Service Delivery Automation (SDA) – The Business Case for Robotic Process Automation (RPA) in Insurance Services

Banking, Financial Services, and Insurance (BFSI) Outsourcing
Market Report: March 2015 – Preview Deck

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Background and methodology

Background of the research
Outsourced and internal service delivery models for both IT and business processes have gone through a decade of focusing on labor arbitrage to generate cost savings. With increasing demands for additional value from services and the maturation of enabling technologies, the opportunity for lowering costs through automation is rapidly emerging.

In this research, we examine the market that we broadly refer to as "Service Delivery Automation" (SDA) and its subset, Robotic Process Automation (RPA). We assess how the rise of RPA will impact business process services in insurance sector.

The report provides an overview of RPA and how it impacts costs in the insurance sector. It focuses on:
- Overview of process automation technologies
- Market drivers
- Cost implications of RPA when applied to insurance business processes
- The business case for RPA in the insurance sector

The scope and methodology of this report includes RPA in insurance-specific business processes, excluding any automation in supporting IT or horizontal business services.

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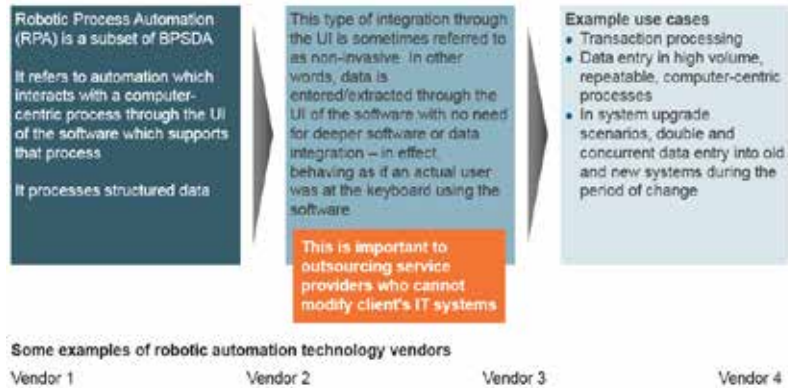# Overview and abbreviated summary of key messages

This report assists key stakeholders (buyers, service providers, and technology vendors) in F&A with understanding the likely impact of Robotic Process Automation (RPA) on finance and accounting processes and the potential business case for enterprise adoption based on a common scenario. In addition, it sets out a few fundamental principles and definitions for different types of automation technologies to help organizations learn and plan for this new development.

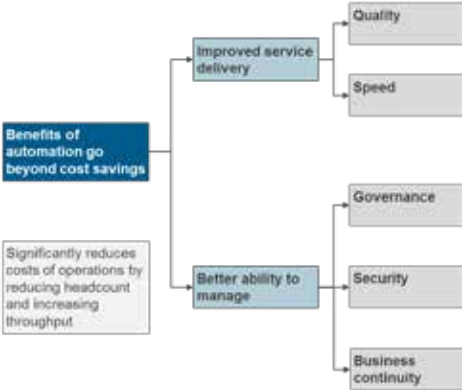**Some of the findings in this report, among others, are:**

▮ Four major factors in the insurance market are driving the need for more cost-effective processes - macroeconomic pressures, regulatory changes, rising incidents of fraud, and rise of the digital consumer. The changing market landscape and the continuous pressure on costs are driving the demand for automation, with the insurers seeking a significant change in efficiency and performance

▮ RPA technology is emerging as the biggest disruptive force to drive benefits across multiple dimensions – cost savings, efficiency, accuracy, scalability, and regulatory compliance. Barriers to adoption include concerns about cost of change, lack of knowledge about RPA, and preferences for not getting locked in to a single technology provider

▮ Based on a common enterprise scenario, Everest Group estimates cost savings that offshoring and outsourcing of insurance process can deliver

▮ Based on this scenario, Everest Group estimates the business case for RPA in insurance services, which can further reduce insurance process costs by 11% to 22%

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This study offers two chapters with an overview and cost benefits of automating insurance processes using RPA in addition to offshoring and overall; below are four charts to illustrate the depth of the report

Robotic Process Automation (RPA) is a part of SDA

Robotic Process Automation (RPA) is a subset of BPSDA

It refers to automation which interacts with a computer-centric process through the UI of the software which supports that process

It processes structured data

This type of integration through the UI is sometimes referred to as non-invasive. In other words, data is entered/extracted through the UI of the software with no need for deeper software or data integration – in effect, behaving as if an actual user was at the keyboard using the software

This is important to outsourcing service providers who cannot modify client's IT systems

Example use cases
- Transaction processing
- Data entry in high volume, repeatable, computer-centric processes
- In system upgrade scenarios, double and concurrent data entry into old and new systems during the period of change

Some examples of robotic automation technology vendors

Vendor 1   Vendor 2   Vendor 3   Vendor 4

The benefits of RPA go beyond costs to improve service delivery plus better ability to manage

Benefits of automation go beyond cost savings

Significantly reduces costs of operations by reducing headcount and increasing throughput

Improved service delivery
- Quality
- Speed

Better ability to manage
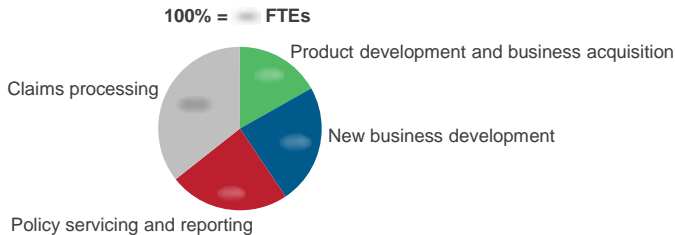- Governance
- Security
- Business continuity

The scenario-based approach is designed to reflect a realistic industry-specific insurance environment

Key estimations and assumptions undertaken to analyze the impact of RPA:
Overall organization size and insurance function characteristics
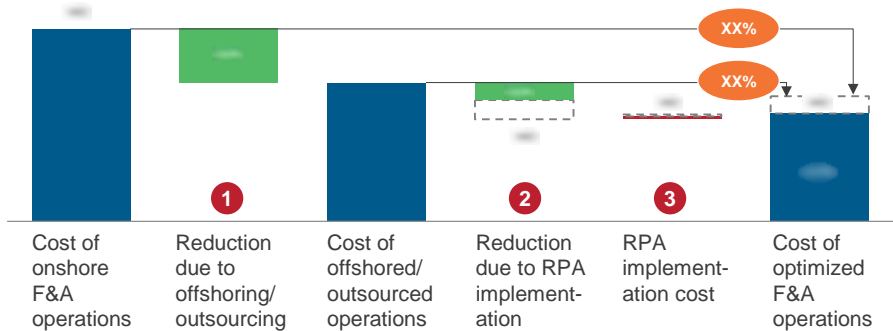- An organization with the annual revenue of US$XXbillion has been considered
- FTEs working within the horizontal functions (F&A, and HR) in the insurance organization are not included in this analysis
- Typical size of the industry-specific function for such an organization is estimated at XX FTEs
- All industry-specific insurance FTEs have been appropriately distributed among different processes (see chart)

Split of industry-specific FTEs by processes in a typical insurance organization
Percentage of FTEs

100% = ▅ FTEs

- Product development and business acquisition
- Claims processing
- New business development
- Policy servicing and reporting

Impact of change to RPA in insurance

Impact of RPA on Insurance
Percentage reduction in cost

| Cost of onshore F&A operations | Reduction due to offshoring/ outsourcing (1) | Cost of offshored/ outsourced operations | Reduction due to RPA implement-ation (2) | RPA implement-ation cost (3) | Cost of optimized F&A operations |

XX%
XX%

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BFSI BPO research calendar

Topic	Release date
BFS BPO Annual Report	August 2014
Insurance BPO – Annual Report 2014	September 2014
Banking BPO – Service Provider Landscape with PEAK Matrix Assessment 2014	October 2014
BPS Code of Conduct: A Shared Solution for Protecting Confidential Information	October 2014
Service Delivery Automation (SDA) Market in 2014 – Moving Business Process Services Beyond Labor Arbitrage	October 2014
Capital Markets BPO – Service Provider Landscape with PEAK Matrix Assessment 2014	November 2014
Insurance BPO – Service Provider Landscape with PEAK Matrix Assessment 2014	November 2014
Banking BPO – Service Provider Profile Compendium 2014	December 2014
Capital Markets BPO – Service Provider Profile Compendium 2014	January 2015
Insurance BPO – Service Provider Profile Compendium 2014	January 2015
Reinventing Business Process Services (BPS) – Leveraging Technology to Deliver on New Expectations	March 2015
SDA – The Business Case for Robotic Process Automation (RPA) in Insurance Services	March 2015
Resurgence of the mortgage BPO market	Q2 2015
Commercial Insurance – The Rise of Specialty Lines	Q2 2015
Service Provider Technology Landscape – The Pecking Order	Q2 2015

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Additional research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest

1. **Service Delivery Automation (SDA) Market in 2014 – Moving Business Process Services Beyond Labor Arbitrage** (EGR-2014-1-R-1264); 2014. This report analyzes the market that Everest Group broadly refer to as "Service Delivery Automation" (SDA) with a primary focus on business process services, and specifically on technologies that are currently the most disruptive in the market, namely robotic technologies and artificial intelligence

2. **Insurance BPO Annual Report 2014 – In Volatile Times, Insurers Taking "BPO Cover"** (EGR-2014-11-R-1214); 2014. This report provides an overview of the insurance BPO market, including adoption trends across geographies and insurance segments, key solution characteristics, service provider landscape, and areas of service investments

3. **Insurance BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2014** (EGR-2014-11-R-1289); 2014. This report uses Everest Group's proprietary PEAK Matrix to assess and rate service providers for insurance BPO on their market success and various dimensions of their delivery capabilities. It also highlights the key emerging trends in the insurance BPO market and the key implications for buyers and service providers

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