

NOTEBOOK

Five business challenges SaaS resolves for insurance firms

The last few years have seen SaaS grow in popularity within the insurance industry. **Azentio Software's Mr Vipul Sud** highlights five challenges it helps insurers address.



Over the last two decades, software-as-a-service (SaaS) has become the dominant and most sought-after delivery method across several industry verticals. Even with late adopters, the SaaS delivery method is quickly becoming the focus of any new implementation to ensure standardisation, streamline processes and help clients capture significant added value for end customers.

It is fairly easy to understand why this model has gained such momentum with spending at a record high, mainly prompted by all the circumstances surrounding the pandemic. With reduced cost implications, ease of scaling and the numerous end-user benefits, SaaS is only growing from strength to strength.

Gartner forecasts worldwide public cloud end-user spending to reach nearly \$500bn in 2022, while SaaS remains the largest public cloud services market segment, as it is forecast to reach \$176.6bn in end-user spending in 2022. Yet, one of the considerations for insurance firms while choosing SaaS is the audience for which the service is intended.

It is not mandatory for an insurer to work on the latest tech when

the stakeholders are only internal, however the moment the audience is external, it becomes one of the prime considerations. Insurance firms typically wait for a technology to mature, ensuring any risks and challenges are weeded out over the course of time.

With SaaS, irrespective of the tech stack, more and more software providers have devised various models that make the SaaS model more business relevant than the traditional thought of being technologically relevant. In addition to the obvious advantages of SaaS's attractive usage-based pricing for businesses, here are five challenges that SaaS's adoption helps overcome for insurers:

Software maintenance cost

The first challenge SaaS helps overcome is shedding the weight of legacy systems and the challenges that they bring. No doubt these systems are robust, having stood the test of time, but they are difficult to manage and maintain, requiring specialised teams with specialised training to ensure the system's upkeep. In case of a new implementation, these legacy systems face some of the biggest challenges during the process of

integration.

PwC found that, on average, around 70% of an insurer's IT budget goes into maintaining their legacy system.

The older a system gets, the more it costs to maintain. However, the biggest cost for insurers are often the lost opportunities, and the higher manual processing costs.

With SaaS, the primary concern of the IT team is to ensure that licenses are up to date. In most instances the infrastructure cost, maintenance and software upgrades are built into the subscription. Nevertheless, one of the advantages that using SaaS brings to the insurer is more room, as well as more potential for innovation, paving the way for creating greater business advantages, and true differentiation with the end customer.

Innovation

As mentioned before, insurance firms used to be reticent when it comes to adopting new technology, but this has changed with time. To stay competitive, innovation has become a separate budgetary header in every insurance firm. But then again, finding the right business solution to implement has become the next





challenge.

While technology enables such business innovation, it often gets in the way due to long implementation cycles, the inability to genuinely measure the outcome and the landed cost meant insurers had to make their choices with significant confidence in the solution.

With SaaS, these challenges are essentially nullified. The costs are often significantly lower than a full-scale, on-premise implementation, with shorter timelines. Most, if not all, SaaS platforms show you the actual software that you would subscribe to, reflecting greater confidence in the outcome. Most importantly, if it does not work for the insurer, the costs, the investments and the effort spent are but a fraction of what was previously needed. This allows the insurer to think largely about the solution that can actually help rather than the cost spent; being the first concern during the non-SaaS days.

Flexibility

SaaS simplifies the ability for insurers to go beyond their natural borders allowing them to cater to a broader cross-section of the market or target a

specific niche.

For instance, in Vietnam, payment collection can happen through collection shops, branches, kiosks, direct debits or online payments. The choice of payment methods is governed by a number of different parameters such as age, location, internet availability or a myriad of other factors. However, by integrating its self-service portal with external resources such as maps and payment gateways, a Vietnamese insurer provided the flexibility to cater for a much wider audience with just this one aspect.

The flexibility that SaaS offers can reduce integration, improve scalability, modularisation, helping better manage the internal systems, as well as improve customer satisfaction levels, allowing insurers to think outside the box and create true differentiation.

Democratisation

Even in the recent past, acquiring the best-of-breed technology or solution was a non-trivial effort. Assessing total cost of ownership against proposed business benefits was a challenge in itself. Much of it was out of reach for most but the leading

insurers.


However, nowadays, insurers no longer have to spend vast amounts of money to understand better, for instance, the data they have. Business intelligence and real-time analytical tools are no longer the exclusive domain of the largest insurers with the biggest budgets. Cutting-edge solutions based on AI or other new technologies are accessible to anyone willing to innovate in these areas.

The main reason for such a change is the focus on the betterment of the solution provided than the technology that delivers the same service. The biggest advantage with SaaS is that every improvement comes from lessons learnt from across multiple instances, across multiple firms, that are fed back in, ensuring the best-in-class solution at any given time. This often means that smaller organisations can benefit from the lessons learnt from the business processes carried out by larger organisations. Democratising not just technology but best practices as well.

Employee experience

While each of the above-mentioned points will help improve customer experience directly or indirectly, a major cost factor is losses due to poor employee experience, i.e., loss in revenue opportunities by looking at reports on claims resolution turnaround time. The underperformance of cross-selling additional offerings, or even new client onboarding, can be traced to the team's tools to get this job done. The reality is that outside of work, most employees use modern technologies that are fast, simple and cutting-edge.

The primary purpose of an SaaS platform is to modernise, which comes with modern user experience. This experience is by design created to reduce bottlenecks, improve collaboration, leverage specialists and improve overall efficiency.

With insurers looking at ways to bring true business value with differentiated customer experience, SaaS now offers insurers services in ways previously unimaginable and solutions that deliver as promised. 

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