

AI Automation in Insurance Creating a Success Story

AI Automation in Insurance: Creating a Success Story

The onset of COVID 19 has changed the way things work within the insurance industry. The focus has shifted to reducing reliance on paper-based processes and eliminating data entry tasks, making a more compelling business case for the use of AI automation.

Themes that drive AI in insurance depend primarily on three levels of automation which can be categorized as **Simple, Intelligent**, and **Hyper**. Let's look at this in the context of a claims process. Automation in its simplest form looks for processes that are repetitive in nature such as First Notice of Loss (FNOL), where Robotic Process Automation (RPA) can help extract the information from an incoming request or a claim form and enter it into the claims system. The second level of automation is infused with some level of AI that can compare, validate and converse in real-time. For example, the use of AI to validate claims and process payment approvals. This is intelligent automation. Finally, moving to a cognitive level, where features like image analytics and insights from unstructured data leads to claims decision making; for example, instinctive damage assessment with the use of image analytics and use of machine learning (ML) for prescriptive or predictive analysis aimed at providing insights. Or, why the cost per claim is high and how it can be lowered. This is hyper-automation.

While every carrier charts its own AI automation path, some critical factors that guarantee a successful story involve



Alignment on automation strategy.



Prioritizing use cases on cost and time scale.



Defining expected benefits.



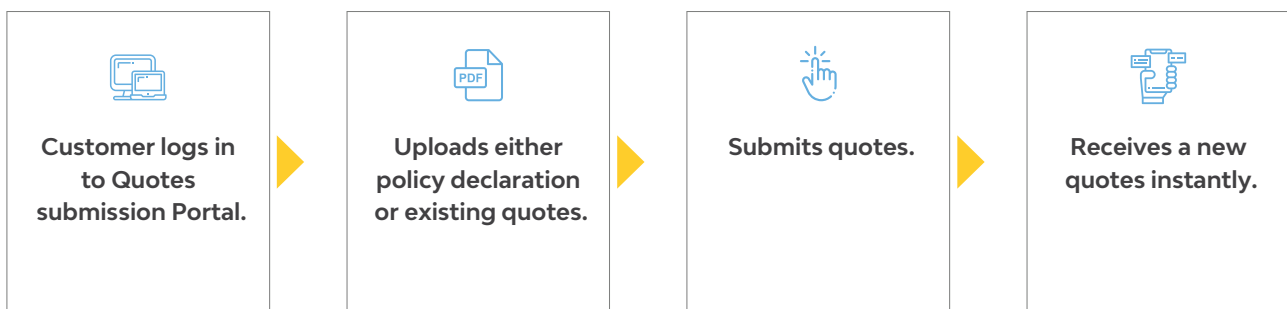
Developing a comprehensive roll-out plan.

These seem simple but are often overlooked, consequently leading to a abortive project and increased resistance from business and end users for any future executions. Let's look at these points in detail.



Alignment on automation strategy

Developing a unique automation strategy driven either by Customer Experience (CX) and/or Operational Efficiencies (OE) to drive cost savings, is the very foundation of the project's success. An early understanding and alignment between technical and business functions to work together, tackle impediments, and foster a culture of collaboration, innovation and adoption is important. For instance, targeting CX will necessitate investing in digital automation such as conversational bots for claims, intuitive processes for quote generation, better accessibility of information during onboarding, etc.



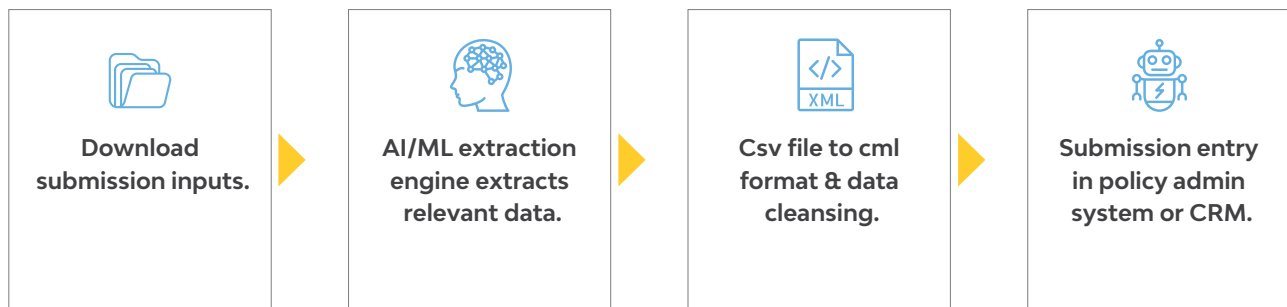
One-Click Quote Generation

To illustrate, AI can enable a quote generation with a single click by uploading the existing policy document. While it will improve efficiencies, there is an immediate bearing on customer experience by the way of significant reduction in manual efforts to input data.

If the carrier elects improving OE as a priority, investing in Intelligent Automation (IA) for internal business process would be the preferred route. For example, use of automation in the agency book transfer process. Automation can enable bulk upload policy documents by extracting information from the current policy output leveraging machine learning to a standardized output such as ACORD XML for easy ingestion into carrier systems. This can improve the OE by 65% giving extraordinary cost savings to carriers.

Advantage of advance automation in underwriting submissions intake, is an extremely critical process with a solution that utilizes cognitive technologies like natural language processing (NLP) and ML. These technologies extract data from

submission inputs that can be highly complex un-structured, semi-structured or structured documents, converting from CSV to XML format and fulfillment of transaction with a direct feed into the downstream CRM or Policy Admin Systems (PAS). Consequently, improving the underwriting turnaround time by 40%.



Submission Intake

Prioritizing use cases on cost and time scale

As an organization embarking on an automation journey, it is important to get early wins with both management and functional teams geared for success. This can be achieved by tackling the easier use cases initially and getting into a winning habit.

A good way to start is by defining a functional framework for the purpose of identifying the insurance processes that could be the right fit for automation. An 'Automatability index framework' can score the processes at the task level, based on certain dimensions. It is extremely vital to plot the qualified use cases against the timeline and cost scale to identify the feasibility and potential ROI that is aligned to the automation strategy of the organization. The illustration plots few of the many insurance automation use cases on time and cost scale for easy picks and implementation, again these need to be selected keeping the organizations automation strategy in mind.

Insurance Value Chain	Automation Use Case	Automation level	Execution timeline (Months)			Cost
			0-2	0-4	0-6	
New Business	Data Inputs and Capture	Simple	[0-2]			\$
	Document Indexing	Simple	[0-2]			\$\$
	Loss Runs/Quote Management	Intelligent	[0-4]			\$
	Quote Entry	Simple	[0-2]			\$\$
	Quote Generation	Simple	[0-2]			\$\$
	Digital Quotes Proposal	Hyper	[0-6]			\$\$\$
U/W	Risk Selection	Hyper	[0-6]			\$\$\$
	Virtual Risk Inspection	Hyper	[0-6]			\$\$
Billing	Billing set up	Intelligent	[0-4]			\$
	Reconciliation of bind-to-book record	Simple	[0-2]			\$
Claims	Claims intake from claims forms	Simple	[0-2]			\$
	First notice of loss	Simple	[0-2]			\$\$
	Claims payment and settlement	Intelligent	[0-4]			\$
	Claims performance reports (by region)	Intelligent	[0-2]			\$\$
Finance Operations	Invoice Processing and Payables	Intelligent	[0-4]			\$
	GL booking and reconciliation	Intelligent	[0-4]			\$
	Planning, budgeting, and forecasting	Hyper	[0-6]			\$\$
	Reporting (Close, management, operations)	Hyper	[0-6]			\$\$

Insurance Use Cases on Time and Cost Scale



Defining expected benefits

Plotting and selecting the use case is a halfway win if the benefits are not understood clearly. One common mistake organizations often make is not defining the benefits expected in measurable outcomes. The other common mistake is understanding the timelines for realization. Not all benefits can be realized immediately, and it's important to understand the clear distinction between instant and deferred benefits.

Tangible vs Intangible

While organizations look at the traditional return on investment models based on cost reduction, one should also consider other benefits such as ease of doing a transaction, employee gratification, customer loyalty, and better compliance, which can be labeled as intangible. Though the intangible benefits can reflect in effectiveness performance indicators, they may not always translate to earnings that can be measured in dollar value; however, they contribute to establish and improve the brand value significantly.

Instant vs. Deferred Gains

There would be some benefits that one may notice, such as an instant shift in the metrics within 4-12 weeks' timeframe. The most common improvement that is seen and can be measured is the increase in productivity or elimination of work leading to cost benefits, such as reduced expense ratio. Some of the other business outcomes, like reduction in claims or underwriting cycle time, ease of doing business by reporting a claim, generating a quote, or access to simple policy inquiry, will lead to the improvement of customer and employee experience, and increased customer loyalty. However, as these are lag indicators, it will take some time to realize these benefits. The other contributing factor which can accelerate deferred gains is the right user adoption strategy. Once the solutions are developed, it is very important to drive the user adoption based on the target audience (employees, agents, customer), complexity of solution to maximize your benefits.



Developing a comprehensive roll-out plan

Developing a plan that integrates and covers all phases early in the process ensures a well-rounded approach that is not merely executing an automation project, but also accounting for softer aspects such as change management, impact analysis for adoption strategy, etc.

While there are various implementation models for automation, all models essentially follow a four-step approach.

Advisory

Mind reader session
capabilities maps.



Design Thinking

Journey maps prototypes.

Value Realization

Benefits Review target
Management.

Implementation

Agile framework new
way of working.

- Start with bringing in experts or advisory groups (engage with external partners if needed) to assess and establish business case through benchmarking exercises. This helps define the baseline and target state.
- While designing solution, leverage design thinking experts to capture opportunities of creating value on persona journey maps and building prototypes for user adoptions and early feedback. This exercise will address resistance to change leading to accelerated adoption.
- Driving transformation using agile framework works best to maintain a nimble approach that is iterative. This helps businesses realize benefits sooner and alter strategy, if needed early on.
- Close the loop with value realization assessment by measuring initial targets to review performance with the baseline established. This will determine if the project was a success or failure.

To sum it up, automation in insurance is necessary to stay competitive in the industry. It is vital to consider key organization characteristics before embarking on the journey that requires careful deliberation of use cases that are influenced by distribution models, line of business, product types, etc., as these further add to the complexities for carriers. Hence, engaging with the right team that comprises business, technology, and transformation experts, and leveraging the industry frameworks will ensure a successful story.



About Author

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Antra is a seasoned management professional with over 18 years of experience that includes setting up and running insurance operations, insurance business process consulting, new product launches, and managing complex projects to drive transformation using artificial intelligence and RPA. Her proficiency encompasses digital solutions, intelligent automation and persona led experience transformation with extensive experience in managing complex projects and deploying cloud based digital solutions. Antra has worked, managed, and lead engagements with major carriers like AIG, AXA, ING (now Voya Financial), Guardian Life, and standards organization like ACORD. In her current role within LTIMindtree, Antra is responsible for creating insurance solutions to drive Experience Transformation and Business Process efficiencies.

LTIMindtree is a global technology consulting and digital solutions company that enables enterprises across industries to reimagine business models, accelerate innovation, and maximize growth by harnessing digital technologies. As a digital transformation partner to more than 700 clients, LTIMindtree brings extensive domain and technology expertise to help drive superior competitive differentiation, customer experiences, and business outcomes in a converging world. Powered by 84,000+ talented and entrepreneurial professionals across more than 30 countries, LTIMindtree — a Larsen & Toubro Group company — combines the industry-acclaimed strengths of erstwhile Larsen and Toubro Infotech and Mindtree in solving the most complex business challenges and delivering transformation at scale. For more information, please visit <https://www.ltimindtree.com/>