



The challenge of
growing efficiently
Insurance

March 2022

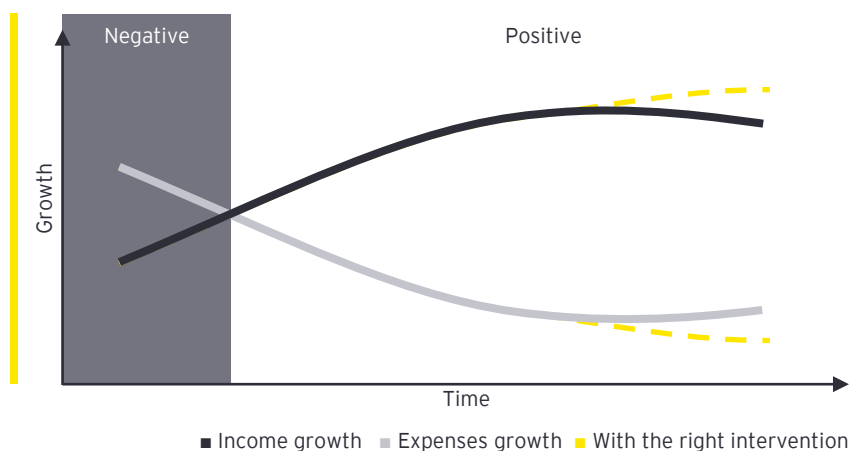
Growth is the top agenda for insurers, but doing it efficiently needs a disciplined approach

The Asia-Pacific (APAC) insurance landscape continues to evolve rapidly as non-traditional insurers grow and challenge incumbents through nimble, frictionless, low-cost and customer-led delivery models. In addition, M&A activities are on the rise as insurance firms reassess market strategy and consolidate market presence (APAC M&A values are up 88% in the first half of 2021 compared to the same period last year)¹. Finally, evolving consumer behaviors are forcing insurers to re-evaluate their customer propositions and delivery channels (in Hong Kong alone, 57% of consumers prefer digital channels to buy new insurance products, but only 1% of the 2019 distribution mix is digital)².

In a swiftly changing market, and with one eye on growth, insurers can deliver cost transformation, but this requires a disciplined and systematic approach. Even in times of growth, cost focus is critical to unlocking capital flexibility, remaining competitive, and funding innovation and digitization. Many insurers have already begun their transformation journeys focused on market penetration, but few have realized the returns on investment, as costs have increased at an accelerated pace; common issues reported include:

- ▶ Misaligned delivery against strategic vision
- ▶ Siloed cost reduction while ignoring other value levers
- ▶ Impediments from legacy infrastructure
- ▶ Lack of digital commitment across the organization, front-to-back
- ▶ Inability to eliminate redundancy in processes and tech

If such issues are not tackled head-on and with priority, long-term income and expense growth will converge and subsequently reduce profitability. With timely intervention, insurers can ensure stable and sustainable growth by fully utilizing income growth opportunities while fighting expense growth on all fronts.



¹ <https://go.ey.com/3ikPp2M>

² EY Knowledge: APAC Insurance Market Overview - November 2021

EY teams' eight value drivers provide an overall value view that fuels growth while improving costs

Embedding the eight value drivers into your cost transformation programs enables your executives to deliver, measure and monitor amplified business value across the enterprise, front-to-back. It aligns the transformation program with the overall strategy and ensures sustainable return on investment guided by value creation and preservation levers.



Eight value drivers and sample Key Performance Indicators (KPIs)

Value creation

1 Customer and staff experience

E.g., Monthly Employee Confidence Index (ECI), Customer Satisfaction Index and Customer / Staff pulse scores

2 Revenue uplift

E.g., Referral rate, purchase cycle duration, cross-sell and up-sell ratios and customer persistency

3 Cost reduction

E.g., Cost per policy quote, cost per Policy Owner Services (POS) transaction, Full-Time Equivalent (FTE) efficiency and hours saved

4 Connected ecosystem

E.g., Application Programming Interface (API) integration, micro-services perception index, digital uptake index and 3rd party Service Level Agreements (SLAs) and outcome-based KPIs

Value preservation

5 Risk reduction

E.g., Control Effectiveness Score and Internal/External Accuracy Rate, controls automation % and cost of non-compliance

6 Resiliency

E.g., Time to Recovery for Policy Admin System, Number of Automated Control Steps and Number of Breaches

7 Scalability

E.g., Cost structure, fixed cost ratios, ratio of digital infrastructure cost to operations overhead cost

8 Sustainability

E.g., Carbon footprint per FTE/process and paper utilization and waste



Our approach to value-driven transformation



EY Design-Led Rapid Process Transformation (DeRaPT)

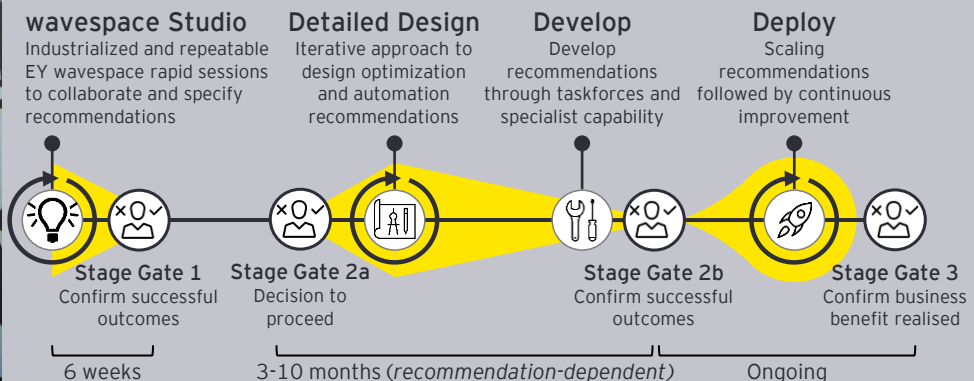
What is the DeRaPT approach?

DeRaPT enables an accelerated, design-led, and scientific approach to achieve process/functional transformation fueled by digitally-enabled solutions rapidly delivered in production with a clear outcome focus. The eight value drivers underpin the KPIs/metrics for such a change. Design Thinking-based ideation supported by immersive co-creation workshops ensures client-centric outcomes. Clear “stage gates” through the phases act as checkpoints for “go/no go” decisions to avoid sunk investments and maintain an outcome orientation. The approach follows three stages:

- 1 Diagnostic and “as-is” assessment (supported by EY wavespace™ studios)**
Map the problem statement, assess performance data, and drive outputs in collaborative wavespace studios that leverage Eliminate, Optimize, Automate and Migrate (EOAM) design principles¹. Identify recommendations and their expected impacts, dependencies and owners
- 2 Detailed design and development**
Comprehensively define recommendations, including detailed process maps, policy, technology requirements, blueprints and user acceptance testing, user adoption and implementation
- 3 Deployment**
Scale recommendations then improve continuously (iterative refinements) and monitor benefit realization

EY teams in action: Life Insurer - Core Operations Transformation

As a result of the workshop/studio on this 11-month engagement, nine recommendations were specified, spanning from development of eforms to automated core system updates and process, governance and policy changes. The deployment of EY’s DeRaPT approach reduced the time to market by 55% (from 2 years to 11 months).



¹ Refer to page five for details of the EOAM principles

Design Principles for DeRaPT -> EOAM

These design principles lie at the heart of our solution that drives business-centric cost transformations. While Straight-Through-Processing is the ultimate goal, legacy debt and constraints may hinder such implementation. Principles of EOAM coupled with customer insights (how customers consume the service/product and what they value) can help design highly efficient, client-centric and value-generating processes.

Eliminate



Remove any unnecessary steps, handoffs, controls in the process (e.g., *four-eye, manual reviews and review of authority limits*)

Optimize



Implement structural and organization change to eliminate "trapped cost" (e.g., *redesign intake of new applications via paperless digital submissions*)

Automate



Automation opportunities that will improve the speed, quality and / or cost of the process (e.g., *Artificial Intelligence [AI] or Robotic Process Automation [RPA] on claims processing*)

Migrate



Who can deliver the most value in execution - making the right choice between in-house, outsource, offshore captive, centers of excellence, managed services, etc.

EY teams in action: Life Insurer - Core Operations Transformation

EY teams reviewed and identified substantial efficiency opportunities across core operations (Underwriting, Policy Servicing, Claims) for an insurer. The team analyzed client journeys and front-to-back processes to develop a range of data-led recommendations using the EOAM design principles, including the following:



Automate - Designed intelligent auto-assignment capability for cases from all sources. Cases could be assigned based on numerical parameters such as underwriting authority and also through manual intervention for talent learning and development purposes



Optimize - Reduced manual handling, improved customer experience and mid-to-back office process efficiency by increasing digital enablement of policy servicing submissions by 34% through the use of e-forms and Optical Character Recognition (OCR)



Eliminate - Reduced handoffs and took advantage of cost arbitrage opportunities by empowering and restructuring underwriting functions in offshore centers



Migrate - In line with global strategic vision, designed and developed an offshore Center of Excellence operating model, deploying a consolidated case queue for better resiliency, scale and efficiency benefits

How EY teams can help

EY teams have extensive experience designing and delivering cost transformation programs. By leveraging EY capabilities across process design, client journeys, project management, and our cost transformation accelerators, we can help you quickly realize benefits and contain costs over time.



Speed to delivery

Shorten diagnosis time by 60% and define priorities within 8-10 weeks.



Help ensuring benefit delivery

Realize benefits within 12 months, aiming for >30% KPI uplifts for specific initiatives.



Improve organizational alignment

Bring together multidisciplinary teams from front-line distribution to back-end servicing for an end-to-end design through our wavespace workshops.



Value creation and preservation

Enable your realization of comprehensive intangible and tangible value across a wide range of drivers, and ensure that value is retained.



Uplift innovation culture

The DeRaPT experience generates excitement about transformation and inspires participants to bring new ways of thinking across the organization.



Outcome-based commercial models

EY commits through every step of your transformation journey by employing an outcome-based commercial model.

EY toolkits and accelerators

to jumpstart your cost transformation programs

DeRaPT

A rapid ideation, design and delivery end-to-end approach with immersive and highly collaborative workshops leveraging “SWAT” teams and a focus on outcomes.

EOAM principles

The EOAM principles guide solution design and development to help our clients create strategically aligned processes.

wavespace

EY wavespace is an experience that combines a physical, mental and digital approach to asking better questions with our clients to help them re-imagine their future, explore innovative ideas and thrive in the Transformative Age.

¹ Go to <https://go.ey.com/2YIS88L> for more information on EY wavespace



Financial Services
Business Transformation

EY Contacts |

Gaurav Mehra

Partner
Ernst & Young Advisory Services Limited
+852 2675 2933 | Gaurav.Mehra@hk.ey.com



Priyank Rastogi

Director
Ernst & Young Advisory Services Limited
+852 2675 2833 | Priyank.Rastogi@hk.ey.com



Cyrus Wong

Manager
Ernst & Young Advisory Services Limited
+852 3752 4743 | Cyrus.Wong@hk.ey.com



Ambreen Mustafa

Manager
Ernst & Young Advisory Services Limited
+852 2629 3115 | Ambreen.Mustafa@hk.ey.com



Cameron Bretnall

Senior Consultant
Ernst & Young Advisory Services Limited
+852 2846 9888 | Cameron.Bretnall@hk.ey.com



Related reading |

Rethinking transformation
The EY Business Transformation Framework - driving excellence across transformation architecture, experience design, business design and transformation execution



Transformation Value Monitoring (TVM)
How to ensure the value from transformation initiatives is articulated and monitored to maximize shareholder value



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