GET AHEAD IN THE CLOUD

Like most of the financial world, the insurance industry is waking up to the limitless possibilities of hosted and managed technology services. So, are you ready to explore the cloud's silver lining?

The cloud is rising

As the digital revolution continues to unfold, many insurance companies are evolving their operations to embrace cloud-based technologies. These industry pioneers are happy to leave the hosting and even management of software to an expert provider and, rather than install it on-site, access it through a secure, online connection.

Still, progress remains relatively slow. According to research by FIS and bespoke market research firm Raconteur, just under 30 percent of insurers have already taken advantage of hosted or managed services. But for nearly a third the cloud is not even under discussion.

Regionally speaking, North American firms are proving to be the earliest adopters of cloud-based technology, with 51 percent having already implemented a hosted solution. They are closely followed by their peers in the Middle East (48 percent), while Europe's insurers trail some way behind at just 35 percent.

Why choose the cloud?

In economic terms, moving from an on-site platform to the cloud saves insurers unnecessary capital expenditure. Large firms with installed applications may run thousands of cores all year round, but only use their full capacity at certain times of year. That leaves whole swathes of infrastructure lying idle and effectively going to waste for months at a time.

Hosted, cloud-based IT services instantly reduce the need for capital expenditure on hardware, providing a robust, secure backbone for your operations. So, you only ever pay for the computing power you need at any one time – and can scale your infrastructure up and down throughout the year.

As well as reducing capital costs, the cloud's flexible capacity empowers insurers to process large volumes of data at high speeds – for business intelligence analytics, complex actuarial modeling, and regulatory calculations.

"Cloud has emerged rapidly as an exciting new paradigm for computing and services," enthuses the chief risk officer of an insurer in the United Arab Emirates. **"The accommodation of large data sets, highly demanding algorithms, and the hardware for instant computational resources make the cloud ideal for large-scale data analysis."**

What's stopping adoption?

Insurers' main concern historically has centered on data security and residency, with laws in many jurisdictions surrounding whether data can be moved across borders. According to PwC[1], there has been a particular fear over "the security of the ever-growing volumes of data that insurers hold in cloud-based storage systems."

However, Craig Beattie, a senior analyst with Celent's insurance practice, believes this worry is no longer well founded. He says, "Today if you talk to people in western Europe and North America, where they're most familiar with cloud and IT outsourcing, cloud hosting providers are more likely to have better security than [insurance companies] do in their internal data centers."

Meanwhile, firms can now address their data protection and sovereignty challenges by implementing a hybrid cloud solution: a combination of public and private cloud space. In other words, insurers looking to tap into the scalability and cost efficiencies of a hosted model can develop dedicated resources alongside it for secure customer data.

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[1] CENTRE FOR THE STUDY OF FINANCIAL INNOVATION (CSFI) AND PWC, INSURANCE BANANA SKINS SURVEY 2015

Managed services – the operating model of the future

Increasingly, there are opportunities for insurers to outsource not just infrastructure but whole business processes through the cloud. All aspects of insurance, from enrollment, policy administration, and claims management to risk management and accounting, require highly specialist skills that can be hard to find and retain. Full managed service and business process as a service (BPaaS) arrangements will fill gaps in resources and skills – and also take full responsibility for the supporting technology and security requirements.

The head of information technology, strategy and governance at another insurance company in the United Arab Emirates, outlines the advantages of managed services over basic cloud-based hosting. "Managed services typically give you control over how the data is stored, managed, and accessed," he says, "with more efficient processes and service level agreements in place to support the arrangement."

The head of IT for a Netherlands-based life insurer adds: "While cloud services are now more widely used to deliver hosted solutions and streamline business processes, they have their own limitations and very much need support from managed services on a higher all-encompassing IT level."

For higher levels of both efficiency and control, over half of insurers agree that they will adopt some kind of managed service by 2020. With the chance to swap lower-value processes with more time for your core business, are you tempted to join their number and welcome the operating model of the future?

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About FIS

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