

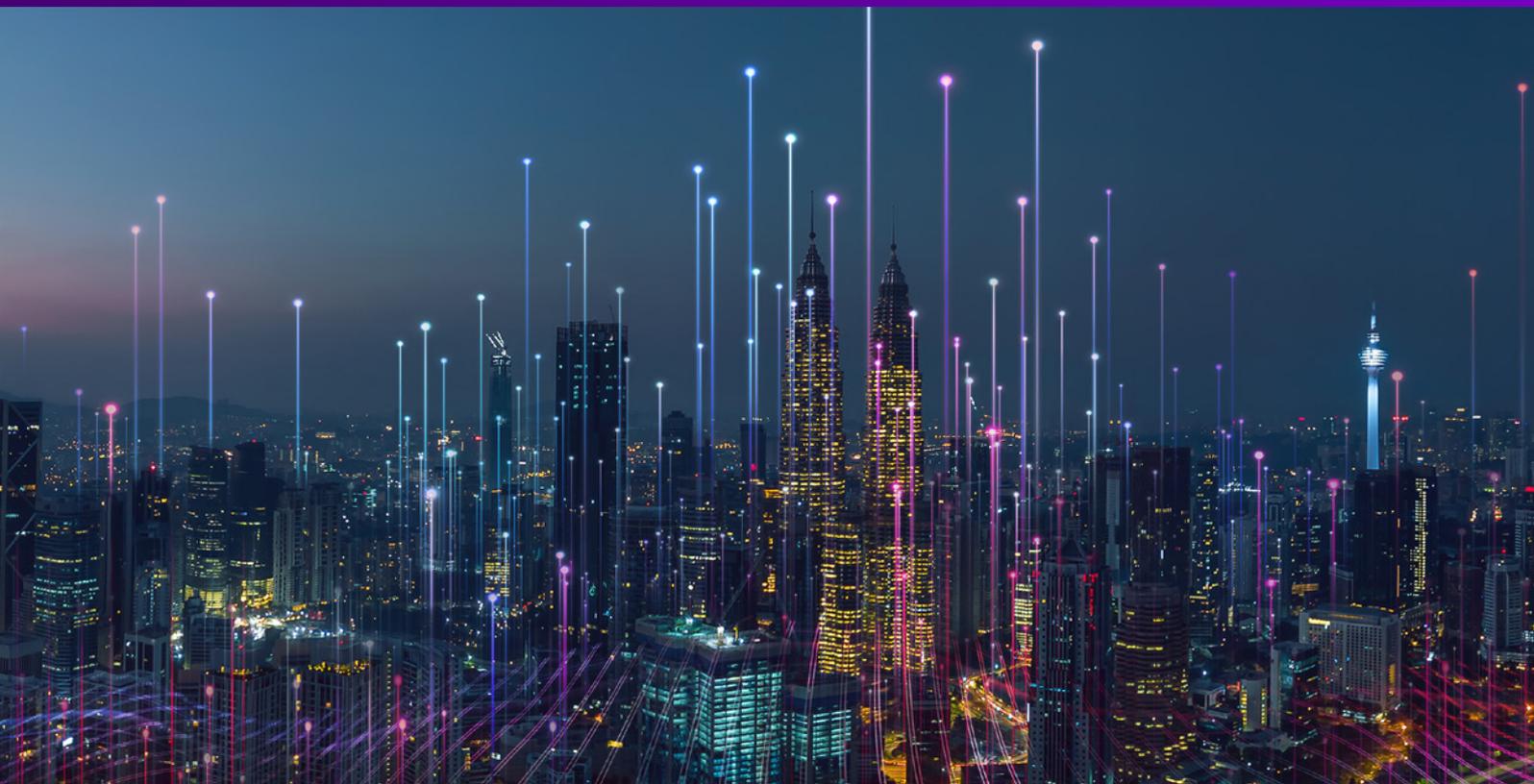
THE CLOUD IMPERATIVE FOR INSURANCE

**SILVER LININGS:
CLOUD MIGRATION
FOR APAC INSURERS**



EXECUTIVE SUMMARY

- Moving to the cloud has become an imperative for firms in many industries – particularly insurers, for whom it constitutes a transformation play.
- US and European insurers lead in their journey to the cloud; their peers in APAC lag – in part due to traditionally high growth rates in their markets, which has seen them focus less on the need to digitally transform. However, this is changing as growth slows in maturing markets and as other challenges arise – like low barriers to entry for competitors.
- Accenture’s research shows a well-structured cloud migration delivers transformative benefits. It also shows that firms that go farthest are significantly more likely to reap their intended cloud benefits.
- A cloud-based strategy is crucial to APAC insurers, and can help them to meet numerous challenges including consumer dissatisfaction with digital offerings, and increased willingness to buy insurance from non-traditional players.



ABRACADABRA

- An effective cloud strategy incorporates three key aspects: growth acceleration; data-driven digital transformation; and cost-curve transformation.
- While each journey to the cloud is unique to each insurer, three common patterns map to our MAGIC framework: **Migrate**, which is about cost and resilience; **Accelerate**, which focuses on agility and modern IT deployment; **Grow & Innovate**, which covers reinventing business outcomes and models.
- APAC, where regional insurers operate in multiple markets, can generate barriers – which insurers should factor into their plans. Barriers can include data residency rules, the complexity of applications, regulatory requirements and skills gaps.
- Archetypes are the building blocks of the journey to the cloud. These let insurers track where they are on their transformation, and guide them on where to focus next to maximise value.

DEPLOYING **MAGIC**

- **Migrate** is often the first step in the journey. It's where companies move digital assets, services, databases, IT resources and applications partially or wholly into the cloud. Typical archetypes include moving applications and infrastructure rapidly to the cloud; migrating platform infrastructure; and rehosting the data workload.
- Accenture's 7R framework breaks down into a set of defined choices the modernisation options that insurers need to consider when creating the right structure for migration.
- **Accelerate** often follows Migrate, and stems from the need to improve organisational ability and deploy modern IT solutions. Two typical archetypes are: transform and modernise core administration applications; and transform and modernise the enterprise.
- **Grow & Innovate** is where the insurer uses the cloud as a platform to reinvent its business and accelerate growth. Typical archetypes include: data-driven transformation, which modernises the data workload; innovation and client-facing applications; and industry-led business reinvention.
- APAC insurers looking to stay in the game long-term need to migrate to the cloud. Those that do this well should gain a significant edge over their competitors – including higher revenues, improved efficiencies, greater agility and the ability to survive an increasingly challenging business environment.

01

CLOUD MIGRATION: TRANSFORMING INDUSTRIES

Around the world, countless firms of every size rely on the cloud for a vast range of business processes. Take big firms, for instance: research commissioned by Accenture in 2019 showed that [90 percent of 200 large enterprises](#) (defined as having more than US\$1bn in annual revenues) had adopted the cloud in some form.¹

Insurers have been slower than businesses in other industries in moving operations to the cloud, focusing instead on dealing with top-line revenue pressures, disruption to their sales and service models, and challenges to bottom-line profitability and efficiency. The advent of the COVID-19 pandemic only added to those issues.

It's understandable, then, that many insurers – and particularly those in APAC – chose to focus on solving this range of pressing issues rather than adding another significant task to their to-do list. Yet experience elsewhere shows why ignoring cloud solutions isn't a recipe for long-term success. Indeed, we regard the move to the cloud as an imperative:

- It's a **transformation play** rather than merely a cost play. Insurers which move to the cloud can expect to leverage the full cloud-based ecosystem (including artificial intelligence (AI) solutions, data connections and analytics) to help them build agility.
- It brings **cost-optimisation** in a range of areas. Our work [helping banking clients move to the cloud](#), for example, saw them cut operational costs by 10-20 percent, deliver 30-50 percent improvements in time to market, and 40-50 percent quicker provisioning speed.² Other benefits included enhanced customer experience and support, and greater support for compliance.
- It brings advantages in terms of **scalability and efficiency** – to name two further benefits – with the pandemic providing a powerful reminder of the importance of **resilient and adaptable systems**.³

In short, migrating to the cloud can help APAC insurers deal better with all their existing challenges. Those that need convincing should know that moving to the cloud has proved a game-changer for firms globally: [our multi-country research showed that 93 percent](#) of senior executives of large firms in ten industries were either satisfied or very satisfied with the outcomes delivered.⁴

¹Business Transformation through Multi-cloud, Everest Group Research (2019).

See: https://www.accenture.com/_acnmedia/PDF-111/Accenture-Business-Transformation-through-Multi-cloud.pdf#zoom=50

²The cloud imperative for the banking industry, Accenture (2020).

See: <https://www.accenture.com/gb-en/insights/banking/cloud-imperative-banking>

³Cloud Ascent: Cloud is the urgent business imperatives: how to maximize its value, Accenture (2020).

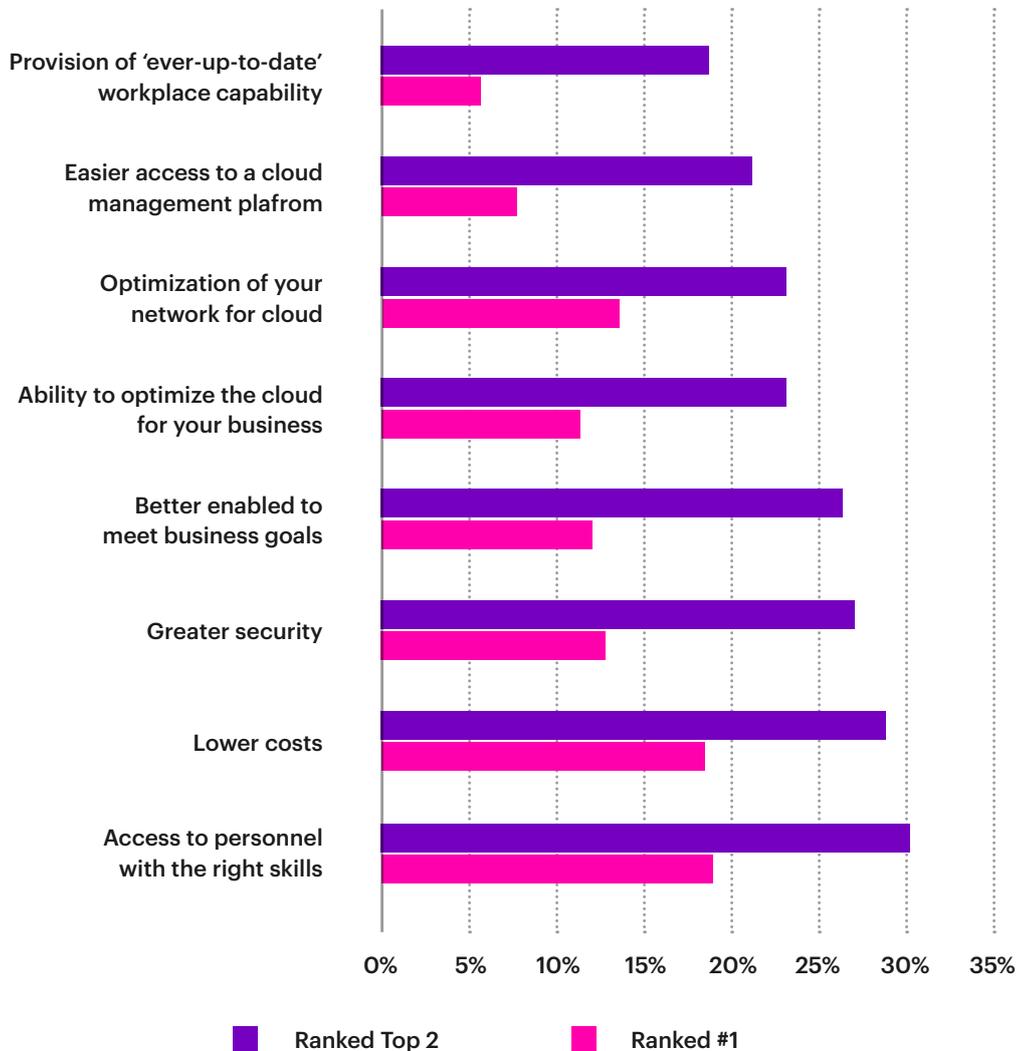
See: <https://www.accenture.com/hk-en/insights/cloud/ascend-to-cloud>

⁴Perspectives on Cloud Outcomes: Expectation vs Reality, Accenture (2019).

See: <https://newsroom.accenture.com/content/1101/files/ResearchReport.pdf>

REASONS ENOUGH: THE KEY BENEFITS OF MANAGED CLOUD SERVICES

The main advantages of leveraging cloud services across multiple dimensions – the responses of 200 senior IT executives in eight countries across ten industries, and whose firms had more than US\$1bn in revenues



Source: [Perspectives on Cloud Outcomes: Expectation vs Reality](#), Accenture (2019)

With such a range of benefits (see chart), and with pressures on APAC insurers showing little sign of easing, it's become critical that they close the cloud adoption gap to tackle existing challenges and exploit future growth opportunities.

As we've seen elsewhere, accelerating the journey to the cloud can provide APAC insurers with the right platform to deliver the efficiency, agility and innovation necessary to ensure they continue to grow and accelerate in their marketplaces in a post-COVID-19 world.

02

GLOBAL INSURANCE, COMMON PRESSURES

Prior to the pandemic, the global insurance industry was in a strong position. In 2018, for instance, it saw global premiums exceed US\$5 trillion for the first time, with emerging markets predicted to contribute strongly to the sector's growth.⁵ The Asia-Pacific region was expected to account for 42 percent of global premiums by 2029, part of the industry's shift eastwards in recent years.⁶

It's why the industry – despite the disruptions of low growth, slowly declining EBITDA and eroding barriers to entry that have characterised it in recent years – had cause for optimism as 2020 began. The growth metrics of multiline insurers in markets like APAC, Africa and Latin America tended to outpace those of their peers in the US and Europe, not least because of growing, underinsured populations, protection gaps across many lines of business, an expanding middle-class and strong baseline GDP growth.

However, as we've seen, the pandemic piled pressure on insurers, hitting revenues, sales and service models, bottom-line profitability and efficiency. [Aggregate valuations dropped 20-30 percent](#) on average across global markets, while falling GDP threatened to compress top-line growth further.⁷ In addition, physical distancing measures and a rapid demand for remote work had entire industries scrambling to enable their operations on the cloud.

As economies contracted, low interest rates became entrenched. And, as cloud-native digital disrupters entered the space, the market share for traditional insurers that lagged in cloud adoption and modernising their value chain came under pressure. Today, we know that insurers that are leaders in cloud adoption can use their power to deal with such market conditions with greater speed, agility and innovation – and can do so more cost-effectively.⁸

FOR APAC INSURERS, DEEPER DIFFICULTIES

While the challenges faced by insurers in the US, Europe and APAC are similar, those that the APAC peers are tackling have their own nuances.

Take **top-line revenue** pressures, for instance. While growth still exists across most APAC markets and while revenues for many such insurers continue to expand at double-digit rates, the difficulty facing APAC insurers is how to maintain market share while retaining the ability to launch and deliver new products and propositions in order to outpace market growth.

⁵Global insurance premiums exceed USD 5 trillion for the first time as pivot east continues, Swiss Re Institute's latest sigma says, Swiss Re (July 4, 2019). See: <https://www.swissre.com/media/news-releases/nr-20190704-sigma-3-2019.html>

⁶Ibid.

⁷The Cloud Imperative for Insurance, Accenture (2020).

See: https://insuranceblog.accenture.com/wp-content/uploads/2020/09/Accenture_Cloud_Imperative_for_Insurance_Blog.pdf

⁸Ibid.

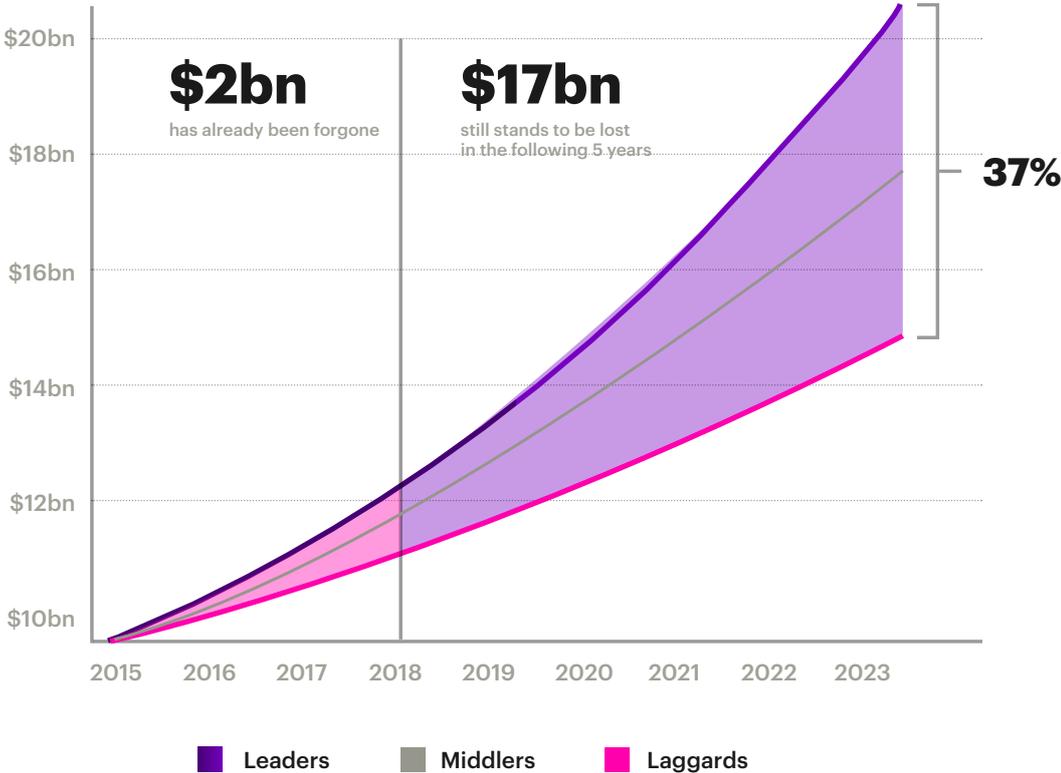
Then consider the disruption to their **sales and service models**, with regulators issuing licences to digital competitors that seamlessly serve customers digitally from new business through to claims – further raising the expectations that customers have of incumbent insurers. (Digital entrants to the Hong Kong market alone include [ZA Insure](#), [Bowtie](#), [Blue](#) and [OneDegree](#).)

Finally, when it comes to **bottom-line profitability and efficiency** challenges, the low-interest rate environment has made the life insurance business tougher, while increased competition has seen P&C lines commoditised across many markets. Both have resulted in APAC insurers renewing their focus on cost efficiency.

The solution lies in moving to the cloud. As our Future-Ready Systems research shows, in the eight years to 2023, insurance leaders in technology adoption could expect to more than double their revenue base.⁹ By contrast, laggards would likely achieve less than half of that growth. The result? An innovation achievement gap of 37 percent – or US\$5.7bn for an insurer whose revenues in 2015 were US\$10bn.

MIND THE GAP: THE GROWING DIFFERENCE BETWEEN INSURANCE LEADERS' AND LAGGARDS' GROWTH RATES

Our research showed that insurance leaders in technology adoption could expect to see the revenue gap between them and their laggard peers widen to 37 percent by 2023



Source: *Future-Ready Systems: The leadership difference*, Accenture (2020)

⁹Future-Ready Systems: The leadership difference, Accenture (2020).
See: <https://www.accenture.com/us-en/insights/insurance/future-ready-insurance-systems>

Much of that technological adoption involves moving to the cloud – [95 percent of leading enterprises in our research](#) have adopted [sophisticated cloud services](#) as compared to only 30 percent of laggards.¹⁰

What impact can such an approach have? Take North American insurer Liberty Mutual: it [realised infrastructure savings of at least 30 percent](#) by moving to a single cloud-based platform.¹¹ In addition, it enjoyed accelerating time-to-market, better security, improved access from a range of devices, and the ability to offer bilingual capabilities in its business benefits unit.

ROUTE FORWARD

A cloud-based strategy, then, is at the heart of building (or rebuilding) a successful insurer. For APAC insurers, doing so would help them to meet a [range of challenges, opportunities and threats](#) – not least that their customers are largely dissatisfied with their insurers’ digital offerings and are more willing than peers elsewhere to buy insurance from non-traditional providers.¹²

Yet while insurers in APAC are behind, many of their concerns about moving to the cloud will be familiar to peers elsewhere. As my colleague Jean-François Gasc wrote last year, [cost, caution and confusion continue to hinder others](#) too.¹³

And yet, he notes, none of the seven most common concerns voiced by insurance executives about the cloud should constrain them today. (Among those concerns: regulators are against the practice; data might not be safe in the cloud; and it would cost too much to move legacy systems to the cloud.)

We know many APAC insurers share those concerns, and that others considering taking the plunge have their own including:

- How and when should we start the move?
- Which archetype should we tackle first – and which should we then follow? (The archetypes are the building blocks of a cloud journey that enable insurers to see where they are on their transformation, guiding them on where to focus next to maximise value.)
- How should we cloud-enable insurance industry platforms, which are typically based on legacy technologies and highly coupled?
- And which stage is optimal to go all-in on the cloud?

These are valid concerns, as are others about whether such a move will bring the expected benefits. After all, our 2019 research showed that although [most senior executives pronounced themselves satisfied or very satisfied](#) with the outcomes that cloud had delivered, the total who were very satisfied was only 44 percent.¹⁴ By 2020, that figure had risen – but barely – to 45 percent.¹⁵ (For APAC, this figure was 43 percent.)¹⁵

¹⁰Cloud outcomes survey: Expectation vs. reality, Accenture (2020).

See: <https://www.accenture.com/gb-en/insights/cloud/cloud-outcomes-perspective>

¹¹Take insurance to new heights: Discover how insurers use the speed and flexibility of cloud to reach for new growth, Accenture (2019). See: <https://insuranceblog.accenture.com/wp-content/uploads/2020/05/Accenture-Financial-Services-Cloud-Readiness-Survey-Insurance-PoV.pdf>

¹²Navigating the new: Insurance in Asia-Pacific, Accenture (2020).

See: <https://insuranceblog.accenture.com/insurance-in-apac-navigating-the-new>

¹³It's time for insurers to conquer their cloud fears, Accenture (2020).

See: <https://insuranceblog.accenture.com/its-time-for-insurers-to-conquer-their-cloud-fears>

¹⁴Perspectives on Cloud Outcomes: Expectation vs Reality (Accenture), op cit.

¹⁵Sky-high hopes: Navigating the barriers to maximizing cloud value, Accenture (2020).

See: https://www.accenture.com/_acnmedia/PDF-144/Accenture-Cloud-Outcomes-2-0-Executive-Summary-APAC.pdf

With the majority pronouncing themselves satisfied or unsatisfied, then, it's clear that migration to and modernisation in the cloud could be better for more than half of those we surveyed.

The area that caused the most dissatisfaction was cost savings, where 11 percent of respondents said their expectations had not been met.¹⁶ Other leading causes were business enablement (7 percent dissatisfied), speed to market (7 percent) and service-level improvements (4 percent).

Importantly, however, we also found that firms that had gone farthest in their cloud migration were significantly more likely to say they'd achieved their intended cloud outcomes, with public or hybrid cloud models delivering over private cloud.¹⁷

So, clients understandably have a host of questions and concerns – yet the evidence is clear that a well-structured cloud migration will deliver transformative benefits. The next section will outline how to ensure that an insurer's journey to the cloud is a success.

CLOUD-BUSTING – UNDERSTANDING LOCAL BARRIERS

While many aren't relevant today, it would be a mistake to assume that barriers to cloud adoption don't exist: in some APAC markets they do, and insurers should factor these into their plans.

Because regulatory regimes differ across markets, discussing every potential barrier falls outside the scope of this paper. But some common barriers persist.

Chief among these are data residency rules, the complexity of applications, business-IT alignment, security and risk-compliance factors, skills gaps and business complexities.

Another potential barrier is how to deal with legacy infrastructure – this Accenture [blog on digital decoupling](#) is a useful primer.

Additionally, insurers that operate across markets – particularly in APAC – might encounter barriers like multi-country regulatory challenges when addressing a regional cloud programme. Any such restrictions might require them to look at cloud adoption or acceleration on a market-by-market basis, which would typically dilute some of the economies of scale that single-market peers enjoy.

At Accenture, we've found that insurers embarking on a regional cloud strategy often do best by marrying a regional cloud adoption "factory" with local cloud expertise in individual markets, as that ensures they can better cater for local variabilities and regulatory requirements. By applying an 80/20 approach, they can often realise benefits more quickly than insurers that try to deal with cloud migration on a country-by-country basis.

In the first blog that will accompany this paper, we will look more closely at how to address these challenges in APAC, and will compare and contrast the challenges that face US/Europe-domiciled insurers and their APAC-based peers.

¹⁶*Perspectives on Cloud Outcomes: Expectation vs Reality (Accenture), op cit.*

¹⁷*Ibid.*

03

ABRACADABRA: HOW **MAGIC** ACCELERATES THE CLOUD JOURNEY

We've seen that insurers that have accelerated their cloud journey typically outperform those that haven't. We also know that simply migrating to the cloud (as 30 percent of laggards have done) is no guarantee of success.

The difference between the leaders and the laggards is an effective cloud strategy. This brings together a virtuous circle that incorporates the following key aspects:

- **Growth acceleration** – finding ways through cloud-enabled processes and customer interactions that will improve existing channels to market, allowing the insurer to launch new products faster and to source new revenue streams;
- **Data-driven digital transformation** – connecting transformed digital engagements with customers via cloud-based future-ready sales and servicing capabilities that are data-enabled, and that use cloud-native architecture to address new customer demands for risk and engagement;
- **Cost-curve transformation** – realising lower technology costs with a strategic cloud investment that benefits innovation and new business models.

Additionally, to maintain market share post-COVID, we are seeing most cloud journeys focus on growth acceleration. The cloud strategy should be tailored to that insurer's size and market penetration, its technology foundation and cloud-readiness, and to its specific line of business strategy and aspiration.

This means that each journey to the cloud will be different. That said, there are common patterns that successful insurers have adopted, and these can be mapped onto our MAGIC framework:

- *Migrate*, which is about cost and resilience
- *Accelerate*, which focuses on agility and modern IT deployment
- *Grow & Innovate*, which covers reinventing business outcomes and models

A standout example of migration in the broader financial services sector is that of the Czech Republic's MONETA Money Bank.¹⁸ It worked with Accenture to [migrate 200 of its applications to the AWS cloud](#), with the 20 highest-priority applications (like getting cash to ATMs) carried out in the first wave. The entire migration was carried out in five months, giving MONETA an agile, responsive operation, and positioning it as the country's digital leader.

¹⁸MONETA Money Bank: Taking the digital lead, Accenture.
See: <https://www.accenture.com/us-en/case-studies/cloud/moneta-money-bank>

For their part, insurers can expect that cloud-based solutions will [let them automate key elements of their business](#) like enrolment, claims management, underwriting and more – freeing them up to deliver a better service, and helping to them to evolve from product-based to service-focused businesses.¹⁹ Typically, that journey to the cloud starts with migrating.

A. MIGRATE

[Migrating to the cloud](#) is the process by which a company moves its digital assets, services, databases, IT resources and applications either partially or wholly into the cloud.²⁰ It also refers to the process whereby a firm moves from one cloud to another – for example, from an on-premises private cloud to a public cloud.

Because cloud migration is crucial for achieving real-time and updated performance and efficiency, this process requires careful analysis, planning and execution to ensure that the solution is compatible with what the insurer needs.

Key to the migration stage is understanding the spectrum of modernisation options, which [our 7R framework breaks down](#) into a set of defined choices (see chart).²¹ This will help firms to decide on a structure with which to approach migration to the cloud.

THE 7RS: BALANCING SHORT-TERM SPEED AGAINST LONG-TERM VALUE

Migration demands a smart approach to one's cloud objectives, which our 7R framework helps to achieve

- > Retire the applications you don't need any more.
- > Retain on-premises applications that are too complex or costly to migrate.
- > Rehost applications quickly in the cloud.
- > Replatform applications that need to run on a different operating system in the cloud.
- > Replace applications for which better and/or cheaper SaaS solutions are available.
- > Refactor applications that need significant code rework for the cloud, decoupling from other systems as needed.
- > Reimagine business processes in the cloud by redefining and enhancing core value propositions.

Source: [Modernize and accelerate](#), Accenture (2021)

¹⁹Five benefits of cloud for insurance, Accenture (2019). See: <https://insuranceblog.accenture.com/five-benefits-of-cloud-for-insurance>

²⁰Cloud migration: Understanding what it is and how it can transform your business, Accenture. See: <https://www.accenture.com/gb-en/insights/cloud-migration-index>

²¹Modernize and accelerate: Unleash your enterprise in the cloud by understanding when to restructure your infrastructure, applications and data, Accenture (2021). See: https://www.accenture.com/_acnmedia/PDF-147/Accenture-Modernize-And-Accelerate.pdf

We mentioned archetypes earlier – the building blocks of the cloud journey that enable insurers to see where they are on their transformation – and this is where they come in to their own. In our experience, insurers on the migrate stage typically focus on three specific archetypes.

MIGRATION ARCHETYPE 1. BUSINESS APPLICATION-LED MIGRATION:

This involves the rapid, secure migration of applications and infrastructure to the cloud, often to one of the MAAG providers (Microsoft, Amazon, Alibaba, Google). Advantages include reductions of up to 40 percent on infrastructure costs if migration is coupled with the consolidation or closure of the insurer's own data centre facilities.

There are a number of reasons – what we call triggers – why clients decide to pursue this archetype. These include: a lack of business resilience (cyber-security issues, for instance, or an inability to ramp up and down fast); infrastructure-capacity issues; the expiration of a data centre lease; the need for cost savings in IT; and poor-quality IT servicing, such as inadequate delivery speeds or insufficient stability.

MIGRATION ARCHETYPE 2. PLATFORM INFRASTRUCTURE MIGRATION:

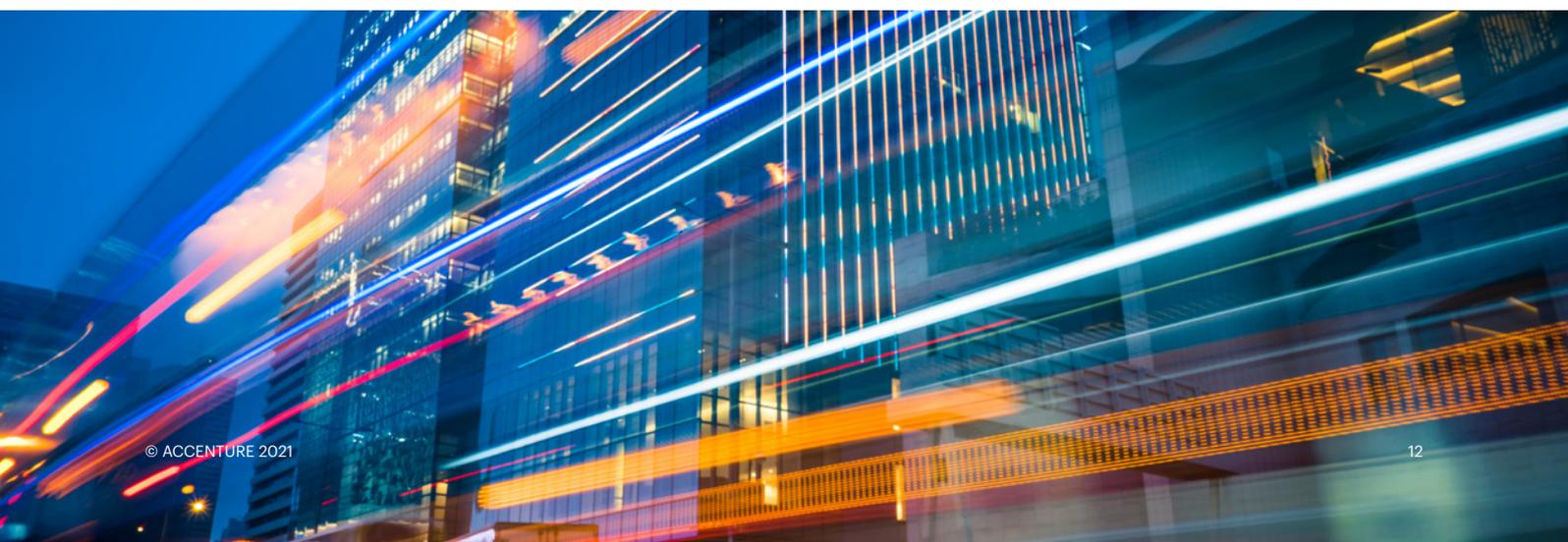
The second archetype sees insurers migrate complex or mission-critical business applications and platforms to the cloud – for example, by using [SAP on Cloud](#). With the right operating model, some insurers enjoy a 30-50 percent reduction in infrastructure costs by following this route. In addition, it's possible to achieve zero-cost migration with the right partners and a suitable commitment model.

Among the triggers for clients are: taking advantage of the most recent versions of applications; compelling events like a merger or acquisition; IT failing to meet business requirements; and application infrastructure reaching the end of its life.

MIGRATION ARCHETYPE 3. DATA WORKLOAD REHOSTING:

This lift-and-shift process is of value for insurers needing to deal with the rapid migration of data workloads, and can be achieved by using [Cloudera's data cloud solutions](#), for example, or by migrating data to one of the MAAG providers. Advantages include being able to cut data total cost of ownership (TCO) by 30-50 percent, and using data analytics to generate actionable insights in days rather than months.

Client triggers include: an inability to hyper-scale data storage or maintain processing standards; being stuck with long deployment cycles that delay data analytics for actionable insights; and higher TCO for data management.



MIGRATE CASE STUDY

One of Accenture's APAC insurance clients is putting in place a programme to rehost its workload from private data centres to the cloud.

This lift-and-shift project, which is a work-in-progress at the time of writing, aims to achieve a 20 percent reduction in IT operating costs by migrating, all of which constitutes part of the client's strategy of maximum public cloud adoption.

Once the migration is complete, the client will be well-positioned to further optimise its cloud model, and will be able to continue modernising its products and services, and deliver ongoing incremental value improvements.

It's worth stating that migration isn't just about reaching a destination – it's also about what you do when you get there. That's particularly important when it comes to considering the options available for rebuilding applications so that they are optimised for performance in the cloud, because it's here that the real value lies. Simply rehosting existing applications in the cloud won't generate the full benefits.

A key question, then, is: What does it mean to modernise my applications? Answering that is a crucial step to extracting value from this new environment. Another important consideration is whether applications are actively holding back the business. Only if they are should you look to increase agility through application modernisation.

B. ACCELERATE

The Accelerate stage can (but doesn't always) follow the initial migrate stage, and stems from the need by organisations to improve their agility and to deploy modern IT solutions. Two archetypes stand out.

ACCELERATE ARCHETYPE 1.

TRANSFORM AND MODERNISE CORE ADMINISTRATION APPS:

Solutions here focus on rationalising, modernising and transforming core administration applications, deployed on a more responsive infrastructure. Taking this step can bring numerous benefits, including resolving skills-availability issues from maintaining legacy core admin platforms, and making high-cost operations intelligent through automation.

Triggers for firms to follow this archetype include: unwillingness or inability to deal with legacy infrastructure environments; the requirement to refresh large infrastructure in the near future; the inefficiencies of manual operations; and low asset utilisation. Others that we've seen are an inability to collaborate well remotely, and the need to maximise agility and resiliency while driving right-size spending on IT.

ACCELERATE ARCHETYPE 2. TRANSFORM AND MODERNISE THE ENTERPRISE:

Solutions focus on improving business domains that drive agility – like talent, operating model, practices and the technology foundation, along with related elements like data, AI and security. Taking this approach can see insurers significantly enhance their business resiliency and their ability to react to changes in market demands and consumer needs, while delivering services and products at far higher speeds with lower costs and of greater quality.

Among the client triggers that we've seen for this archetype are: business growth that has been flat for multiple quarters or even years; escalating capital spend; an inability to leverage technology to adapt to the new business environment; a poor customer experience; and limited automation of business practices.

C. GROW & INNOVATE

This part of the MAGIC framework sees the insurer use the cloud as a platform for reinventing its business and accelerating growth. This requires leveraging the potential of the cloud to act as a catalyst for business innovation, reinvention and growth rather than viewing it as merely a source of scalable infrastructure.

Three archetypes are common here.

GROW & INNOVATE ARCHETYPE 1. DATA-DRIVEN TRANSFORMATION:

This is about modernising the data workload using data-led strategies to build new data platforms (for example, refactoring analytics workloads), as well as scaling AI strategically and mining previously locked-away or unstructured internal or third-party data for insights. Deploying these solutions can see organisations improve data-insight processing tenfold, enable near-real-time predictive insights, cut operations overhead by nearly half, and embed cloud-enabled data and workflow in 80 percent of business processes.

Triggers for clients taking this path vary, and include: no roadmap for embedding data in every business process; no 360-degree view of the customer-enterprise relationship journey; slow processing from data capture to data insight; and the need to connect to ecosystem partners and build an ecosystem where data can be safely stored and leveraged.

GROW & INNOVATE ARCHETYPE 2. INNOVATION AND CLIENT-FACING APPLICATIONS:

This step sees insurers deploy new systems designs, which are built using secure, cloud-native technologies. Advantages here include far faster speed, higher-quality service and lower cost, along with much greater business resilience, responsiveness and efficiency.

Among the most notable client triggers are: the need to modernise legacy applications; the need to connect better with ecosystem partners; and the need to replace a costly, inefficient suite of legacy applications.

GROW & INNOVATE ARCHETYPE 3. INDUSTRY-LED BUSINESS REINVENTION:

Here, insurers can use the cloud as a catalyst to create data-driven innovative business and revenue models, helping them to execute a wise pivot. By doing so, they can improve their market position by creating more compelling customer propositions, and launch a far greater number of enhancements, new products and customer experience features in a given timeframe – and do so faster.

The client triggers commonly seen here include: declining revenues or profitability; a drop in revenue of more than 20 percent attributable to COVID-19; lower R&D spend; and new industry entrants – including digital insurers.

MAGIC IN PRACTICE

There is more to be said about the archetypes, and in an accompanying blog we'll explain how insurers can move from one archetype to another. Here, we will briefly sketch the route that an insurer might take, keeping in mind that the specific approach taken will depend on that insurer's circumstances – its existing journey to the cloud environment, strategy, strengths and weaknesses.

An insurer might start by focusing on how best to replace or modernise its core administration applications – and in this, it could be led by a specific cloud-native/SaaS replacement. With that achieved, it could then pivot towards migrating its legacy data centre for the rest of its estate, in the process creating a modernised, high-speed, cost effective and efficient cloud-based operation.

Alternatively, an insurer might start by leveraging third-party data in the cloud to drive incremental business across a particular distribution channel, and then shift to a refresh of their agency or distributors' toolkit, and determine how the cloud could best support such an approach.

A third option could see an insurer start by migrating its data centre and using a cloud-native application to modernise its front-end. Next it could deploy large-scale ERP migration to the cloud, with a focus on enabling cloud services from platforms, and then utilise an insurance ecosystem platform play to enable greater efficiency for agents. It could follow that by decoupling its backend legacy applications for its policy administration and servicing (PAS) operations, which would use cloud-based data applications to transform how it handles related underwriting and claims processes.

04

LEVERAGE THE CLOUD AND LEAPFROG THE COMPETITION

Before closing, it's worth addressing a question that clients often raise about cloud service providers (CSPs): Is it better to use a single hyper-scaler (like Amazon Web Services (AWS), Microsoft Azure, Google Cloud or, for clients in Mainland China, Alibaba Cloud or Tencent Cloud, for example) or to deploy a multi-provider solution?

To date, APAC insurers have tended to follow their global peers in choosing a single hyper-scaler CSP for many of their cloud initiatives on the grounds that economies of scale can be realised to achieve better cloud-consumption pricing. However, we've noted increasing concern from insurers over the single cloud hyper-scaler approach, not least about being locked-in to a single CSP.

This worry, coupled with the multi-market or regional nature of many APAC insurers' operations – particularly in Asia, where different hyper-scaler platforms have capabilities aligned to local regulators – means multi-CSP solutions are becoming the norm (though they're not the default).

There are trade-offs in taking this path. A multi-cloud approach will help to cover multiple regional markets, but it does bring extra costs in terms of managing and securing that footprint. Key considerations include higher cloud management and overhead costs along with associated risks like the proliferation of data sprawl, increased cyber-risks and the complexities of integrating operations – not to mention managing a multi-cloud environment amid varying security compliance and regulatory requirements.

That said, a multi-cloud approach – when done correctly – can bring many benefits. Success, though, requires being proactive and finding the right tools to manage this approach and reap the benefits. It also requires designing-in the most appropriate hyper-scaler governance, business management and optimal compliance solutions. And it's important to deploy the right architecture to enable workload migration across different clouds, where appropriate, to reap the benefits.

As this paper has shown, migrating to the cloud is a crucial consideration for APAC insurers, and one that requires, among many aspects, a carefully considered roadmap that factors in the unique elements that each insurer will need to consider.

We've seen that the benefits of migrating to the cloud are numerous and profound – and that this applies to insurers in APAC as it does to peers elsewhere. That said, we also saw earlier that APAC insurers are lagging their peers in the US and Europe in migrating to the cloud, and we saw that delay is costly, which makes action vital.

Insurers that wish to leapfrog their competitors – whether incumbent or emerging – need to redesign their business, leveraging the power of data and AI in the cloud to engage their customers in a fundamentally different way. How each will reach their goal will differ, depending on their existing cloud readiness, their appetite for transformation and market conditions.

Our Cloud First team at Accenture – which recently expanded (see box) – has helped many insurance clients to migrate, accelerate, grow and innovate in the cloud. So, if you're an insurer looking to get your head in the cloud, please do reach out and let us work with you and your team to demonstrate how Accenture Cloud First can help to accelerate your unique cloud journey.

ACCENTURE'S EXPANDING CLOUD OFFERING

In May 2021, [Accenture acquired Industrie&Co](#), an Australian-based cloud-focused consultancy with regional offices in Singapore and Hong Kong.²²

The deal has expanded our Cloud First capabilities in delivering cloud-native services for our clients, particularly for those within the financial services sector across Asia.

Industrie&Co was founded in 2007, and brings a deep heritage in cloud infrastructure engineering, offering organisations a comprehensive service suite that encompasses capabilities across strategy, design and the delivery of cloud products and platforms.

²²Accenture Acquires Industrie&Co to Help Australian Clients Maximise Cloud First Investments and Transform into Digital Businesses, Accenture (May 26, 2021). See: <https://newsroom.accenture.com/news/accenture-acquires-industrieandco-to-help-australian-clients-maximise-cloud-first-investments-and-transform-into-digital-businesses.htm>

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