



Startup tech strategies: winning the race to market



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Growing opportunity in small business sector

In July of 2020, an unprecedented 550,000 new business applications were filed with the U.S. Department of Commerce – more than double historical figures.¹ This spike occurred one month after 15 million Americans lost jobs in a single month, and applications have averaged over 400,000 per month ever since.²

While not all applications transform into viable businesses, over 654,000 have already, or are projected to be formed within the year.³ As further proof of small business resiliency, from Q3-2020 through Q3-2021, the small business segment (less than 50 employees) added 3.45 million net jobs to its total workforce of 53 million, representing nearly 45% of today's workforce.⁴

The small business sector is ripe for a targeted approach – and startup insurers and MGAs are taking notice of the opportunity. Have you considered such a venture, but felt daunted by technology requirements?

It's an important consideration – as an insurance startup's approach to implementing its technology platform could determine how well it can take advantage of this growing opportunity. Historically, startups have taken one of two implementation strategies: a full-function approach commensurate with the traditional insurance experience vs. a slimmed-down just get-to-market "Silicon Valley" approach with a slick new business engagement model. The following offers the pros and cons of each method, and how to make the best of both worlds.



In aggregate, a total of 7.9 million additional new business applications have been filed up through March of 2022. That's resiliency!

Method #1: the full function approach

Insurance industry veterans branching out on their own tend to want the same robustness in the technology platform that they experienced historically. They know insurance is intricately complicated, and it goes beyond what they need to quote new business. They want to cover all the bases including:

- Leveraging technologies abundant in functionality, for example, the ability to handle end-to-end insurance transacting with multiple distribution types and sophisticated rating programs.
- Ensuring deep experience with detailed reporting and security handling capabilities to adhere to stringent regulatory requirements.
- Proven scalability and the full range of cloud hosting options.

Simply stated, they seek a comprehensive system to be able handle all the heavy lifting 'day-one.' With this approach, it can be hard to know where to draw the line as a start-up trying to get to market.

Method #2: the "silicon valley" approach

The alternative approach is to focus on simplicity and speed. Startup insurers with more of a technology slant than insurance expertise may want just a quick quote functionality for straightforward coverages, and a sleek customer portal – the basics to get business on the books and satisfy clients' simplest demands. This approach offers some advantages:

- The biggest benefit of this is speed to market. Typically, with this Silicon Valley-type technology, start-ups can hit the market within three or four weeks.
- A startup with an initial implementation of a 'bare-bones system' can start selling policies, attract new business, build a reputation, and score early wins.

However, this pared-down system may not be able to grow with the company over the long term once they want to take on more complex accounts, scale or expand their offerings. In some cases, they'll need to hire business resources to compensate for the technology inefficiency shifting the spend from technology to resources can be costly and reduces the opportunity for scalability and expansion.

The best of both worlds: how to build a functional, scalable system

Finding the middle ground yields speed to market that startups need, without sacrificing functionality that enables sustainable growth. OneShield offers this advice:



Plan for immediate and future functions

Simultaneously Identify systems with core functions necessary to get-to-market, while also mapping out functions to add in a 'fast-follow' implementation and, as well, other features over time.

Core go-to-market functions might include quick quoting, binding, policy issuance, billing, first notice of loss capabilities, and a couple of required 'day-one' integrations, and a simple portal to facilitate customer service. It is important that this functionality can be extended, not rebuilt, as your business requires more functionality or handling capabilities such as including quoting algorithms for more complex risks; additional API integration capability to connect with partner systems; multiple types of billing transactions; multiple distribution models; straight-through claims processing; and full end-to-end automation of policy administration.

All the functionality required for your desired system should be defined at the outset. Know what you want to do quickly, mid-term and long-term, and create a realistic roadmap to get there.



Don't reinvent the wheel

The core transactions of the insurance lifecycle are relatively consistent from carrier to carrier. As startups think about how they want to customize or configure specific functionality and workflows, they should focus on what differentiates them in the market.

An out-of-the-box system from a vendor with insurance expertise should do most of the insurance lifecycle. Don't make a change for change's sake if it adds no value to your business operations. Configuration should be made to offer something unique. Often, it has to do with the product offering, distribution, or relationship management.

How you tailor your insurance product and interface with brokers, agents and clients will be unique to your company. That's where to focus customization efforts.

Either way, begin with an initial strategy built around defining the Minimal Viable Product that gets you to market quickly. Because every month you don't go to market puts more pressure on the balance sheet. At some point, you need to move on to the business of doing business and trust in your implementation roadmap to let the technology optimization efforts follow.

1. <https://www.census.gov/econ/bfs/data.html>
2. <https://www.bls.gov/news.release/cewbd.t04.htm>
3. <https://www.census.gov/econ/bfs/data.html>
4. <https://www.bls.gov/news.release/cewbd.t04.htm>



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Tom Dulapa,
Executive VP, WestCongress



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