Moving to the Cloud is Reshaping the Insurance Industry

Challenges Facing Today's Insurers

How your business stands up to natural catastrophes and other systemic shocks to your operations matters. Insurers need to have airtight Business Continuity Plans, or BCPs, so that crippling times don't bring your operation to its knees at a time when customers need you most. Failure (of your operations) is not an option.

In addition to risk management planning and the shift to remote working, insurers are constantly looking for new ways to reduce costs, drive revenue, improve collaboration, offer value to customers and reduce time to market for products. Customers demand customized, high-value products that are delivered efficiently across every channel. But insurers' profits are being eroded by drops in demand, and regulation requirements continue to slow them down. Meanwhile, competition is increasing. Insurers must be able to adapt and price their products and services in response to dynamic markets and competitive changes.

These tough demands spur the need for insurers to constantly upgrade and expand their computing capabilities and become more agile, which impacts both their IT and business operations. The complex applications, data warehouses, server software and new business solutions they require to meet these challenges demand a great deal of expensive computing power. They also require qualified teams of professionals to install, run, maintain and update them.

Moving to the cloud brings the flexibility to scale business up and down as needed in times of normal operation, but it also brings the flexibility for the same architecture, tools and processes to support us in the most difficult times.

Adopting Cloud Computing and Managed Services

Cloud computing and cloud managed services are a huge opportunity for the insurance industry. The industry is heavy on data and processes, yet constantly needs to stay ahead of the competition and increase customer engagement while keeping costs down. The implementation of cloud-based applications and services heralds a sea change in how to approach marketing, delivery, technology and customer service. By embracing the new world of cloud computing, insurers are, in effect, turning infrastructure into a utility that is only paid for when it's used, is scaled up or down based on need, and upgraded automatically. Most importantly, cloud computing enables insurers to work more flexibly and get to market quicker while realizing major cost savings.

This requires changing decades of operating habits to be more engaging to customers and offering them value to create a stronger customer base and brand.

Today's Cloud Computing and Managed Services for Insurers

Cloud computing has gone beyond serving as an infrastructure solution, and insurers are taking advantage of the opportunities it offers. Cloud-based platforms, storage and applications are changing how insurers create and deliver their products and services, manage risks and claims, collaborate with channel members and partners, and communicate with customers, agents and brokers. And yes, Cloud-based platforms have also enabled insurers to work and thrive when remote working became the default.

Insurers today are taking advantage of cloud computing and cloud managed services to:

- Deploy their core systems inexpensively, and support critical functions, such as billing and underwriting
- Provision and scale computing resources to meet periodic demand for actuarial and financial workload

- Preserve/backup data for audits
- Introduce new business models and applications
- Support agent management, including sales document management and application submission

Benefits of Cloud Computing and Managed Services for Insurers

While concerns do exist over some areas of the cloud, such as security, the advantages are overwhelming. Surveys have shown a drop in these concerns as use of the cloud becomes more widespread and expertise in all areas is on the rise.

Benefits include

Optimized Risk Management

Reduced Costs

Improved Customer Engagement

Enhanced Agility

Reduced Costs Through Improved Processes

Cloud computing significantly decreases operating and capital investment costs. It provides greater flexibility in IT function and scale at a lower cost, and in a shorter time frame, than traditional IT systems. Cloud computing enables simplification of architectures and processes, while eliminating inefficiencies across the organization.

IT costs are reduced by:

- Moving labor-intensive processes such as data collection, business analytics, archiving, monitoring, application testing and development to the cloud
- Scaling IT services, such as storage and actuarial computation, keeping processing time to a minimum
- Paying per use for the resources and workloads used

- Eliminating the capital expense of buying hardware and software, and setting up and running on-site data centers, including racks of servers, round-the-clock electricity for power and cooling, and IT experts to manage the infrastructure
- Using cloud computing services run on a worldwide network of secure data centers, which are regularly upgraded to the latest generation of fast and efficient computing hardware, for reduced network latency and greater economies of scale

Enhanced Elasticity and Scalability

Distribution channel pressures and evolving consumer demands for mass customization and hybrid products mean that the flexibility of insurers to quickly respond to new opportunities or challenges is vital.

By using cloud computing:

- Applications such as short-term segmented marketing campaign applications can be designed, developed and deployed within days or even hours, instead of weeks or months

- Insurers can scale-up as their computing needs increase and scale down again as demands decrease, eliminating the need for massive investments in local infrastructure, which are always required on an ongoing basis

- Insurers can move certain workloads to or from the cloud, or to different cloud platforms, whenever necessary or automatically, either for better cost savings or to use new services as they emerge

Improved Customer Engagement

Today's insureds demand better service, more customized offerings and whatever is new in the cybersphere. Using cloud computing enables insurers to focus on and improve the user experience at virtually every touch-point. **This results in improved customer engagement via:**

- The ability to develop innovative and relevant products and to optimize claims and policy servicing capabilities towards improved customer retention and profitability

- Access to the cloud from a wide variety of devices, from any location

- Utilization of analytics capabilities in cloud computing to better understand the enormous amount of extremely valuable exclusive customer information that the insurer already possesses. This enables them to better understand customer behavior and deliver personalized marketing campaigns

Optimized Risk Management and Disaster Recovery

Insurers can help manage risk and fraud, as well as improve and reduce the costs of vital disaster recovery. **Cloud computing enables insurers to:**

- Make data back-up, disaster recovery and business continuity easier and less expensive, because data can be mirrored at multiple redundant sites on the cloud provider's network, across multiple regions

- Integrate all risk data, such as risk and control assessments, loss events and key risk indicators within a single environment, enabling insurers' IT staff to make better decisions about the business risk and the regulatory context of IT breaches

- Measure, aggregate and report risk-based solvency capital to regulators and other key stakeholders in a repeatable, auditable fashion

- Identify fraud and undesirable behavior and isolate recovery opportunities throughout the claims process. Insurers can identify and mitigate claims with a higher likelihood of determining fraudulence, and undertake this detection earlier

- Use the cloud's additional computing power to support more sophisticated risk modeling to improve financial planning, actuarial reserving and risk management activities

Increased Productivity

Data centers require that IT departments spend a lot of time on hardware set-up, software patching etc. Insurers can shift these tasks to the cloud and will reap the benefits, including:

- Increased productivity from being able to reassign IT resources to achieve business goals

- Quick, easy set-up of cloud computing services, such as choosing a password or selecting which devices you want to connect to the network, and rapid adoption for enhanced productivity

- Automatic updates that must simply be downloaded, saving time by not requiring any expertise to implement

Private Cloud

A private cloud consists of cloud computing resources used exclusively by one organization. The cloud can be located at your organization's on-site datacenter or hosted by a third-party service provider. In a private cloud, the services and infrastructure are always maintained on a private network, and the hardware and software are dedicated solely to your organization.

Pros:	Cons:
More flexibility: your organization can customize its cloud environment to meet specific business needs.	**Price:** the private cloud is an expensive solution with a relatively high TCO compared to public cloud alternatives, especially for short-term use cases.
More control: resources are not shared with others, so higher levels of control and privacy are possible.	**Less scalable:** than public cloud.
More scalable: than on-prem infrastructure.	

Public Cloud

A public cloud consists of cloud computing resources shared among several organizations. The cloud will be hosted by a third-party service provider that maintains all the relevant services and infrastructure. AWS and Azure a two popular public cloud providers.

Pros:	Cons:
Lower costs: no need to purchase hardware or software, and you pay only for the service you use.	**Lack of cost control:** The total cost of ownership (TCO) can rise exponentially for large-scale usage, specifically for midsize to large enterprises.
Maintenance is built in: the service provider provides the maintenance.	**Security:** if the proper tools and applications are not in place, there may be some security concerns.
Near-unlimited scalability: on-demand resources are available to meet your business needs.	**Minimal technical control:** low visibility and control into the infrastructure may not meet your compliance needs.
High reliability: a vast network of servers ensures against failure.	

Hybrid Cloud

A hybrid cloud combines on-premises infrastructure—or a private cloud—with a public cloud. Hybrid clouds allow data and apps to move between the two environments.

Organizations can use private cloud environments, for example, for their IT workloads and complement the infrastructure with public cloud resources to accommodate occasional spikes in network traffic.

Pros:	Cons:
Control: Your organization can maintain a private infrastructure for sensitive assets or workloads that require low latency.	**Price:** toggling between public and private can be hard to track, resulting in wasteful spending.
Flexibility: you can take advantage of additional resources in the public cloud when you need them.	**Management:** strong compatibility and integration is required between cloud infrastructure spanning different locations and categories.
Cost-effectiveness: with the ability to scale to the public cloud, you pay for extra computing power only when needed.	**Added complexity:** additional infrastructure complexity is introduced as organizations operate and manage an evolving mix of private and public cloud architecture.
Ease: transitioning to the cloud doesn't have to be overwhelming because you can migrate gradually—phasing in workloads over time.	

Core Today – More Tomorrow

Operating in the cloud is an essential part of an effective digital strategy. Cloud-enabled platforms and services support a host of digital innovations that are pivotal to the next generation of insurance.

What is needed is a digital solution that provides the foundation insurers require to innovate, accelerate time to market, and meet escalating customer needs. Built with the flexibility and the capabilities to enhance business dexterity, deliver customer-centric experiences, improve operational efficiency, resolve an array of business challenges, and eliminate complexity – cloud computing is more than a technology enabler, it's a differentiator.

There's no better time than now to achieve MORE.

About Sapiens

Sapiens empowers the financial sector, with a focus on insurance, to transform and become digital, innovative, and agile. Backed by four decades of industry expertise, Sapiens offers a complete insurance platform, with pre-integrated, low-code solutions and a cloud-first approach that accelerates customers' digital transformation. Serving over 600 customers in 30 countries, Sapiens offers insurers across property and casualty, workers' compensation and life markets the most comprehensive set of solutions.

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