

Aiming for new heights: Resuming the journey to the cloud

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On the journey to cloud enablement, many insurers seem to have stalled. Reaping the immediate rewards of cloud in the back-office was relatively easy. Now the big challenge is to drive cloud enablement across the enterprise and — critically — into the front-office. The journey to the cloud is by no means over.

Insurers are no strangers to the cloud. Much like other large, complicated organizations, they were fairly quick to recognize the benefits of cloud enablement in the back-office.

Adoption was fairly straightforward: back-office processes were clear and well-defined; the platform providers and enterprise resource planning (ERP) vendors were encouraging; and the risks were comparatively low. Not surprisingly, insurers rushed to take advantage of back-office cloud.

Yet, having won some important benefits from this early work, progress towards full cloud enablement seems to have stalled at the back door. Insurers seem quite comfortable moving their own data (and their employee data) into the cloud, but they have been much less aggressive

with their customer and policy data and business processes. That means they are not yet realizing the true benefits that enterprise cloud adoption can deliver.

Lots of good excuses

There are many reasons that activity may have stalled. Part of the problem relates to the external environment. Most of the policy platform vendors have been very slow to shift their services to the cloud, preferring to stick to the traditional on-premises models. This has meant that, until recently, organizations have had little impetus to drive cloud into the front-office.

At the same time, insurers are conscious of increasing regulatory inspection and are concerned that greater cloud enablement might influence their

risk profile. Concerns about customer and policy data being hacked are high, particularly for those carriers that sell cyber risk products and can quantifiably measure that risk. The recent hack at Equifax has raised concerns even further.

Complexity is another major issue. Shouldering a massive technology debt and hampered by an uncontrolled legacy environment, it seems few have a good grasp of their current technology estate and capabilities. In almost every case, they will need to do some heavy lifting to rationalize their assets before they can even start to think about moving more aggressively into the cloud.

But the bigger problem comes down to cost and benefit — it will take a lot of work and resources to move all of the front-office processes into the cloud; and the business case is not

straightforward — it is incredibly hard to prove the specific ROI to support their budget requests.

Beyond cost take-out

Obviously, this is all very frustrating for insurance execs and the business who, for the most part, recognize the benefits that greater cloud adoption could deliver beyond the obvious cost take-out that comes from outsourcing key processes. The most valuable element they would realize from cloud is the improved flexibility and agility, and cloud adoption is a key foundation and enabler for an industry that must be increasingly customer centric. It is therefore critical that executives find their way through the budget challenges quickly and realize that cloud adoption can be instrumental to driving the change in operating model they need to succeed in the digital world.

Just like any large transformation program, the shift to cloud enablement is not without risks.

Case study: Kick-starting the journey

We recently worked with a major international insurance provider to transform their valuation ecosystem through cloud enablement. The organization wanted to reduce their overall costs, speed and integration as well as improve their business flexibility at scale.

The organization had grown considerably over the past decade, which had led to a fragmented actuarial IT estate: more than 300 terabytes of data were spread across 25 different server farms that fed into almost 300 different actuarial models (each with separate data feeds flowing from more than 10 platforms) — this was hampering organizational agility and flexibility.

To start, the organization developed a robust business-led road map that recognized the potential risks and created the required agility to deliver flexibility at scale. Leveraging Microsoft's Azure platform, the organization developed

a new state-of-the-art technology architecture that allowed it to leverage one integrated solution for actuarial modeling, data management and reporting, consistently, across the enterprise.

By assembling a 'cloud ready' solution, the organization was able to remove process bottlenecks in computing capacity and data processing. Processing time was reduced from multiple hours to less than 30 minutes. Critically, the shift also enabled the organization to centralize various software applications and data stores, simplifying their data and trend analysis. The cloud migration was a catalyst for rationalizing the multiple active versions of actuarial software, and for establishing central planning and control of version upgrades. Overall, performance increased, controls were strengthened, and actuarial teams globally were able to add more value to the business by taking advantage of the increased computing and data processing capacity to yield better analysis and deeper insights.

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Getting back on track

Based on KPMG member firms' experience working with insurers around the world and across sectors, we have uncovered six tips that could help insurers get their cloud journey on track:

- 1. Drive the business to lead.** Cloud enablement is not an IT issue. It is a business opportunity. Indeed, the most successful organizations are those that start by understanding what they want to enable (for their agents, their customers or their organization) and how technology can help them achieve their goals. They are the ones that think about how they will use the systems before they invest in them. And they are the ones that bring the underwriters and customer journey leaders to the table to talk to IT about their vision for the future.
- 2. Assess and manage the risks.** Just like any large transformation program, the shift to cloud enablement is not without risks. Costs may climb as the complexity of the task becomes clearer; new security protocols may be required; technologies could fail; and customers could reject the new services and solutions being offered. That is why the most successful insurers are those that take the time to fully assess the potential risks — and interdependencies — before creating their road maps or making fundamental changes.
- 3. Consider the organizational change requirements.** The shift to cloud adoption in the front-office should unlock valuable new models, ways of working and innovation. That, in turn, requires organizations to think carefully about the impacts of wider cloud adoption. Beyond change management initiatives and programs, insurance executives should be thinking about how cloud enablement might allow them to achieve new levels of productivity and how they might leverage that productivity to drive future growth.
- 4. Aim for flexibility and agility.** The idea behind cloud enablement should be to deliver increased flexibility and agility to the business, supporting continuous change and improvement. This requires organizations to rethink their own internal approach to opportunity identification, process modification and ultimately change adoption. From the creation of the road map through to the development of the specific cloud capabilities, leaders must focus on creating (or recreating) their organizations with a mindset towards a continuous journey and agile design principles.
- 5. Start small and work up.** It is easy to get overwhelmed by the sheer size and complexity of the task. Rather than trying to build a complete, end-to-end road map that spans multiple years and technology horizons, executives may want to consider starting with smaller initiatives — such as peer hosting — before moving on to the more fundamental and transformative changes that must be undertaken.
- 6. Start now.** Each insurer will develop a different road map depending on their business objectives, current tech environment and cloud capabilities. The challenge is to ensure that your road map is realistic and achievable; that you have the right capabilities and capacity to achieve your goals; and that you have the right measurements and milestones to deliver value along the journey. ■

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