

How Technological Self-Sufficiency Can Equate to Success (Even Survival) Amid Industry Disruption



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The business of selling insurance is changing. It was generally understood that “insurance was bought, not sold” so insurers could focus on investing in predictive analytics and modelling of risks to protect their profitability. Now, insurers must compete with two disruptive forces impacting their future; emerging consumers that want self-service options and the start-up insurers that believe they can provide that experience – much quicker, faster and cheaper with modern technology.

As highlighted in the 2019 Insurance Outlook by Deloitte Center for Financial Services, 90% of consumers would prefer to self-manage policies through mobile devices, web portals and other digital channels.

Insurers that have self-sufficiency with their technology platforms to evolve as the market dictates will fare better amidst the disruption. However, what if one of the most important cornerstones of the business — your core Policy Administration System (PAS) — hindered, slowed or blocked your technical capability to respond to consumer demands? Limiting your organization the ability to quickly address business needs such as; increased personalization, flexibility of offerings, real-time pricing changes, consumer-activated insurance, and other product innovations.

Technological Self-Sufficiency Matters

Frankly speaking, if you don't have or quickly acquire a PAS platform that allows you make quicker decisions, open up new opportunities and provide self-service customer experiences, you are likely in for a rough ride in trying to compete with these emerging competitive threats.

Ultimately, technological self-sufficiency is about being able to extend your PAS platform and giving your business the capability to master the complexities of unfolding insurance trends. According to SMA Research's 2019 Top Predictions for Insurance, current and future market success for domestic and global insurers will depend on an organization's ability to meet what they call an “Agile Mandate” — a “collaborative mindset” combining “the rich expertise of incumbent technology with the speed and agility associated with InsureTechs.”

Future success will hinge to some degree on an insurer's ability to make bold and rapid changes in response to fast-emerging market opportunities.

Vivek Gujral, OneShield Co-Founder & Chief Technology Officer

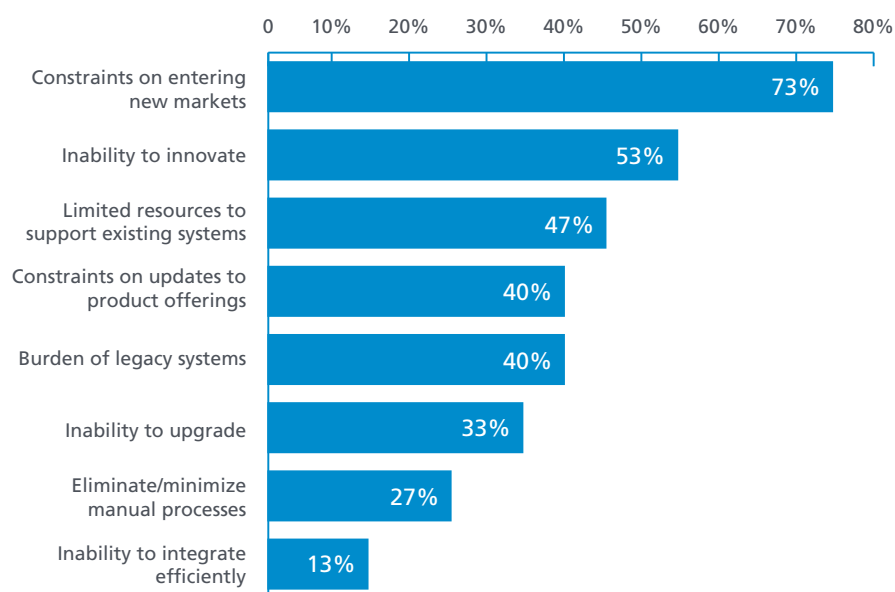
In other words, the market will demand the incubation of new products and services to be done aggressively - greatly condensing the time from innovation to deployment.

So, how do you go about achieving PAS self-sufficiency?

First, Say Goodbye to Legacy Systems

In the current complex insurance marketplace, repairing, upgrading or replacing a core system is a monumental undertaking. Yes, it's easy for technology leadership to be lured into solutions that just tweak or “update” existing systems. The problem is most legacy systems are hard-coded and the effort needed to revamp older core systems is not just prohibitive, but often does not address the actual business need in full.

Challenges Solved with OneShield's Technology



Existing OneShield Customer Survey - TechValidate Fall 2018

As 47% of those surveyed reported, the resources needed to support legacy systems are usually not in-house. Third-party vendors or consultants must be hired, sometimes even for routine changes and maintenance. Marketplace essentials such as improving web portals, adding new rules to improve risk analysis, and leveraging geo-coding data and models in pricing algorithms, become almost unachievable. Legacy maintenance expertise is dwindling. Employees and consultants with experience on legacy systems are retiring. It's fair to say the task of recruiting and retaining members of the new workforce to work on these systems is almost herculean.

Next, Choose a Modern, Scalable & Proven Platform

The first step on the road to transformation is to have a thorough understanding of what comprises a modern core PAS and how it differs from a legacy system. Here are five key differences:

- 1. Customer-Focused, Not Policy-Focused:** A legacy PAS tends to be policy-centric, giving you a siloed view of customers based on each policy they hold. A modern PAS is customer-centric, giving insurers and agents the capability to see customer relationships “holistically” at-a-glance, dramatically enhancing customer experience.
- 2. Multiple Systems vs. One Platform:** Legacy core systems are often a multitude of applications under one umbrella. Some operate on different tech platforms or are coded with different computer languages and runtime libraries — all integrated with complex code on the backend. Future incompatibilities or integration troubles are highly likely. With a single platform, there’s no more jumping among applications or leveraging multiple tools on different systems.
- 3. Third-Party Coding vs. User Configuration:** The hallmark of a system that continues to evolve with your business is one that is user configuration-based — meaning, from the insurer’s viewpoint, there is no complex coding required. Authorized business or technology users can customize workflows, processes, user interfaces, rates, product rules and other aspects of the PAS without needing an outside vendor or IT department. A legacy system simply can’t do that.
- 4. Upgrade Limitations:** Whether developed in-house or by vendors, legacy core systems are often “upgraded” sporadically by inserting exception processes, a “wrapper” layer of new screens, or tacking on a new side system. The original core still remains creating legacy systems limitations, redundancies with wrappers and side systems, system overhead, and increasing complexity and cost with every new change.
- 5. Services Architecture:** A key aspect of today’s leading core system platforms is microservices — reusable modules that business and technology users leverage or call upon to connect with third-party applications. Microservices expedite a transaction or perform a single task. They are deployed independently with narrow functionality. A microservice, for example, might create a rate, do account lookups, or produce a certificate of insurance. The obstacle for legacy systems is that microservices rely on a modern plug-and-play technology architecture, such as OneShield Software’s.

Still Not Convinced? Ask Yourself This...

In deciding whether it’s worth it to keep a legacy system alive, the most important question to consider is: **Do you anticipate your business will be the same 3, 5 or even 10 years from now?**

With the digitalization of insurance services underway, few insurers will maintain the same business model in the future. The disruptive growth of InsureTechs has demonstrated modern technology can deliver new savings and efficiencies outside old-school insurance business models. So, why maintain technology that only supports your business today?

As more businesses look to web portals and self-service options to empower customers, agents and third parties - we predict rapid growth in demand for the capability to integrate external and internal applications. OneShield continues to innovate to digitize the entire insurance value chain and address the rapid changes taking place in the industry today.

Vivek Gujral, OneShield Co-Founder & Chief Technology Officer

Is PAS Platform Transformation Worth It?

From a third-party survey of OneShield clients, 65% of respondents identified technological self-sufficiency as the most dominant advantage when it comes to Total Cost of Ownership (TCO) of a modern core system. The ability to rapidly make changes internally has represented significant savings in annual IT budgets.

With a new core PAS in place, clients were also asked, where do efficiencies most commonly arise? Respondents reported with the modern OneShield platform they improved efficiency in several areas, including **automation (64%); agility and responsiveness to change (43%); increased productivity (36%); and reduced error rates (21%)**.

Other benefits cited included:

- Delivering a unique and personalized customer experience;
- Engaging with customers where and when they want;
- Improved customer retention;
- Enhanced new business acquisition;
- Ability to handle new product mixes using OneShield’s Package Designer;
- Introduction of pay-as-you-go or just-in-time products.

PAS Transformations: Key Success Factors

Finally, what factor is most essential to a successful platform transformation? Not surprisingly, the quality of the vendor-client relationship is paramount in terms of the client support offered and the degree of partnership cultivated (**53%**).

Working closely with insurers, modern solution vendors, such as OneShield and its Program Consulting Group, can help you reimagine the customer experience, not just for today but also for the future.



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