

The Deloitte logo is positioned in the top left corner. It features the word "Deloitte" in a bold, white, sans-serif font, followed by a small green dot. The background of the slide is a dark teal color with a large, abstract graphic of concentric, glowing circles in shades of blue and green, creating a sense of depth and movement.

Deloitte.

Zero Operations

Transforming insurance
productivity for tomorrow

2024

Zero Operations: Transforming insurance productivity for tomorrow

In 2024, many insurance leaders confront the daunting task of navigating a complex landscape characterised by evolving customer expectations, tighter regulatory demands, and increasing competition, all amid the relentless imperative to achieve cost savings. Compounding these challenges, the ongoing disruption from emerging technologies, new competitors, and innovative ways of conducting business compels New Zealand insurers to transform how they operate, with a focus on becoming more agile and efficient.

An emerging practice gaining traction in this context is the move towards "Zero Operations" (Zero Ops) — a vision of eliminating non-essential operational processes, overheads, and manual tasks to effectively zero or as close to zero as practicable. Zero Ops leverages process excellence disciplines and intelligent automation tools to streamline and enhance routine tasks, complex operations as well as key customer interactions. Through Zero Ops, organisations can eliminate human error, enhance productivity, and reduce costs; effectively transforming end-to-end value chains to deliver unparalleled customer service.

In essence, Zero Ops isn't entirely a new concept: it's a modern take on the timeless quest for operational excellence. But the stakes are much higher today. With revolutionary technologies like AI at our fingertips, insurers should not settle for incremental gains, but set their sights for transformative breakthroughs. The choice to commit to Zero Ops today will define industry leaders in the decades to come as we step into the future of insurance driven by unprecedented demand for agility and efficiency. Many insurance leaders already recognise the potential of Zero Ops to get ahead but doing it right requires a strategic, structured, and purposeful execution for optimal outcomes.

Our proposed approach to Zero Ops comprises of three steps:

- 1) Focus on value**
Define targeted business outcomes and identify high-impact processes across the value chains to maximise value delivery.
- 2) Organise to deliver**
Establish a clear plan for implementation and organisational change management.
- 3) Tailor for success**
Determine and apply the optimal blend of human, process improvement and automation tools.

1

Strategy and identification

Focus on value

2

Implementation roadmap and organisational planning

Organise to deliver

3

Zero Ops levers

Tailor for success



Human resource

Evaluate where human involvement should be preserved.



Process optimisation

Eliminate, simplify, standardise, and re-engineer end-to-end processes to ensure optimisation before automation.



RPA

Automate repetitive tasks, reduce errors, and optimise efficiency using software bots.

Use cases: claim form processing, application handling, quote production, document generation



Traditional AI

Advanced data analysis through deep learning, natural language processing, and predictive modelling.

Use cases: Risk assessments, fraud detection, underwriting



Generative AI

Natural Language Generation, summarisation, and content generation.

Use cases: Automated customer support, compliance reporting, personalised marketing content, automated insurance advice.

← END - TO - END VALUE CHAIN →

1. Focus on value

Zero Ops goes beyond merely implementing automation technologies; it's about strategically using technology to achieve specific business outcomes aligned with the insurer's overarching strategies.

Embracing Zero Ops requires viewing it as a comprehensive business transformation, where every technology investment and target process selection coherently serves a clear purpose that contributes to the insurer's strategic priorities. Such strategic approach shifts the focus from fragmented improvements to a powerful, unified impact, catalysing exponential returns on investment. To fully harness the potential of Zero Ops, it's important to adopt a strategic mindset from the outset when identifying and prioritising process improvement opportunities with the greatest impact.

For instance, an insurer aiming to enhance customer experience should start by investigating pain points in customer onboarding, multi-channel support, and personalised digital insurance services. Likewise, an insurer emphasising risk and compliance will benefit most

from scrutinising processes around claims monitoring and customer due diligence.

To identify the areas of greatest value that align with strategic objectives, insurers should leverage operational data for deeper insights into their value chains. Process mining is changing the game in this space, offering a modernised, data-driven approach to uncovering process optimisation opportunities that traditional manual mapping approaches might overlook.¹

While optimisation and automation opportunities inevitably vary across insurers, our analysis has pinpointed high-impact process areas where New Zealand insurers stand to gain significant benefits from implementing AI and intelligent automation.

¹Deploying process mining successfully – our proven approach:
<https://www2.deloitte.com/ch/en/pages/strategy-operations/articles/deploying-process-mining.html>

CASE STUDY



Transitioning to net-zero emissions through innovative AI solutions

Business Challenges

The client sought to align its underwriting and reinsurance portfolio with the goal of achieving net-zero greenhouse gas emissions by 2050, reflecting both community expectations and a resilient future outlook. To assess the sustainability profile of their customer base, the client aimed to gather data on revenue, emissions, and net-zero commitments. However, traditional data analysis methods posed several obstacles: they were time-consuming, resource-intensive, and incurred high operational costs.

Approach

We took a phased approach using Deloitte's GenAI framework to address the client's needs. The project began with a proof of concept (POC) using Azure OpenAI (GPT4) to develop the solution. This involved designing 84 structured queries to gather comprehensive sustainability information from the client's customer base. We used a variety of data sources, including public reports, websites, and APIs. To overcome the limitations of the AI model, we employed techniques to ensure more accurate and timely results.

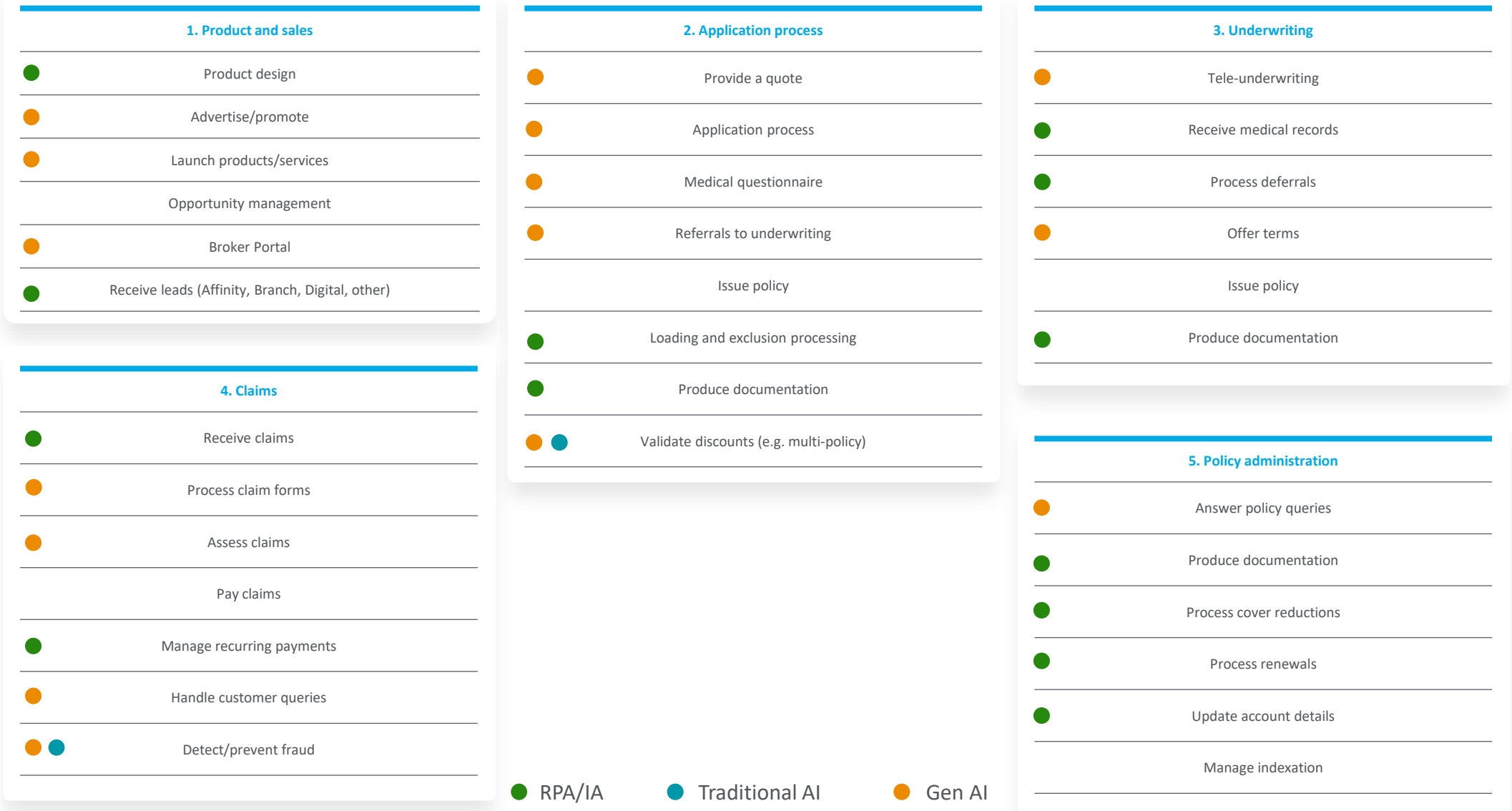
Delivered Solution and Impact

The delivered solution not only streamlined the process of determining sustainability profiles but also aligned with the client's strategic direction of transitioning to net-zero greenhouse gas emissions. The project resulted in a substantial 65% reduction in process time and a 75% reduction in the resources required, thus significantly contributing to the client's commitment to achieving its environmental sustainability goals. Additionally, the establishment of an experimental environment on Microsoft Azure and the development of a reusable architecture have positioned the client for future innovative solutions while ensuring compliance with organisational policies.

Core Insurance Functions	Marketing and Communications	Finance and Accounting
Audit, Risk and Compliance	IT and Operations	Human Resource

High impact areas: Core Insurance Functions

This is an illustrative view and may differ according to an insurer's specific operational context. Refer to the Appendix for the complete catalogue of high impact areas across insurance functions.



● RPA/IA ● Traditional AI ● Gen AI

2. Organise to deliver

A successful transition to Zero Ops relies on a clear and comprehensive plan to coordinate the various organisational changes and mindset shifts necessary for a smooth transition.

A successful transition to Zero Ops relies on a clear and comprehensive implementation plan. However, this transformative journey requires a plan that does more than just guide the implementation; it must also coordinate the various organisational changes and mindset shifts necessary for a smooth transition. This approach is key to ensuring the long-term sustainability and effectiveness of the benefits realised.

Strategic workforce optimisation is a vital component of your Zero Ops plan. It involves capability planning for the reallocation of resources affected by automation and maximising the use of time saved by employees. Effectively integrating reskilling and redeployment into your Zero Ops

plan is key to fully utilising the anticipated increase in workforce capacity. It's important to embed training and retraining from the beginning of the roadmap design, rather than treating it as an afterthought following implementation.

CASE STUDY



Enhancing customer experience through AI

IAG, the largest general insurer in Australia and New Zealand, exemplifies how large incumbent organisations in regulated industries can enhance customer experiences through AI automation as part of their Zero-Ops journey.

Challenge

IAG aimed to improve customer experience by addressing significant challenges based on claims volume. Through a portfolio assessment, the insurer identified total loss claims management in automotive insurance to be a priority area, contributing to 10-15% of its annual claims. Historically, this had involved a manual process, leading to extended resolution times, increased operational costs and customer dissatisfaction.

Approach

A customer-centric review of the claims process, focusing on the impact on customers' lives and engagement pain points was undertaken, revealing AI as the optimal solution.

The existing process had relied on customers lodging a claim over the phone or online, followed by a manual assessment dependent on human inspection and analysis. If the assessment determined that the claim was a total loss, it was manually triaged and sent to the total loss team who calculated the value of the offer sent to customers.

To address this, IAG initiated an AI pilot to re-design the claims process by predicting the total loss outcomes post-accident and fast-track prioritised cases. This system not only predicted outcomes with over 90% accuracy but also automated notifications and document requests to the customers, advising them of the possible total loss outcome and setting up the appropriate touchpoints from the start of the customer journey. Digitisation of the process allowed customers for an option to settle claims online, reducing reliance on call centres while automated system rules were used to send triggers to customer claim consultants during key moments where human interaction was likely required.

Outcome

The initiative significantly improved the claims process, reducing resolution times by up to 1.5 weeks and increasing trial participant NPS by 10%. This success marks the beginning of IAG's AI adoption journey towards Zero Operations. Other insurers can learn from IAG's strategic application of AI and human-centred design to transform customer interactions and streamline operations, setting a precedent for leveraging emerging technologies in competitive and regulated markets.

3. Tailor for success

Zero Ops is an ideal target state, with many different routes to get there. In the pursuit of Zero Ops, insurers must determine the optimal blend of levers, including human resources, process redesign, and automation technologies:



Human: Zero Ops isn't about removing all human involvement entirely; it's about being judicious in integrating technology to boost efficiency without losing the human touch where it matters most. Consider how your customers' preferences often vary with context: they may favour speed and convenience for routine transactional services, yet still prefer direct human interaction when it comes to more nuanced and complex needs like financial advice.



Process optimisation: A common pitfall we observe with organisations embarking on their Zero Ops journeys is the assumption that automation alone can magically fix fundamentally flawed processes.

Insurers should prioritise simplifying, standardising, and redesigning processes to ensure they're running at peak efficiency before introducing automation. It's important to optimise these processes on the outset, as automating an imperfect process only magnifies its inefficiencies.

Automation: Another common pitfall is the one-size-fits-all application of automation technology to all processes without assessing their feasibility or suitability. Instead, insurers should adopt a 'portfolio' approach that leverages a suite of automation technologies such as:



Robotic Process Automation (RPA) for automating routine tasks, streamlining operations like application processing, claim form data entry, and routing customer correspondence.



Traditional AI for in-depth analysis and decision-making in key areas such as loading and exclusion underwriting, personalised customer experiences and targeted marketing strategies



Generative AI supported content creation, summarisation, Natural Language Generation, to automate customer service, compliance reporting, product design, and providing tailored marketing and financial advice.

USE CASES



Application of automation technologies in fraud

Insurers can now swiftly and accurately detect fraud by employing various automation technologies tailored to different parts of the value chain and specific uses. This not only reduces annual fraud losses but also improves the customer experience in fraud resolution:

We have recently supported an organisation in incorporating RPA into its onboarding processes. This automated routine tasks, shortening the onboarding process and freeing up specialists to focus on more complex activities.

At the more sophisticated end of the spectrum of automation technologies, insurers are pioneering transformative fraud detection methodologies that surpass basic task automation. By integrating insurance fraud analytics powered by AI and ML, they can detect suspicious activities in real-time, predicting potential fraudulent actions from historical data patterns.

This approach not only identifies issues that might be missed by traditional engines or manual reviews but also minimises false positives, leading to decreased compliance costs.

Zero-ops implementation will vary across insurers, each shaped by its unique context. It is important to understand your current state and develop a winning formula of levers aligned to your business strategy and operating model.

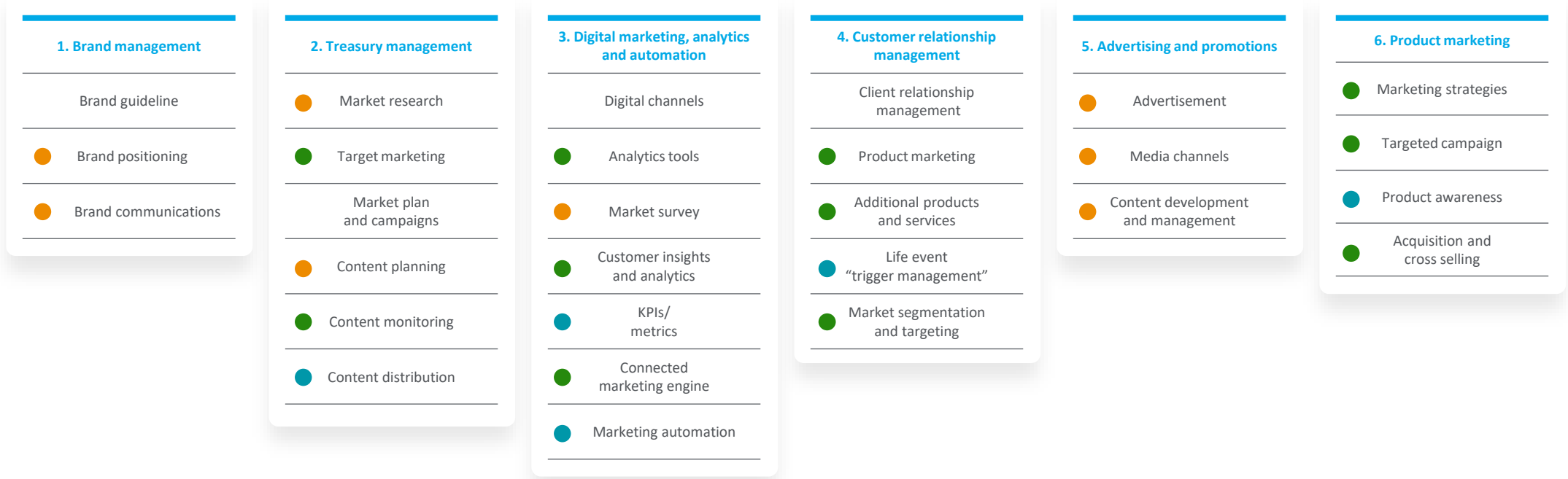
The background features a dark teal gradient with several glowing, concentric circular patterns. A bright yellow and cyan ring is prominent in the center-right, surrounded by other translucent rings. A sharp lens flare is visible in the upper-left corner.

Appendix

Core Insurance Functions	Marketing and Communications	Finance and Accounting
Audit, Risk and Compliance	IT and Operations	Human Resource

High impact areas: Marketing and communications (Marcomms)

This is an illustrative view and may differ according to an insurer's specific operational context

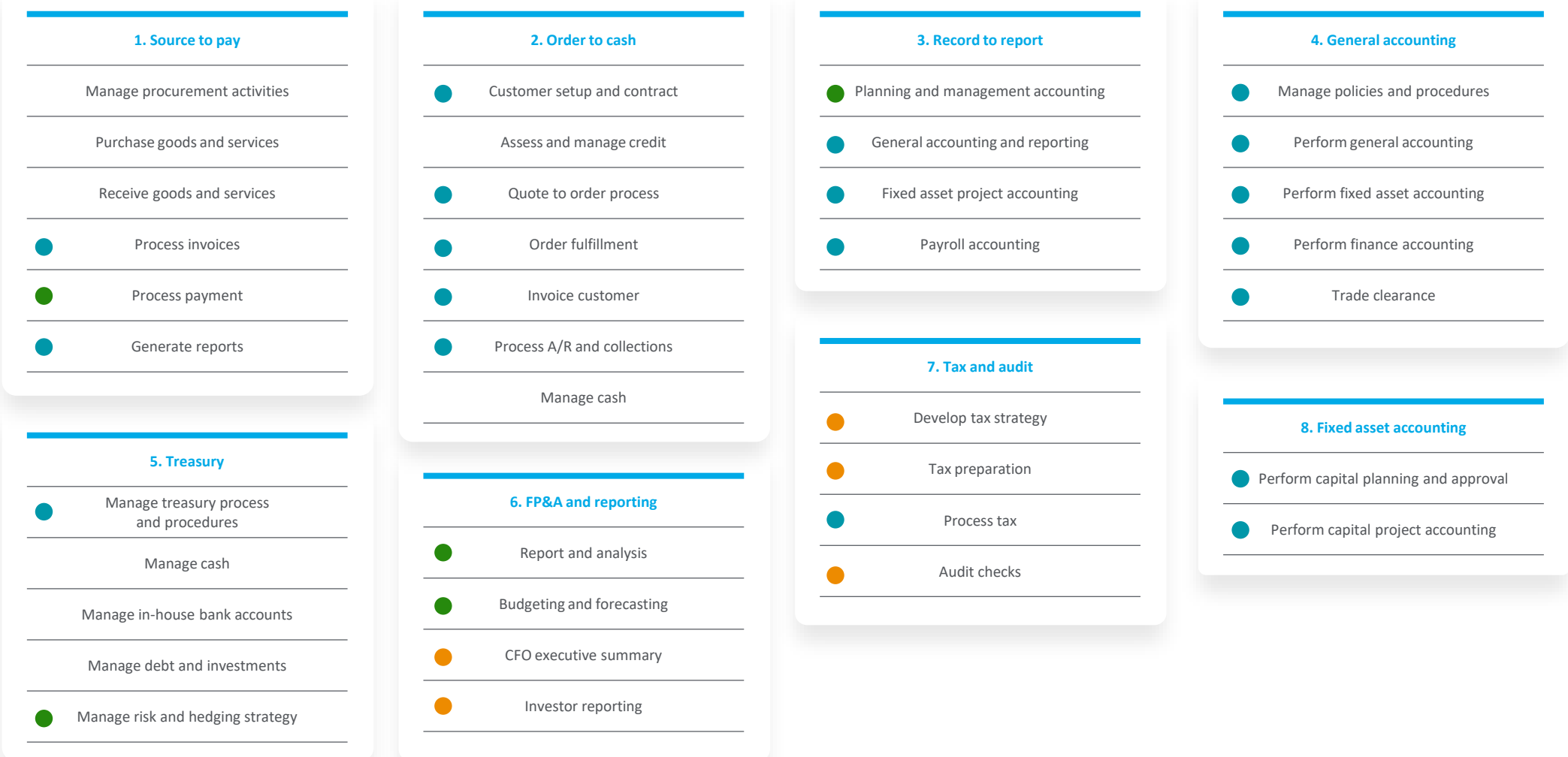


● RPA/IA ● Traditional AI ● Gen AI

Core Insurance Functions	Marketing and Communications	Finance and Accounting
Audit, Risk and Compliance	IT and Operations	Human Resource

High impact areas: Finance and accounting

This is an illustrative view and may differ according to an insurer's specific operational context

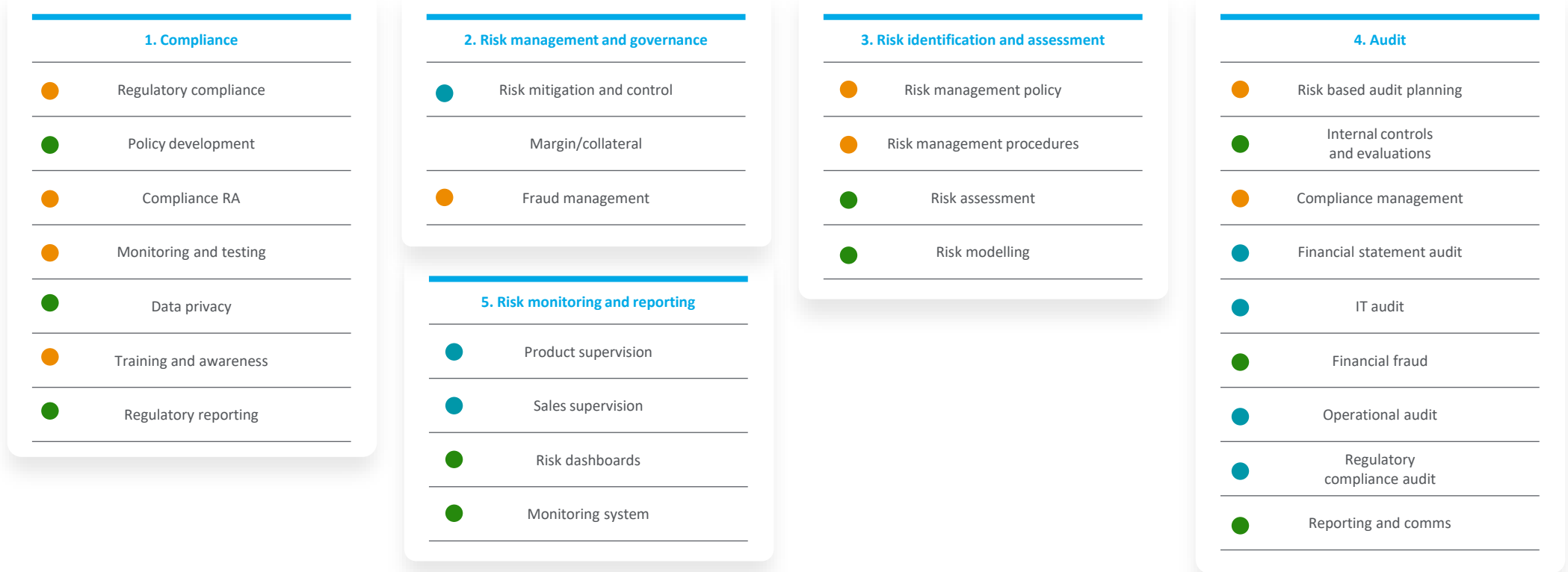


● RPA/IA ● Traditional AI ● Gen AI

Core Insurance Functions	Marketing and Communications	Finance and Accounting
Audit, Risk and Compliance	IT and Operations	Human Resource

High impact areas: Audit, risk and compliance

This is an illustrative view and may differ according to an insurer's specific operational context

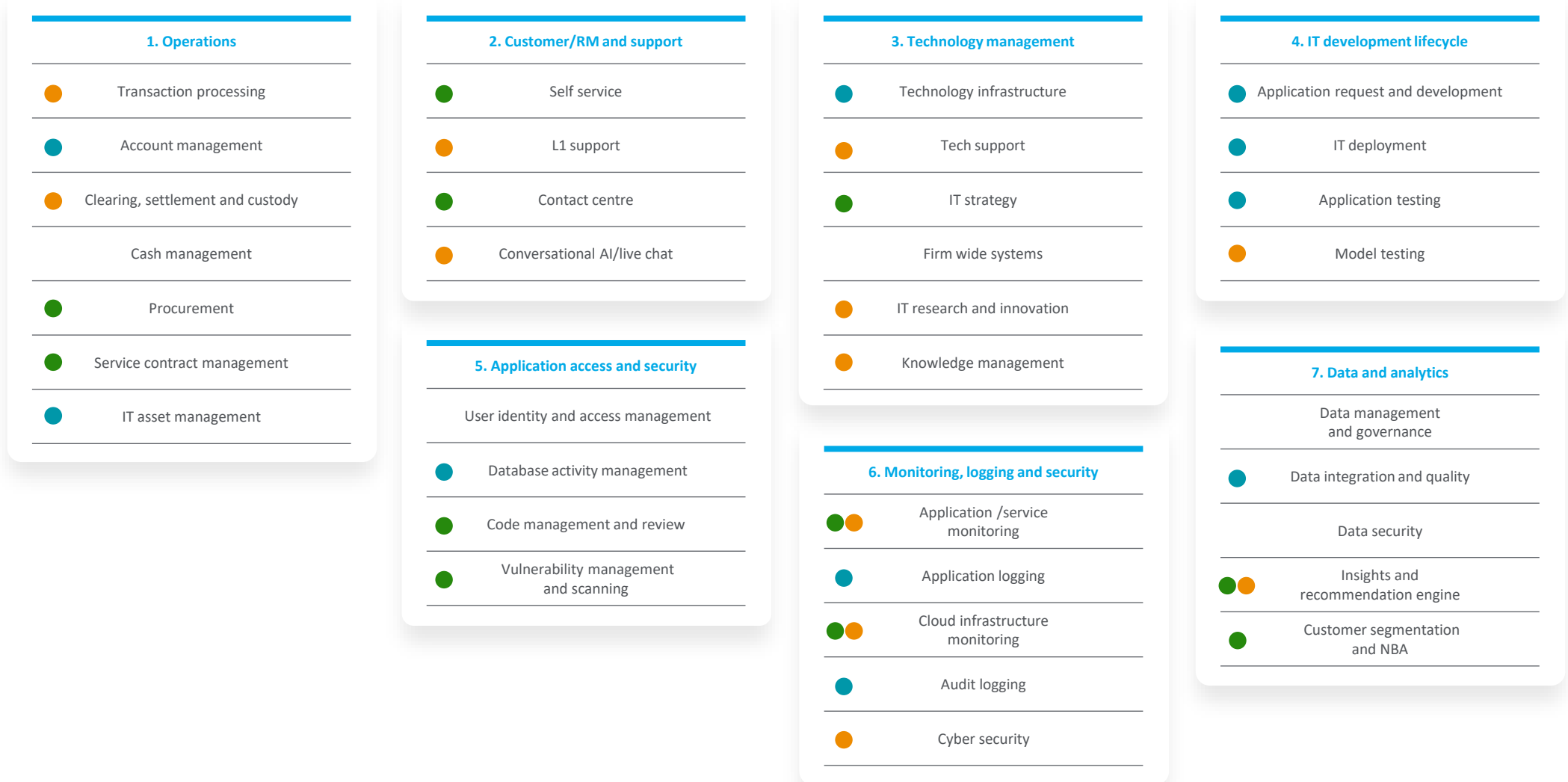


● RPA/IA ● Traditional AI ● Gen AI

Core Insurance Functions	Marketing and Communications	Finance and Accounting
Audit, Risk and Compliance	IT and Operations	Human Resource

High impact areas: IT and operations

This is an illustrative view and may differ according to an insurer's specific operational context

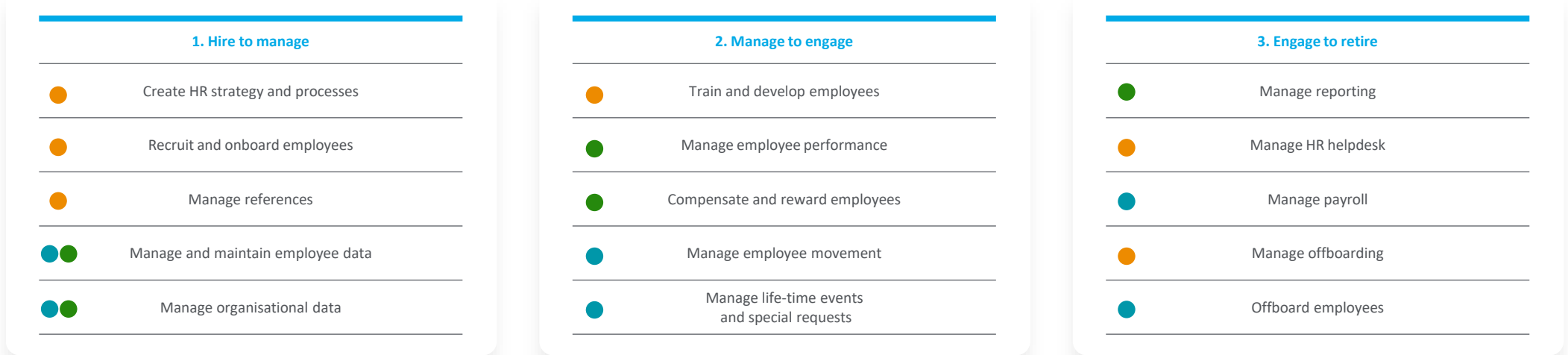


● RPA/IA ● Traditional AI ● Gen AI

Core Insurance Functions	Marketing and Communications	Finance and Accounting
Audit, Risk and Compliance	IT and Operations	Human Resource

High impact areas: Human resources

This is an illustrative view and may differ according to an insurer's specific operational context



● RPA/IA ● Traditional AI ● Gen AI

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