



# THE CLOUD IMPERATIVE FOR **INSURANCE**

# Outmaneuver Uncertainty

For many insurers, the COVID-19 pandemic has shifted understanding of the cloud agenda from one of long-term aspiration to a more urgent mandate. The rapid cost reduction to be found in cloud adoption can, in parallel, help fund other much needed investments to modernize channels, applications and infrastructure.

While most insurers have gradually enhanced technology capabilities since the financial crisis of 2008, historically the industry has been slow to change. A few early adopters of cloud technologies are now reaping the rewards, but we estimate that not more than ten percent of insurance industry workloads currently run on public cloud platforms.

Finding the right cloud approach does not have to be complex or overwhelming. Readily available cloud technology offers insurers opportunities to take bold action, stay ahead of competitors and outmaneuver uncertainty.

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# Challenges creating a burning platform now

Despite compressive disruption that had challenged insurers with low growth, slowly declining EBITA and eroding barriers to entry in recent years, the insurance industry had cause for optimism at the start of 2020. The industry was well positioned for growth in most markets with global premiums having recently passed an all-time high of \$5 trillion.<sup>1</sup>

That outlook changed with the COVID-19 outbreak. Insurers suffered a severe financial hit. Aggregate valuations dropped an average of 20 to 30 percent across global markets, and falling GDP threatened to further compress top-line growth.<sup>2</sup>

Physical distancing measures and a rapid demand for remote work had entire industries scrambling to enable their operations on the cloud. Three key challenges continue to create a burning platform for insurers.

1. Accenture Research based on Swiss Re data
2. Accenture Research based on Capital IQ data



## Top-line Revenue Pressure

Macro-economic declines in GDP and underlying risk are weighing down the top line, with disproportionate impact in some customer segments and lines of business (e.g. Small Business, Workers' Compensation).



## Sales and Service Model Disruption

Traditional in-person sales and prospecting channels and service models through local agents and nurses have previously been advantages for large incumbents. Physical distancing has leveled the playing field for digital attackers. An enormous pool of revenue is now in play.



## Bottom-line Profitability and Increased Liability

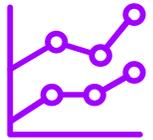
Zero percent interest rates reduce investment income and profitability. Regulatory interventions threaten margins and loss reserves. In parallel, insurers have been forced to re-visit technology and operations security and resilience with the abrupt disruption of sourced services.

# Cloud-powered solutions deliver

Insurers face a difficult road ahead to combat a multi-dimensional set of challenges to their economics and operations. They urgently need a solution that delivers rapid cost reduction, while simultaneously finding ways to make significant investments to modernize their channels, applications and infrastructure.

**A cloud-powered strategy, tailored to the insurer's book of business and competitive position, can help the insurer navigate recovery and find pockets of growth in their core businesses and adjacencies.**

# Why Cloud? Why now?



## Growth Acceleration

Defend and expand market share with new models for existing products and new platform and ecosystem models for the latest products and offerings.



## Data-Driven Digital Transformation

Drive digital transformation in the business, led by enhanced data disciplines, for new business and renewal sales, service and claims.



## Cost Curve Transformation

Through a combination of Smart Spend (providing program funding), Tech Modernization and Smart Op Model, insurers can identify and focus on strategic, core capabilities while accessing enabling capabilities “as a service.”

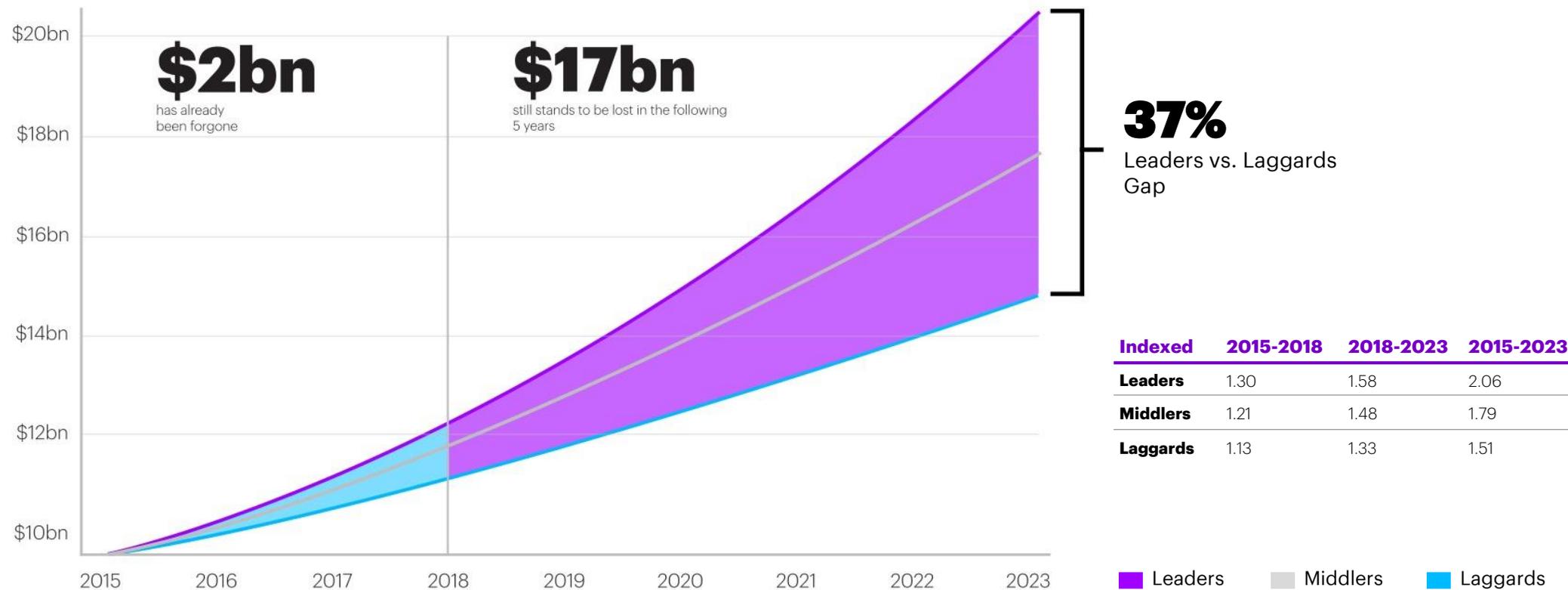
# The insurance cloud outlook

**Insurers in general have been slow in migrating core applications to the cloud**

- Minimal insurance industry workloads are currently in the public cloud—the optimal approach to the cloud for insurers given its lower cost and near unlimited scalability.
- Platform transition to cloud in key areas, such as claims management, is rare.
- Only a few insurers are taking advantage of cloud capabilities for their most important platforms.

# The competitive field is beginning to separate

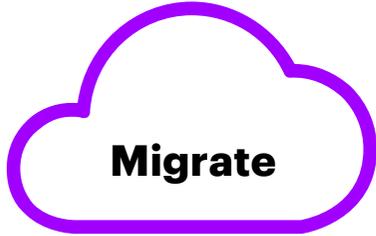
Insurers who made early and bold moves in cloud are already reaping the benefits with Leaders on course to double their revenue base for the eight-year period between 2015 and 2023



Illustrative model showing opportunity cost based on a company with \$10 billion in revenue in 2015.  
Source: Accenture, *Future-ready Insurance Systems*, 2020

# The value case for cloud **now**

The economics are two-fold—direct improvements to technology costs and catalyzing the ability to capture the economic upside of business improvements



## Migrate

- Seamless hybrid, multi-cloud migration
- Speed, automation
- Security embedded



## Accelerate

- Cloud-native architecture and applications
- Data foundation
- Digitize with product, platform focus



## Innovate and Grow

- Insurance industry solutions and outcomes
- Data, AI, Insights
- Innovation-led customer reinvention



**Migrating infrastructure and software to the cloud reduces IT run costs and technical debt, and enables scalability on demand.**

**Building on a more robust cloud infrastructure, accelerate technology enhancements and impact basic efficiencies in business operations, reducing IT change costs and capturing efficiencies in business operations (e.g. service center enhancements, reduced rework, reduced system lag and downtimes)**

**Platform solutions accelerate and de-risk business improvements with proven, evolving solutions—including claims optimization (Expense & Loss Ratio) and enhanced agent/employee journeys for renewal retention and new business.**

# Moving to top-down cloud action

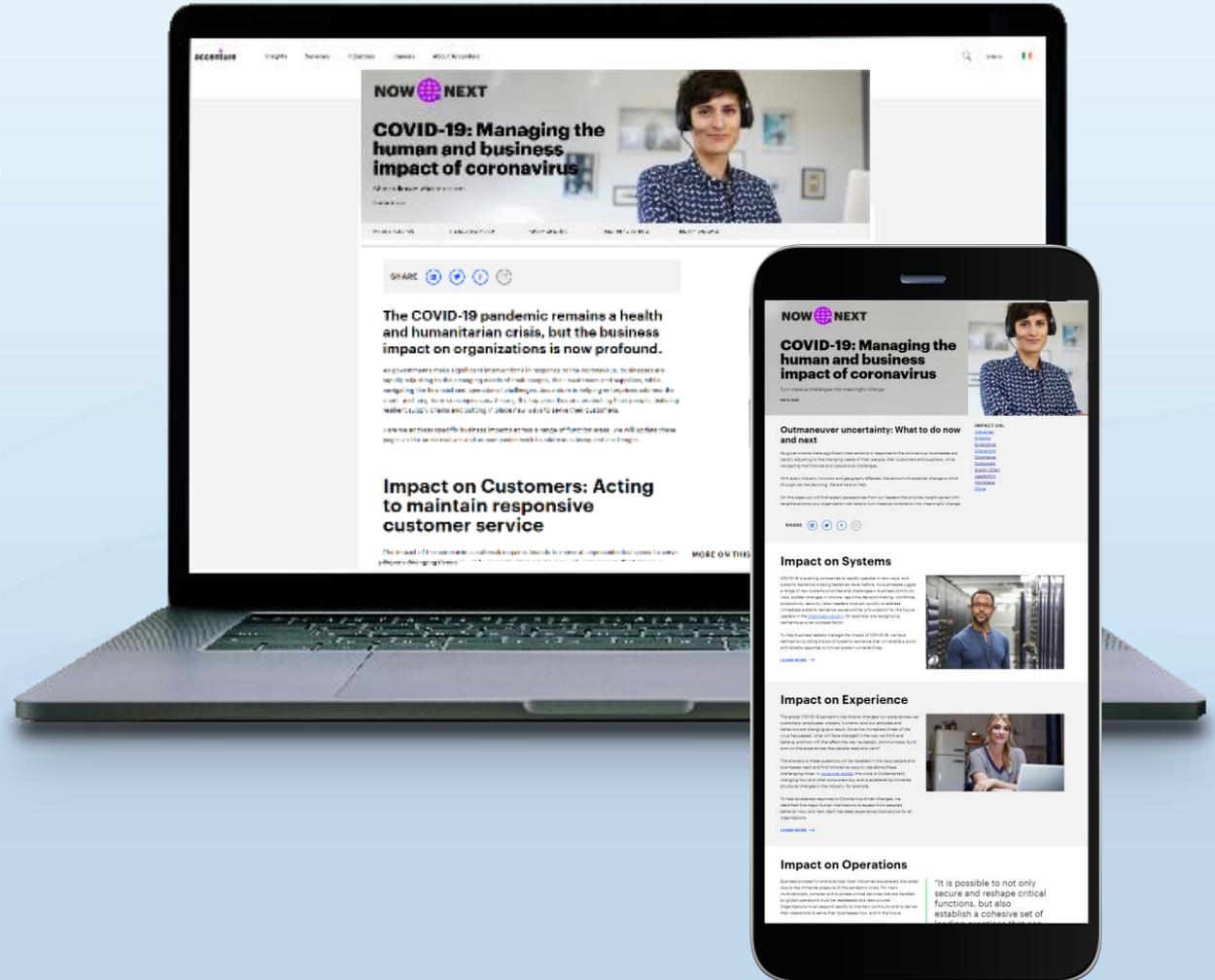
- Most insurers are dabbling with cloud but have yet to see the full benefit. With many initiatives struggling to gain traction it is clear that only strongly sponsored, top-down driven initiatives will achieve the full benefit.
- The journey will differ for each insurer depending on existing technology architecture and their modernization maturity state.
- To inform your cloud strategy, we recommend drawing from the growing body of industry successes and precedent to inform your approach across key dimensions, including data architecture, security and compliance, best-fit platforms (single vs. multi-cloud), migration approach, etc.

The cloud will be both transformational and disruptive in the post-COVID-19 world, offering savvy insurers improved scalability, efficiency and security. Insurers must move aggressively now on their strategy if they are to gain true competitive advantage.

To help our clients navigate both the human and business impact of COVID-19, we've created a hub of all of our latest thinking on a variety of topics.



[Visit our hub here](#)



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