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WHITE PAPER

8 Things an Insurance COO must know about Robotic Process Automation (RPA)

SUMMARY

Analysts predict that disruptive technologies like Robotic Process Automation, or RPA, could potentially automate the work of 110-140 million FTEs (Full Time Equivalent) by 2025.[1]

RPA is a new breed of technology that promises great potential and benefits for insurers, but a correspondingly high risk of failure if not implemented effectively. The success of any RPA initiative depends on the depth, detail and feasibility of its implementation plan and the commitment of the organization towards its timely execution.

This paper summarizes eight things an Insurance COO must know about RPA – a technology completely different than others to date.

1. Implementing Robotic Process Automation (RPA) is different.

Robotic Process Automation (RPA) mimics the work of humans at the user interface level, not at the Application Programming Interface (API) level, so an RPA initiative is like hiring, training and operating a new virtual workforce. An RPA "robot" can be trained to capture and interpret data for processing a transaction, manipulate data, trigger a response within an application and communicate with other systems.

Most technologies, like imaging, workflow, case management and Business Process Management (BPM) create value, but do not replace repetitive activities performed by a human worker. This makes RPA unique.

Because an RPA initiative creates a new 'virtual workforce' that exists within both IT and Operations, this is quite different from a conventional automation initiative where IT operates the 'system' and Operations is responsible for the 'human worker' management and productivity.

An RPA project is non-disruptive and delivers results in weeks, rather than months, unlike most other IT related projects. Therefore, an RPA initiative delivers differentiated value and needs to be understood, planned and executed differently to yield optimal results.

2. Insurance Operations are Ideal for RPA

An RPA robot, or simply bot, can 'read' from a source document or application, 'apply business rules' and then 'perform' an action on a computer exactly like a user.

There are multitudes of manual and repetitive activities that happen across the lifecycle of an insurance contract – from new business, underwriting, issuance, servicing and claims – processes that are a perfect fit for RPA.

Even in complex cases of underwriting, tremendous efficiency can be gained by automating the repetitive, mechanical tasks that an underwriter has to do, freeing the employee for more complex tasks. Such mechanical tasks can include searching multiple systems, fetching records related to policies and past claims, and opening documents from multiple locations. This can significantly improve the user experience and productivity of the underwriter and generate additional capacity that can be leveraged for more productive and creative purposes.

3. RPA can Improve Insurance Operations Efficiency

Due to increased competition from online or insurance technology competitors and rising costs, insurers must improve operating efficiency and reduce operating costs. An insurer can enjoy up to a 150% cost advantage over competitors by optimizing efficiency across marketing, sales, back office operations, IT, and other support functions.[2]
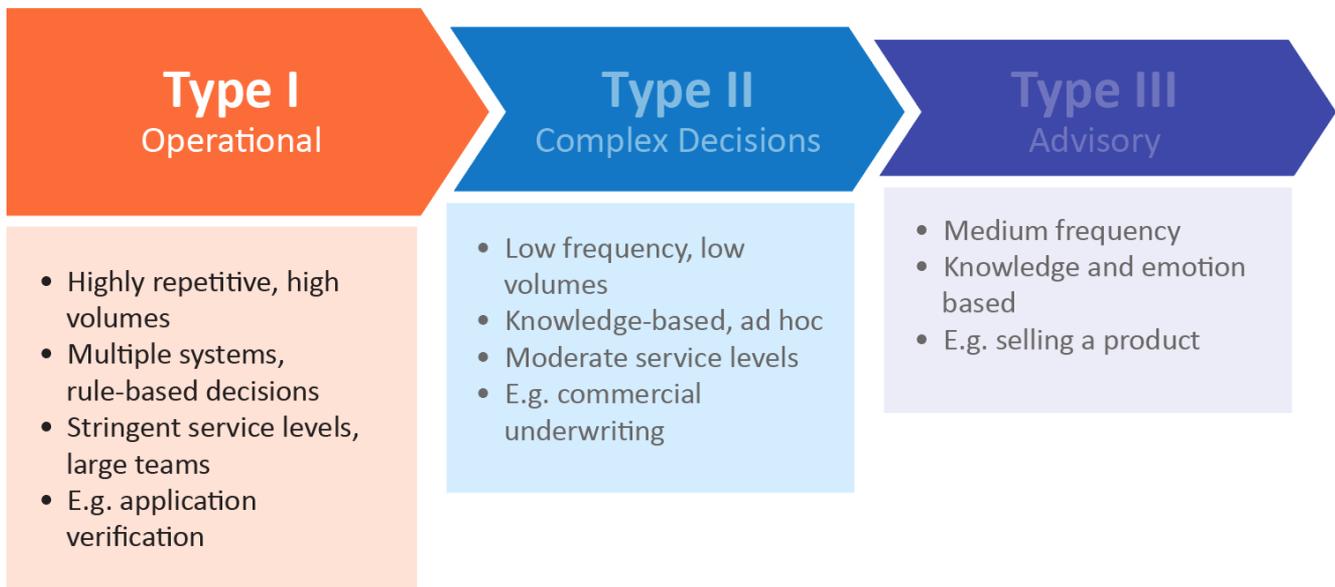

Operational Efficiency for Insurers

RPA outperforms other possible initiatives for speed of implementation and low disruption to the business. Insurers who embrace RPA will reap business benefits and a competitive advantage, while those that delay may struggle as this new way of doing business evolves.[3]
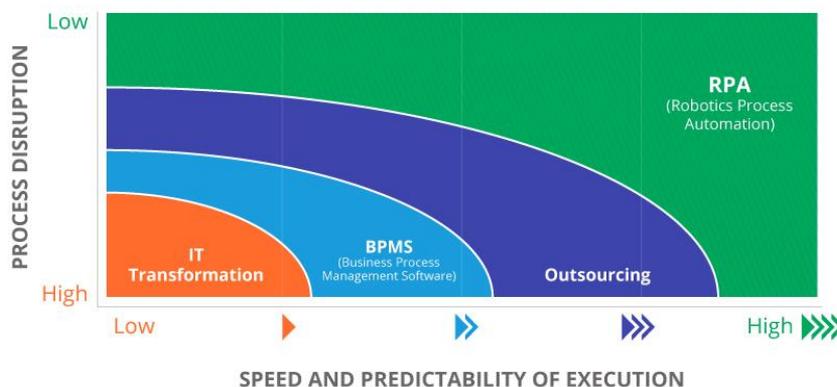
4. Automate Type I Processes First: Improve Service Levels, Eliminate Backlogs

RPA can automate or augment most operational processes, but to prioritize and validate the benefits of RPA in your organization, consider Type I processes, or those that are high volume repetitive tasks, first. Plenty of these processes exist in Insurance across Life, Annuity, Health, Property and Casualty.

Type I — Operational	Type II — Complex Decisions	Type III — Advisory
• Highly repetitive, high volumes • Multiple systems, rule-based decisions • Stringent service levels, large teams • E.g. application verification	• Low frequency, low volumes • Knowledge-based, ad hoc • Moderate service levels • E.g. commercial underwriting	• Medium frequency • Knowledge and emotion based • E.g. selling a product

These Type I processes typically align with customer service and directly impact policyholders, such as average turnaround time for a claim. Automating repetitive mechanical work performed by a significant number of workers has the potential to eliminate daily backlogs all year round.

5. Define Metrics to Measure Benefits

RPA can improve efficiency, reduce costs, and improve customer service, but before starting any RPA initiative, clear metrics should be defined. Identify the work functions to be automated, the current state processing levels and target future state efficiency goals. The following is a sample set of parameters to be considered for each work step of the process and potential Full Time Equivalent (FTE) savings:

Current State	Work Step Parameters	Future State	% Change
3 minutes	Average processing time	15 seconds	-90%
3 days	Average waiting time	0 day	-100%
97%	Average quality (%cases without error)	100%	3%

An RPA bot can operate 24 hours a day, 7 days a week, year round. This provides the opportunity to increase productivity for your operations and enable your employees to focus on more strategic and creative tasks, as outlined by Leslie Willcocks, Professor of Technology & Globalization, London School of Economics in "Take the Robot Out of the Human."

6. Consider Forming an RPA Office & Methodology

RPA is a different breed of technology in terms of how it needs to be adopted by Operations and the business value it delivers. With RPA, Operations can lead from business case inception through ongoing operations. Establishing an RPA Office (RPO) enables a COO to work across the enterprise and multiple stakeholders, and to be responsible for the RPA business case and the realization of the RPA implementation benefits.

The RPA office is a key factor for successful implementations.
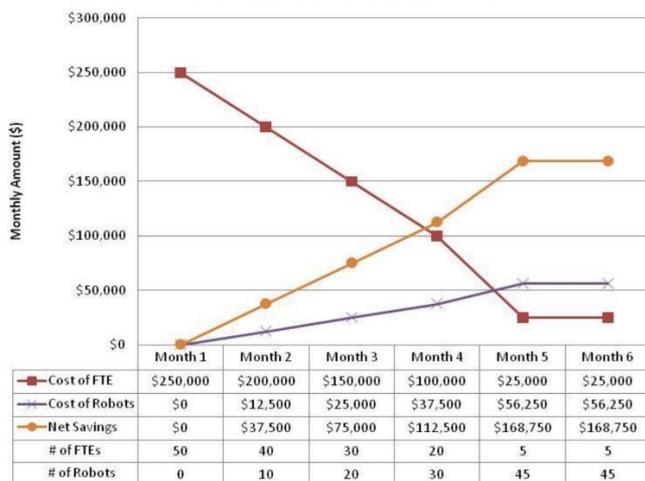
The RPA Office:
- Comprises **Projects, Process, RPA, Systems and Change Specialists**
- **Works closely with Operations, IT and Transformation** teams
- **Creates standards/** procedures and provides **governance** across all matters, from **technology, operations, service levels & benefit realization**

Insurers that have implemented RPA in silos led solely by their IT teams without Operations playing an active role, may experience difficulty in clearly identifying the benefits that RPA is delivering. An RPA Office and a well RPA defined methodology will help your organization to reap the benefits of RPA.

7. An RPA Implementation can be Self-Funded from OPEX Savings

RPA is not an IT or a business transformation project, but both, and should be treated differently when cost modeling the implementation. The near immediate savings derived from an RPA initiative can be used to fund other operations modernization programs.

FTE Savings fund the RPA Costs

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Cost of FTE	$250,000	$200,000	$150,000	$100,000	$25,000	$25,000
Cost of Robots	$0	$12,500	$25,000	$37,500	$56,250	$56,250
Net Savings	$0	$37,500	$75,000	$112,500	$168,750	$168,750
# of FTEs	50	40	30	20	5	5
# of Robots	0	10	20	30	45	45

The above is a sample representative graph, actual will depend on a number of factors such as the type of systems, operations, locations and others.

Immediate savings from RPA:
- **No initial project funding required**
  - You are hiring virtual workers

- **Self-funding from OPEX savings**
  - Monthly fee incurred on virtual workers

- **Significant savings**
  - That can fund other transformation programs

- **Operational risks to be minimized**
  - Parallel run, phased rollout

8. Getting Started with RPA

The risks are low and the potential benefits great for those that are early adopters of RPA. As a first step, meet with your head of claims or new business to identify a promising use case for a pilot. For example, consider processes where a large number of users perform manual repetitive activities such as verifying or updating information across two or more systems as part of the First Notice Of Loss (FNOL) process or new business application process.

Conclusion

From a COO perspective, it is important to ensure that any technology is deployed effectively in order to deliver its full benefit to business operations in the most non-disruptive manner and at lowest possible cost. In order to be successful, it is critical to ensure that the organization is appropriately structured before any technology is introduced.

As RPA encompasses both IT and Operations and is a new and different technology from others, a dedicated team of experts is needed to ensure that the right use cases are identified, automated and deployed and that RPA benefits are delivered and tracked while keeping all stakeholders aligned.

VirtusaPolaris has extensive experience in automating large operations for many global insurers. Our clients leverage our deep industry domain process and operations expertise, along with our consulting and technology systems integration experience, to drive operational efficiencies and gain competitive advantage within their respective markets.

References:

[1] McKinsey Global Institute. "Disruptive technologies: Advances that will transform life, business, and the global economy." May 2013. Print July 2014.

[2] McKinsey Quarterly. "What drives insurance operating costs?". July 2015.

[3] Deloitte Development. "Automate this- The business leader's guide to robotic and intelligent automation". 2015.

About VirtusaPolaris

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