



MISSION POSSIBLE: PROPELLING RAPID TRANSFORMATION AT SCALE

HOW INSURERS CAN UNLOCK NEW CAPABILITIES AND
LONG-TERM BUSINESS VALUE WITH A DIGITAL CORE ECOSYSTEM

The last few years have changed the insurance industry landscape — and there's no going back.

Disruption across market sectors and industries has highlighted the need for change in insurance business processes, even rethinking coverage products and services. Insureds want to evaluate and purchase products and services digitally. They want policies to be more agile and nimble, to meet their diversified needs. Customers are more inclined to shop around with easy access to product and purchasing information online.

Traditional insurance operations and customer experience models provide inconsistent experiences and require effort-intensive workflows for processes like new submissions, renewals, underwriting, and claims.

Insurers have tried to overcome the challenges by undertaking ad-hoc and one-off digital transformation initiatives. Legacy insurers will need to embrace full, digital-forward business strategies to navigate this new terrain and remain competitive, relevant, and flexible as this level of unprecedented change continues to scale.

The digital transformation of an entire enterprise can be complex and overwhelming. It's estimated that 70% of all major transformation projects fail. A good number of them are deferred as well. Organizations often don't make it to their transformation destination due to lack of unity around **why** the transformation is critical to the business and **how** each team can contribute to its success.

When the mission is to unlock new capabilities and achieve long-term business value, the only way forward is to curate a modern digital core.

Digital core is a competitive advantage for insurance carriers

While the benefits of a digital core are far reaching, on its most basic level, a digital core enables insurers to access new growth opportunities and create compelling customer experiences. With a digital core, leading insurers are broadening and diversifying their products and services as they align to meet the changing needs

of their customers. This includes investing in customer-facing, cloud-based digital innovations, and creating new ecosystems that serve a broad suite of customer needs. Insurance carriers are also reflecting on their role in society, forging sustainability initiatives and championing diversity in their leadership and agents.

The value of providing personalized and smooth customer experiences is not lost on most insurance companies — but it can be easy to get lost on the journey to building this ecosystem. To remain competitive in today's market, insurers must not only focus on the customer experience but core business agility to enable speed to market with new products and services, efficiency across operations, and becoming a truly insight-driven organization.

Insurers need a profound understanding of the people behind the policies, so they can build the right solutions and services. Property and casualty (P&C) insurers are investing heavily in digital transformation strategies— not only to help them streamline their current business processes, but also to enable totally new business and operating models when necessary.



From roadblocks to roadmap: charting the path to success

A successful core transformation requires a clear and tangible business goal. Before an organization can begin their digital transformation, they must have a strong business strategy on which to base their digital core capability. This strategic destination guides the development of the roadmap and the prioritization of technologies along the transformation journey.

For example, some organizations may need to prioritize the enhancement of one product or service. Starting small can allow teams to ease into the new mindset required for a technology-based ecosystem as well provide deeper insights into their existing customers to fuel the process.

Insurers must also carefully choose the path of modernization. Deciding which modernization approach to take depends on a range of considerations, including the state and stability of the legacy system, level of an insurer's ambition, availability of a mature standard solution for the market, effectiveness of IT capabilities, and number of available resources.

A large misconception about a core transformation is that it's solely about technology. While technology enables the transformation, a comprehensive roadmap including business agility, adaptability and customer centricity addresses the enterprise's vision at a strategic level across business units. It acts as a north star to guide the organization,

detailing the business case for each decision, how it will be implemented, and the expected impact.

The key to further unlocking interoperability is not only migration of the business's core platforms to the cloud but the ability to integrate these systems and associated data with that of external partners through cloud application program interfaces or APIs.

While insurance can be sold and distributed without cloud migration, the right stack of infrastructure, services, and platforms APIs can enable insurers to connect with partners on anything from data, rates to distribution and prioritize future business capabilities in all operations.

A company's cloud maturity model defines its readiness to use cloud services and lays the path for its digital transformation. Legacy insurers typically are in one of the following stages in their cloud transformation journey:

Stage 1: Aspiring

The aspiring organization is exploring cloud technologies while maintaining a basic level of digital access to customer policies, claims, and billing. As most of their operations are still siloed, their customers and teams experience different and independent journeys per service and channel, and they are unable to provide a digitized full customer view. Any new rate, form, coverage, or insight is an IT project,

and they can only maintain a small partnership ecosystem.

What Insurers need to do: With a cloud strategy in place, the organization can begin migrating some of its core infrastructure or applications to the cloud. For insurers at this stage to be successful in their transformation, they must follow an integration roadmap that follows best practices and considers their future customer engagement and distribution opportunities.

Stage 2: Mature

Cloud capabilities are an integral part of a mature organization's strategy and business operations. Their digital vision is now aligned with its execution. They are connec-

ted to their customers digitally both through their own user interfaces but also act as providers of embedded insurance products through third-party channels and ecosystems, using integrated data to access new business insights with ease.

Stage 3: Innovative

Once the cloud becomes an enabler for innovation and transformation for a company, the digital ecosystem is embedded into all aspects of their sales, products and customer service. They are making insight-driven and timely product enhancements, pursuing market plays without limitations through seamless rule and rate changes, launching products in weeks instead of months and providing customers

Common roadblocks for organizations on their path to core transformation include their approach to data management, their current cloud maturity, and their ability to shift the organization's operational mindset. A comprehensive roadmap addresses each of these business components and how they can be enhanced to improve the existing investments that insurers have made on their core transformation.

UK Auto Insurer builds out Digital Core for instant quotes across channels

Digital Core in action

Confronted with a projected 9% growth in business volume and a 20% increase in click-through rates, a U.K.-based auto insurer wanted to optimize their operational infrastructure while ensuring a seamless, all-digital experience across various customer touchpoints.

This required a large-scale digital core transformation with the goal of delivering a seamless, hassle-free, end-to-end digital experience to customers spanning from initial quotes to claims, across multiple channels including Price Comparison Websites (PCW), Digital and Direct. Optimal response times was a critical goal, starting with the quotation process on the PCW site.

The firm collaborated with Capgemini to perform a detailed technology assessment and redesign of the operating architecture spanning front-end interfaces, core processing, third-party systems, and data touch points. A state-of-the-art cloud platform was deployed.

With the new operating model in place, the auto insurer gained flexibility to support multiple channels of business. The new platform can handle more than 6 million quote requests per day on the PCW channel and respond to PCW quotes in about a second. The transformation helped meet the insurer's ambitious growth and engagement targets and also laid the groundwork for sustained digital excellence in their operations.

Lay the groundwork for a truly digital organization

A business that embraces digital transformation is still operated by people, and therefore the change any company makes to its operations must be embraced and backed by its teams.

Digital transformation is not merely about replacing manual tasks with automated processes; it necessitates a fundamental shift in organizational culture and mindset. For a company to achieve meaningful and sustainable change, its teams must embrace and exemplify the new methodologies and practices. This involves developing a shared vision of the transformation's purpose and potential benefits, empowering employees to participate actively in the process and fostering a culture of continuous learning and adaptability.

Yet the resulting technology is just one aspect of the core transformation. The integration of new technologies, software, and processes across diverse areas of the business requires careful planning, coordination, and execution, and for it to succeed, the organization must

commit resources into the upskilling and training of its workforce.

The first few steps in the digital core transformation journey include:

1. Build a business case for key stakeholders.

To build a strong business case for key stakeholders you'll need to both establish a shared strategic vision and incorporate migration to the cloud into your long-term business strategy and clearly communicate the benefits. These will include: a more user-friendly, efficient, intuitive customer and employee experience, better access to higher quality data that drives deeper insights to tailor product offerings, and decreased maintenance costs and limited drain on internal IT resources.

2. Begin to map out your digital transformation strategy.

This includes determining what type of end user experience you

want employees and customers to have on your core system and working from there. How do you want everyone to feel during the process? What will they need to have a successful journey within our system? Consider timelines and phasing. Gather key stakeholders and engage them for buy in.

3. Prepare internally for transformation.

Planning for an efficient, phased and predictable cloud migration will pave the way to a more agile and flexible transition. Consider the change management required, the timeline and phases. Anticipate certain challenges and those that may pop up in future. This will also include establishing your organization's technical agility, require you to build out an operating model and understand just how the digital core will streamline your future operations — and more.

Achieving what's next is possible

While upgrading to the cloud is a big step, it can be less overwhelming if you prepare accordingly by partnering with the right team of professionals. Understanding the stage of digital transformation your business is in and laying the groundwork with a true detailed strategy that mirrors your business' change management capabilities, will help frame your lens through which all transformation will happen. Now, you're ready to dive in!

To learn how you can harness the power of digital across the insurance value chain to develop products, manage claims, and provide customers with a satisfying experience, contact us at insurance@capgemini.com.

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Kiran Boosam leads Capgemini's global insurance market strategy and portfolio. A career P&C and life insurance expert, Kiran assesses the industry's dynamics, defines a market strategy, enables key accounts, and shapes innovative portfolios for insurance C-suite executives, leveraging the power of the Capgemini Group external ecosystems, and emerging technology.



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