

SAPIENS

Insurance and the Case for the Cloud



Cloud services have revolutionised the way insurance businesses and customers access and utilize computing resources. Around 10 years ago, companies like Amazon and Salesforce played a significant role in shaping the cloud computing landscape and laid the basis for the case for migrating insurance systems into the cloud.

From the outset, the launch of the cloud computing marked a pivotal moment in the history of the evolution and perception of computing. Companies were, for the first time in position to be able to offer a suite of infrastructure services that provided on-demand access to computing power, storage, and other resources over the internet. This shift from traditional on-premise infrastructure to cloud-based services was a gamechanger for businesses of all sizes.

The success of AWS inspired other companies to follow suit, leading to the growth of today's robust cloud services market. Today, cloud computing has become an integral part of the insurance IT landscape, with various providers offering a wide range of services to cater to different needs. Companies can now build, deploy, and scale applications more efficiently and cost-effectively.

What are the top 5 benefits of the cloud for insurers?

Below are the five principal elements Sapiens has observed that are driving cloud adoption.



Cost reduction: Cloud computing eliminates the need for upfront hardware and infrastructure investment. Smaller insurance companies or MGAs can access enterprise grade technology, no matter the size, and that is a strong hidden component of cloud computing. The cost of the cloud across the board, versus creating a whole environment from scratch, can be game-changing.



Scalability: Cloud platforms allow you to scale the resource up and down based on current needs. Computing power storage can easily be added and users only pay for what is used.



Data for insights analytics: Cloud computing enables businesses to collect, store, and analyse vast amounts of data, more than ever before. Cloud-based analytics tools and machine learning services offer new powerful capabilities for driving insights across the business.



Availability: Today, everything is real time and digitised. Any downtime costs are significant in terms of customers wanting to buy online or to file claims for example. Multi-backup systems, disaster recovery measures and security are all infrastructure that sit behind the cloud. Cloud providers are investing more than any other organisation in the world in security measures to protect the customer data that they hold.



Business continuity: cloud adoption enables access to the latest features, performance improvements and security enhancements, without the need to manage large upgrade programs. No more upgrades, ever. The cloud enables insurers to have a constant flow of innovation, new features and functions, without going through massive migration programs.

The challenges of the cloud

The cloud provider manages the hardware, software, security updates and maintenance of the system. A lack of visibility can be a concern for organisations, particularly those with specific regulatory or compliance requirements like the insurance industry. Insurers must trust a third-party provider with all their sensitive information. This means that for insurers, choosing a cloud provider and a third-party provider is a huge decision that cannot be taken lightly and requires planning and research. Nevertheless, there is good news which is that cloud providers want to be partners with insurers. They are keen to showcase their technology and their toolkits, and how they can be applied for the benefit of their customers and the business itself.

The impact of the cloud on insurance

Insurance companies and customers now assume that the cloud exists. Any new business software or provision will be cloud delivered. Real-time seamless services that were on paper are now seamlessly delivered from the cloud. The true impact of the cloud on insurance is a future where the technology stack of an insurance company may no longer be a competitive advantage. Organisations must rely on the role and skill of the network of services available. Companies need to integrate third-party technology available in the insurtech environment and convert that into consumer or end customer value.

In the current environment, technology can teach insurers the art of the possible. The cloud is creating space for organisations to create a vision for taking technology to a new level.

The future of the cloud

For most insurers the future is hybrid; with a mix of legacy, on-premise specific services or technology systems designed for specific services combined with new cloud-based deployments. One of the issues is that there are many data and application silos. An issue that has emerged over time and can be one of the main headaches in migrating systems to the cloud is identifying what these numerous applications do, let alone begin consolidating them towards a cloud-based framework.

One of the principal architectures insurers need to be aware of is called data fabric. Rather similar to a net that goes across many multiple systems and data lakes to integrate and connect many of those silos, data fabric has multiple data points, linear services, traditional analytics and BI tools. Linked to that is the use of AI to understand what's being used. AI must be integrated into machine learning capacities to enable the business to harness the potential of that data and analytics.

The key to a successful migration can centre around how imperative it is to gain an in-depth understanding of these massive unstructured data sets where there is no metadata or historical information and to understand where and how to use it better. At its foundation, insurance is a massive consumer of compliant data and insurers need to figure out how to use the data better. By using the full potential of the cloud, they can reduce cost, risk, and the need for complex development, while simultaneously delivering more streamlined and real-time experiences for their customers. The cloud can accelerate and enable this understanding.

Insurers throughout the industry are headed in the direction of the cloud. For the numerous reasons we have outlined above, this is a complex area but one that offers significant rewards once achieved. To be successful insurers of every type and size want a software company, like Sapiens, to provide the technology, the tech stack, the cloud partner and the managed services. Ultimately, this allows the insurance companies to be hands-off and the focus is not on the technology stack itself but on the service and the solution. CTOs are eager to establish the true value of delivery for the business, to achieve compliance and do the right thing for their customers, especially in terms of data management and trusting providers with the tech stack and the managed cloud services. Ideally, they should not have to be focused on the management and maintenance of a self-hosted hybrid or spaghetti-bowl mix of environments.

Weaving these things together, cloud enables it all: the data fabric, the delivery, the security, the compliance and the reliability. Insurers are able to harness the power of the cloud and pass this service along to their customers. The case for the cloud is really very clear, and your organisation's future within the cloud is only as broad as your imagination.



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Graham has over 20 years of broad experience in different roles in the business arena, including sales support and enablement strategy marketing. Prior to Sapiens, he was at LexisNexis Risk on the data product side of their business and is a graduate of Cambridge University's executive MBA program.

About Sapiens

Sapiens International Corporation (NASDAQ and TASE: SPNS) is a global leader in intelligent insurance software solutions. With Sapiens' robust platform, customer-driven partnerships, and rich ecosystem, insurers are empowered to future-proof their organizations with operational excellence in a rapidly changing marketplace. We help insurers harness the power of AI and advanced automation to support core solutions for property and casualty, workers' compensation, and life insurance, including reinsurance, financial & compliance, data & analytics, digital, and decision management. Sapiens boasts a longtime global presence, serving over 600 customers in more than 30 countries with its innovative SaaS offerings. Recognized by industry experts and selected for the Microsoft Top 100 Partner program, Sapiens is committed to partnering with our customers for their entire transformation journey and is continuously innovating to ensure their success.

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