

Why insurers should
migrate to the cloud
and how to do it
successfully



Building a better
working world



Cloud migration for insurers transforms the service experience for customers and agents, streamlining every aspect of the insurance value chain.

The cloud has emerged as one of the most powerful and transformative technologies of the 21st century. Growing adoption rates in insurance and other sectors reflect the compelling value proposition, but not all cloud investments deliver optimal performance and financial returns.

When designed properly, cloud environments can significantly reduce computing costs, a big benefit in a time of economic uncertainty. But not every property and casualty (P&C) insurer has unleashed the innovative business capabilities enabled by advanced cloud environments, such as Guidewire Cloud, which offers all the power of the Guidewire InsuranceSuite in a software-as-a-service (SaaS) model. In many cases, a subpar approach to cloud implementation and migration limits results.

For insurers contending with proliferating risks, rising customer interest in new types of services, the growth of ecosystems and alternative distribution channels, and intensifying competition from tech-savvy players, Guidewire Cloud's ability to deliver innovation quickly and at scale is a primary attraction.

The cloud's value comes more from increasing performance and less from reducing operational costs. After all, the highest cost of legacy systems isn't necessarily maintenance fees, but rather the restrictions on the ability of the business to innovate. For most insurers, the most important question becomes not whether to migrate core applications and processes to the cloud, but rather how to do it most effectively and efficiently in support of core business objectives.





Chapter 1

Guidewire: redefining what's possible in the cloud

In a fast-paced market, cloud computing is vital for achieving the operational agility necessary to maintain a competitive edge.

Market realities are forcing insurers to move faster than ever before. Keeping up with the accelerated pace of change is often necessary just to retain current levels of market share and financial performance.

At the same time, new competition from InsurTechs, big tech companies and other nontraditional players, coupled with rising customer expectations for new offerings (such as risk prevention services) and personalized experiences, demand continuous innovation. Carriers can't afford to release one new product every year or two, but rather must look to quickly develop, test and launch multiple new offerings every year, and create modular features that customers can add on an on-demand basis.

Such operational agility is more readily achieved in cloud environments than on tech infrastructure built on traditional, on-premises platforms. In fact, multiple carriers on the Guidewire platform have grown accustomed to spinning up prototypes within entirely new lines of business in a matter of weeks.

Faster and easier connectivity and integration with ecosystem partners is another priority for many insurers. Guidewire Cloud offers microservices and application programming interfaces for secure data sharing, document production, claims and payments handling,

and other important functions across the insurance value chain. It also provides access to a marketplace of more than 200 targeted digital services and apps and links to high-value, third-party data sources.

Such benefits can be realized beyond underwriting and product development. Cloud platforms can transform the service experience for customers, as well as agents, and streamline every aspect of the insurance value chain, from policy quoting and issuance, to billing and payments, and claims functions, such as fraud detection and litigation and partner management. One distinct advantage of cloud platforms is the built-in scalability, resiliency, security and high availability to meet operational needs when demand spikes, such as during catastrophic events.

Scaling innovation is just as important as launching quickly, and the cloud offers clear advantages in this area. Specifically, insurers can quickly expand their computing capacity as necessary based on customer uptake of new products. Cloud environments are especially suited to organizations seeking to broaden their application of artificial intelligence, machine learning and predictive analytics throughout their operations to identify and respond to patterns in data by adapting their offerings, pricing and strategy.



Chapter 2

The last upgrade

Joining the cloud is a bold step for an insurance firm. Embrace the last upgrade and discover the value cloud migration can offer.

The technical benefits of the cloud are also substantial, and the business case starts with the elimination of expensive and potentially high-risk upgrades to core systems. Guidewire constantly invests in new capabilities that are automatically available and configured within the cloud platform – with two or even three releases per year, rather than the annual or biannual upgrade cycles for traditional, on-premises software packages. That means business leaders can have faster access to new features and tech leaders can have the assurance that they are operating the latest version of the core software.

Indeed, many industry observers and analysts view cloud migrations as their company's “last upgrade,” because most of the high-cost, high-touch ordeal of updating to the latest versions of software happens in the background, with no disruption to ongoing business operations.

Without having to worry about the financial implications and logistical challenges of the upgrade process, insurers can focus on innovating in ways that make the most sense for their business. No matter their size, geographical footprint, product lines or growth strategies, insurers need to worry less about their underlying technology and invest their energy in finding ways to satisfy their customers, optimize operations and disrupt the competition. That's what it will take to navigate through a turbulent era and execute their growth strategies. Certainly, they help explain the steady growth of cloud adoption over the years.

Preparing the business and organization to seize the value of the cloud

Fully realizing the cloud's substantial benefits requires a thoughtful approach. This is not a simple transition, but rather a profound change for an organization, with impacts felt across multiple dimensions of the business. Operational processes must be refined. Technology infrastructure and data repositories must be optimized. Organizational structures and cultures must be modified to ensure users understand and rapidly adopt the new cloud capabilities. Is it a lot of work? Yes, but the payoff – the ability to take advantage of the unique power of cloud-based business models – more than justifies the effort.

Planning for success

Shifting to a cloud-based environment raises several critical issues. In evaluating platform infrastructure, insurers should assess the financial implications of both technical and nontechnical factors. These include contracts, physical space requirements, initial and ongoing support needs, and the number of user licenses. Financial scenario modeling should also account for the full range of implementation variables, including migration type and speed, disposition, depreciation, reallocation of resources and other factors.

Addressing the technology questions:

The ideal platform solution (e.g., SaaS, cloud-hosted) will vary for different types of business. But project teams must understand the many potential dependencies and their impacts on different services if they are to build out suitable migration plans and implementation roadmaps.

Cloud migrations also require teams to address a range of critical technology issues, including security, risk management and controls, maintenance and support needs, data distribution and data-application integration, cloud data management, and analytics and operational applications.

In assessing current platforms, teams should seek to identify potential barriers in terms of technical capabilities and impediments across network, security, infrastructure and operations. For instance, security and network engineering must be evaluated in terms of events monitoring and alerts mechanisms, end-point protection, and security event response capabilities. There must be sufficient network speed and bandwidth between enterprise systems and Guidewire Cloud.

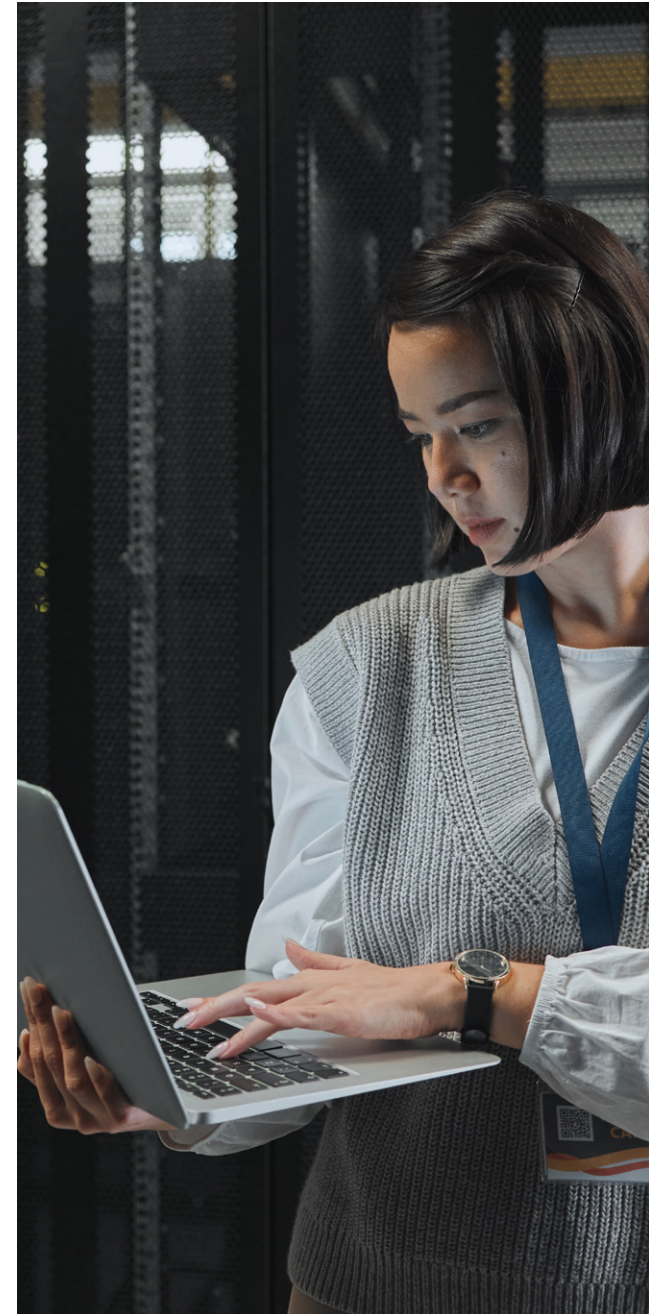
Security and safety measures should be incorporated in the network design and configuration.

Getting people and teams on board:

Developing detailed user journeys can ensure the new cloud platform delivers what every part of the business needs, and that you have targeted plans to help specific roles and teams embrace the new platform. A shift to cloud often requires IT teams to rethink their organizational and service delivery models, considering the lighter-touch support requirements.

New skills may be necessary, too. Certainly, organizations will need to ensure they have access to the right technical skills (e.g., cloud data management and operations, network engineering and security) to ensure a smooth transition. As an example of other skills needed in addition to technical skills, the inherently different contracting and licensing models between on-premises software agreements and the various cloud models (partner- or self-hosted) require different types of procurement and legal support.

The human factors extend beyond having the necessary skills and talent. In our experience, robust organizational change management is the most common hallmark of successful cloud migrations. The first step is to ensure senior leadership is fully aligned on the overall business case and strategic imperative for shifting to the cloud. Functional and line-of-business leaders should understand the implementation approach and its potential impacts on current operations.



Questions to ask for a successful cloud migration:

- ▶ How do we holistically identify the impacts and changes required to operate in a cloud- and SaaS-based environment?
- ▶ Does the business case and ROI modeling account for all the factors that influence outcomes?
- ▶ What skills and capabilities do we need to plan for and execute a smooth transition?
- ▶ Are we culturally ready to have a third party ultimately accountable for our core systems?
- ▶ What are the impacts on our risk management and controls environment?



Business and IT leaders must be prepared for more direct collaboration, too, as Guidewire Cloud offers single, common user interfaces that enable everyone to visualize the changes to be made to products, services and processes. That integration can shorten project timelines, but only if business and IT teams are ready and willing to work together.

It's easy to overlook or underestimate the importance of the mindset shift related to orienting the business around the cloud. Carriers must ensure they are ready for the new ways of working that are best suited to cloud-based businesses. For instance, Agile development methodologies and iterative product development cycles play to the strength of cloud platforms. Some insurers are more experienced with these working styles and collaboration techniques than others. In our experience, it's safe to say that the more agile an organization is, the more they are likely to yield from their cloud investments.

Across the organization, people and teams affected by the shift to the cloud must understand both the why (the business rationale) and the how (the specific impacts on their roles) of the changes to come. Strong training and communications programs can set up employees for success with new ways of working.

Another critical consideration is organizational readiness and ability to partner. Relying on third parties – including Guidewire, its ecosystem of service providers, transformation specialists and systems integrators – can be a jarring shift for some leaders in an industry that has long focused on home-built solutions. Choosing the right implementation and systems integration partner can make or break a transition. Cultural fit, track record and scale are material factors that can influence the success of a program. The right balance of product-specific experience, broad industry knowledge and technical acumen is another critical consideration. The key is to find partners who have deep product knowledge and are skilled as well in all aspects of the cloud, including migration and ongoing operations, and have the organizational, process and technology expertise to increase the likelihood of success.



Chapter 3

The bottom line: making the most of the cloud

When insurers adopt the right platform and tools, cloud migration can upgrade not only technology, but processes and employee experience.

Given the megatrends reshaping the industry, we believe the cloud has become a foundational element of successful growth and innovation strategies. Most insurers simply cannot innovate swiftly enough to deal with the industry's dynamic pace of change and intensifying competition without the accelerated and more flexible development capabilities enabled by well-designed cloud environments. That's why it's not a question of whether to migrate to the cloud, but rather how to manage the transition and prepare the business to generate maximum value.

To reiterate: the cloud is more than a change in how technology is provided and data served up; rather, it has the power to revolutionize how insurers go to market and deliver value to

customers, agents, brokers and other stakeholders. And for insurers' employees, new systems can mean a personal upgrade to their everyday work environment, especially when supported by strong training programs and effective organizational change management. As such, the cloud is just as interesting to chief innovation officers – and chief revenue, service, experience and underwriting officers – as it is to chief technology and information officers.

Carriers that select the right platform, adopt the right tools and applications, and take the right approach to migration, will also be able to optimize their ongoing operations across the value chain.



About EY and Guidewire

Ernst & Young LLP (EY) is a proven collaborator for cloud migrations and implementations – especially for Guidewire Cloud. We take a holistic approach for the enterprise with Guidewire Cloud at the center, blending our knowledge of technology transformation, network engineering, data security and organizational change management to help insurers improve their Guidewire Cloud ROI.

- ▶ Named a **Leader in the 2022 IDC MarketScape** for Cloud Professional Services
- ▶ **225+** Guidewire implementations globally
- ▶ **50+** Global wavespace™ Innovation labs for solution design and dedicated near and offshore physical and virtual Cloud Enablement Centers
- ▶ **17,000** cloud professionals globally
- ▶ Cloud migration leading practices-based templates and blueprints to help reduce risk and shorten project timelines
- ▶ Robust cloud frameworks and methodologies around FinOps and CloudOps to drive operational efficiencies, cost optimization and better financial management
- ▶ **Ranked No. 1 in HFS Research's** Top 10 Insurance Services Report

Guidewire is the leading P&C insurance platform with more 500 insurance customers. Guidewire Cloud turns IT into a strategic enabler for creating new business value.

100%

focused on the P&C insurance market

40+

InsuranceSuite core systems currently in production on Guidewire Cloud or in the process of being deployed

200+

apps from solution partners in the Guidewire Marketplace

1,000+

implementations across a customer community of 500+ insurers

140+

customers (lc) have subscribed to at least one application on Guidewire Cloud

\$600m+

Guidewire investment in research and development since 2016, the highest in the P&C industry

Consistent compliance with ISO 27001 certification, PCI DSS, SOC 1 and 2, and AWS Financial Services Competency; achievement of APN Advanced Technology Partner and AWS Financial Services Competency



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