMATION ACCESS AND CONTROL

Insurance workers — from agents and underwriters through claims adjusters — need the freedom to access and share customer information. This means providing people with a complete view of the information they need, where and when they need it.

Imagine the efficiencies that would result if, during document capture, a system could automatically extract and process required data according to a company's business rules and make it instantly available. Employees, agents and brokers would spend less time looking for information and more time working with it. They would always have a complete view of information, wherever they are and however they work: in the office, on the road, in the field — in any core application on any desktop or mobile device. Important documents, forms, business processes and reports would be at workers' fingertips, together with the ability to retrieve, create and update documents, complete forms and upload photos while offline. Insurers could also improve the experience of people outside the organization, allowing agents, brokers and policyholders to easily submit forms, track process status and access documents online.



2 BRINGING NEW LIFE FOR OUTDATED/LEGACY SYSTEMS

A transformative solution empowers workers to manage scanned paper documents, faxes, print streams, application files, electronic forms, web content, multi-media files and emails, all in the context of their familiar core system screens and business processes. OCR and intelligent capture technologies capture data and import it directly into core systems. Cloud-based file sync and share enables secure sharing of documents and media files, regardless of their size, inside and outside the company, while letting administrators retain ownership over what is shared.

Creating and deploying these capabilities should be possible with true point-and-click configuration that eliminates the requirement for custom coding. Even better, a solution should speed development and lower risk with configurable software components that kickstarts a company's digital transformation.

These components could be used as-is for a solution to a specific requirement, or easily extended for a customized solution, with no limit on the number of solutions that could be deployed throughout the company in new business, policy administration, underwriting, claims, billing, or compliance.

3 KEEPING INFORMATION SECURE

Insurers' integrated systems provide multiple pathways for penetration, increasing the frequency and sophistication of cyber attacks. Keeping information secure calls for multiple levels of protection.

NT or LDAP authentication protocols enable single sign-on and simplify security policy administration. Easily defined user and group permissions allow administrators to provide authorized users granular levels of access down to the individual document level.

Encryption within the database and file servers should be used to protect data at rest even if unauthorized or malicious server breaches occur. Encryption on mobile devices, tablets and laptops

further safeguard information against attempts at unauthorized access. Transport Layer Security is the industry standard for protecting data in motion as it's transferred between servers and accessed across the internet.

Configurable masking of data fields, plus manual and automatic redaction of content, provide additional ways to keep unauthorized users from accessing information they should not see.

A Leader in Transformative Solutions

Hyland has transformed the way insurance companies work for more than 20 years. Millions of employees at over 600 insurers around the world use OnBase every day to secure, access, share and control the information they need to get their jobs done. These transformative deployments include over 125 proven conversions from legacy document management solutions, including IBM FileNet and ImageRight, to OnBase enterprise content management.

The benefits are real and achievable by every type of insurer.

By automating 80 to 90 percent of its previously paper-based processes with OnBase, Kansas City Life saved \$3 million in operating costs, cut agency application processing time for a week or more to three days and reduced payment time for 60 percent of its claims to four days. With fewer people needed in claims processing, the company redeployed administrative staff to more important, revenue-generating roles, saving \$100,000.

In place of a slow and complicated mail distribution process that impeded agency licensing, the company scanned incoming mail into OnBase, automatically indexing and routing it to the right people. This freed up the company's agency licensing team to spend more time with agents and resolving exceptions. Likewise, OnBase indexes information from scanned claims documents to automate decision making, cut processing time and reduce errors.

Third-party benefits administrator Discovery Benefits more than tripled its daily processing capacity, going from 1,500 to 2,000 claims a day up to 5,500 to 6,500, after replacing manual paper-based processes with an automated OnBase solution. On an employee productivity basis, that's an increase from 60 to 80 daily cases per claims specialist to 250 to 300 claims per worker. Automation saved approximately \$500,000 a year in paper costs alone, in addition to a 68 percent decrease in other printing supplies. Turnaround time on faxed claims was reduced to one day. More importantly, the OnBase solution eliminated costly overtime — 20 hours per employee per week, five months each year — in manually processing year-end customer renewals.

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Clever InsureTech Disruptors

1. Metromile



The pay-per-mile auto insurance company declares traditional car insurance is unfair to low-mileage drivers. "So if you're already driving less, you should be paying less."

2. Friendsurance



This German-based startup operates on a peer-to-peer insurance concept, rewarding small groups of users with a cash back bonus at the end of each year they remain claimless.

3. Lemonade



The P&C insurance company says it's "injecting technology and transparency into an industry that often lacks both, creating an insurance experience that is fast, affordable and hassle free."

4. Ladder



Created by a team of innovators and business thought leaders from Dropbox, Google, Harvard, and Stanford, Ladder is an online life insurance company that allows users to toggle life insurance coverage as life events occur.

A large property/casualty insurer, hampered by information stored in several legacy systems and an imaging system that couldn't unite them, optimized its claims and underwriting processes with OnBase, increasing efficiency and reducing costs by more than \$1.5 million per year. Migrating from its legacy document imaging system to OnBase, the insurer enables more than 1,500 employees, authorized agents and agency support staff in nearly 200 locations to quickly access information stored in multiple formats — whether received through email, electronic feed or directly scanned into OnBase.

By automating 80 to 90 percent of its previously paper-based processes with OnBase, Kansas City Life saved \$3 million in operating costs, cut agency application processing time to three days and reduced payment time for 60 percent of its claims to four days.

Workflows keep processes moving by automatically forwarding documents and information, notifying stakeholders of material they need to see or actions they need to take. In one improvement, new policies and policy change submissions that used to take two days are handled in 20 minutes and made available across the enterprise. Benefits were realized in multiple areas: automated electronic claims filing increased speed and accuracy; no-cost electronic file sharing eliminated \$465,000 in storage, mailing, shipping and courier costs; electronic archival of claims photos empowered staff with instant access to any file type; and integration with Outlook minimized the need for employees to access multiple systems, reducing time spent on each call.

Conclusion

Among the earliest adopters of enterprise content management solutions, insurers have been managing information digitally for decades. But they have been slow to advance their core processing solutions, leaving them with outdated, functionally limited and siloed systems and applications that make information difficult to find, share, use and secure.

Now digital transformation of the industry is at hand, led by InsurTech innovators who are showing established companies how far they must go to achieve the agility, efficiency and effectiveness needed to thrive in this new environment. Embracing and investing in the digital transformation will separate the winners from the losers. According to Gartner, insurers who increase their investments in digital modernization strategies are 63% more profitable on average than their industry peers who keep their IT budgets constant or reduce them.

OnBase insurance solutions accelerate insurers' digital strategy by managing the documents, cases and processes that core systems can't. OnBase provides a single platform to capture, clarify, share and secure the information that people need to deliver better service. The configurable and scalable OnBase platform easily integrates, wraps and extends legacy systems with new modern core systems. Streamlining processes, lowering costs, increasing security and improving the customer experience, OnBase is a vital component and proven enabler of digital transformation.

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