



Duck Creek  
Technologies

# Resolving Reinsurance Operations Challenges with Modernization

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# Introducing Today's Speakers



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Senior Manager, Product  
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Duck Creek Technologies



**Jeff Goldberg**  
EVP, Research & Consulting  
Novarica



**Mark Arnold**  
Senior Accountant  
New Mexico Mutual



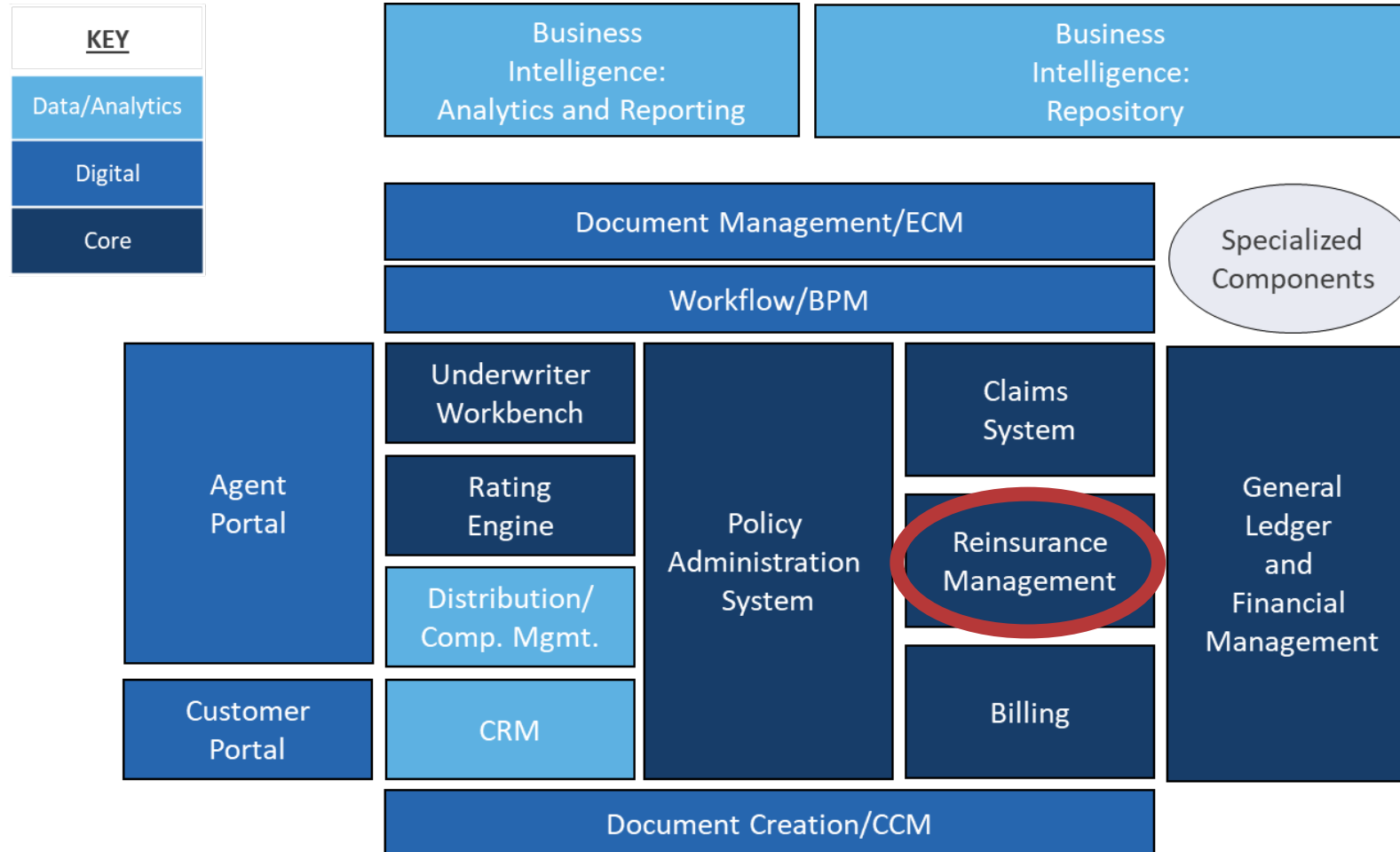
**Phil Masin**  
Director, Solution Consulting  
Duck Creek Technologies

## Reinsurance Pain Points

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## The Core System Map

Reinsurance is an essential but often underinvested component of the insurer's core system map.



## Audit and Knowledge Risk

**A limited group of experts handle reinsurance manually at most insurers.**

- Excel spreadsheets and Access databases are the primary means insurers use to manage their reinsurance programs.
- Often these tools are not distributed; they exist on one person's laptop or, at best, a shared drive.
- There is a real risk of “single point of failure” where one person at the company holds most of the reinsurance knowledge.
- There is increasing pressure from internal and external auditors to improve upon this system.



## Reinsurance Is a Process Roadblock

**Manual processes mean it takes additional time and effort for every step.**

- The number one reinsurance concern from insurers, beyond the single point of failure, is the time it takes to perform reconciliation, quarterly close, and regulatory reporting.
- This is not *all* a reinsurance system's fault. Reinsurance is the endpoint of many different systems' processing, including policy, billing, and claims. Bad data from any of them can require rerunning the reinsurance processing multiple times.
- Manual processes take time and prone to error; repeating them means more time and more potential errors.
- Reinsurance processing isn't just about operational efficiency—though that's a big issue! It also means delays in payments from the reinsurer.

## Claims Leakage

**Most insurers don't have a good handle on what claims aren't getting paid.**

- Improper reinsurance processing means money is being left on the table, even when premiums have already been paid to the reinsurer.
- As reinsurance contracts get more complex, especially when there are multiple contracts that might apply to a single claim (cat contracts often overlap with standard treaties), it's more likely that claims are getting lost or are not optimally covered (meaning limits are hit more quickly).
- It's difficult to calculate how much this impacts an insurer while still running on the legacy process. Audits should target not only compliance but also leakage totals, building a financial case for modernization.

## Values of Modernizing

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## Fix All of Those Pain Points

At a high level, the point of modernizing a reinsurance system is to fix all the previously listed pain points.

- Decrease audit risk
- Decrease knowledge silos (and risk of single person point of failure)
- Optimize processes (and speed up quarterly close)
- Decrease claims leakage

## Finding Additional Opportunities

**A modern reinsurance approach brings new potential values to the organization.**

- Better business intelligence and reporting means understanding the value the organization is (or are not) getting from reinsurance treaties to be in a better place for contract negotiation.
- Modern system integration means underwriters can make decisions around incoming business by looking at treaty limits.
- Underwriters can expand their appetites through easier negotiation of facultative reinsurance within incoming policies.

## Support for Complex Reinsurance Treaties

**A modern system needs to be able to handle modern treaties.**

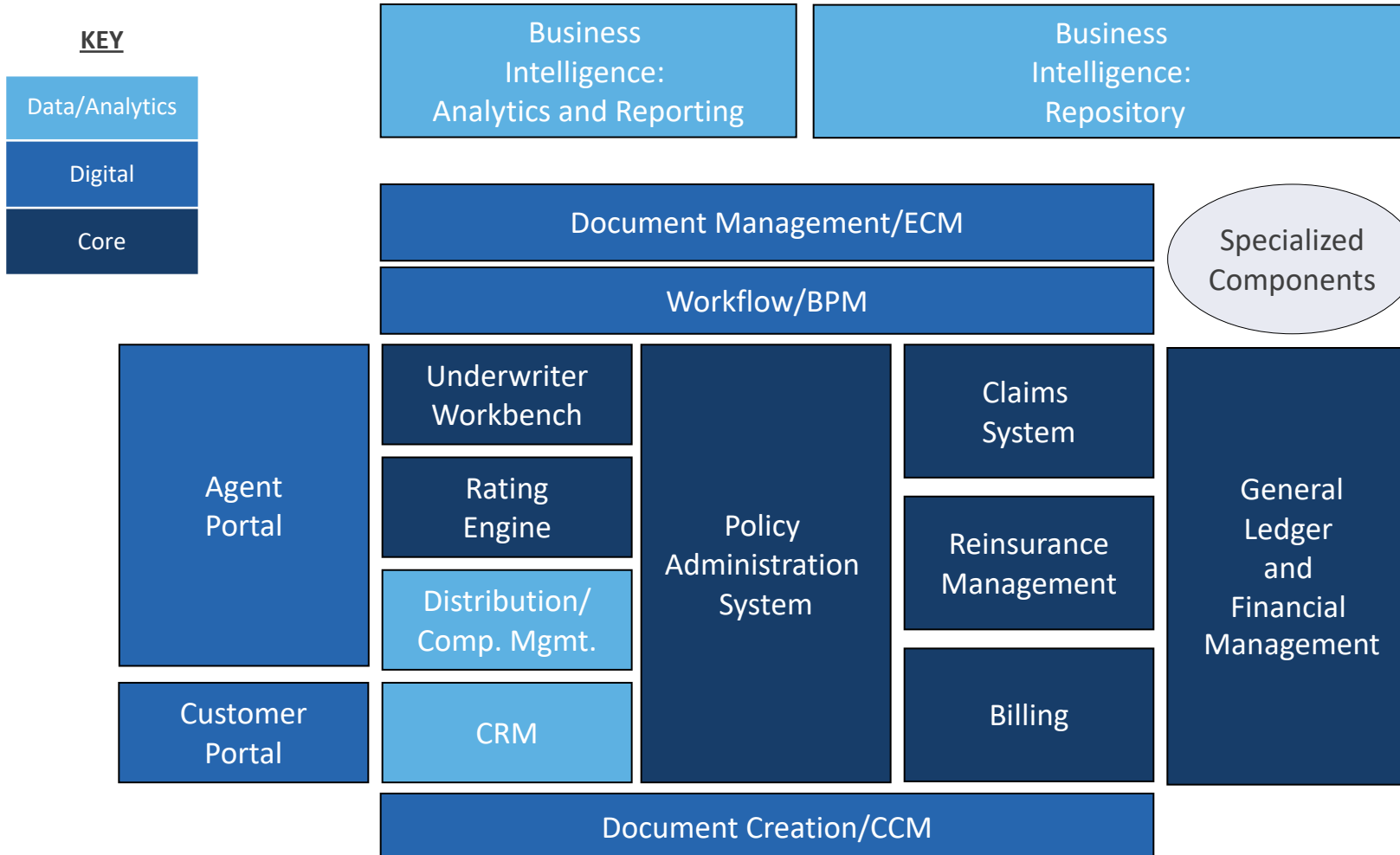
- Reinsurance contracts are getting more complex, balancing out a simplification of many insurance products that are redesigned for multi-channel sales channels.
- Many treaties are no longer “follow the leader,” meaning there are more contract negotiations and more treaty variations.
- One advantage of a manual process is that human beings are flexible! A modern reinsurance system needs to have the flexibility to support a wide array of treaty formulas.
  - Not just facultative and treaty, proportional and XoL, but variations of these approaches, e.g., top and drop, sliding scale.

## History of Core Systems

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## The Core System Map (Revisited)

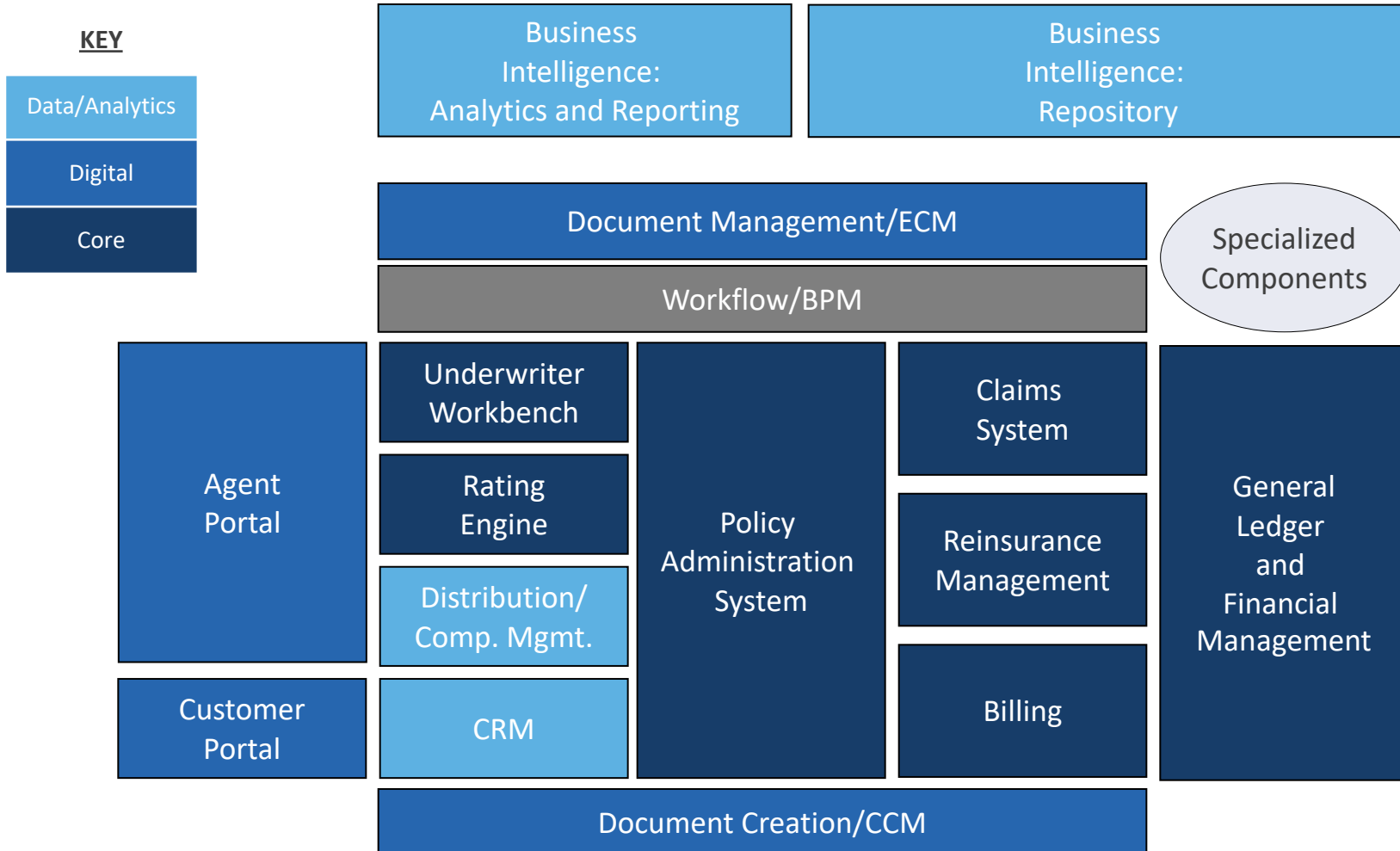
There have been variations, but the core system map has remained relatively unchanged for decades.





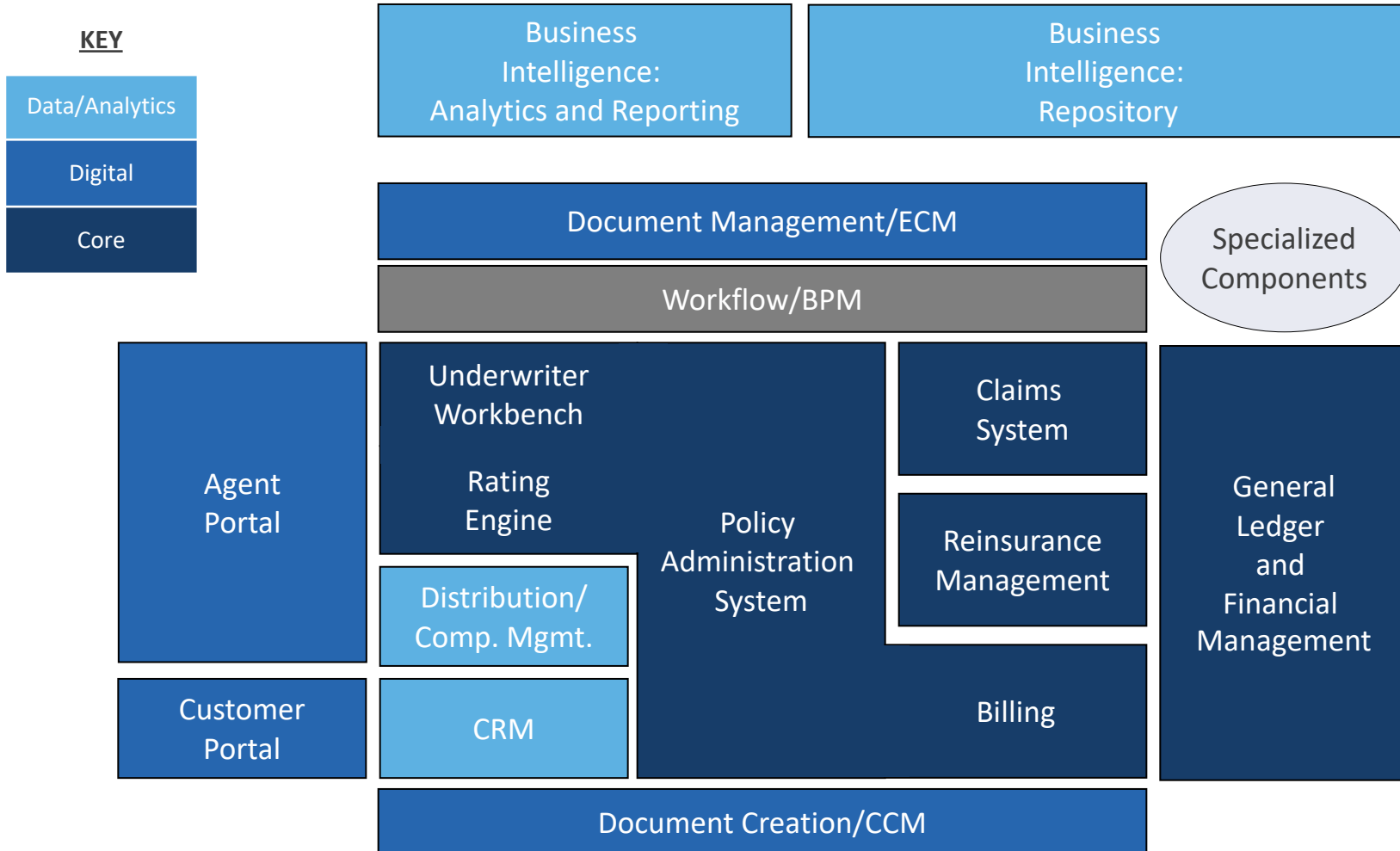
## History of Workflow/BPM

Workflow/BPM used to be an external component; today, modern policy systems tend to drive workflow for insurers.



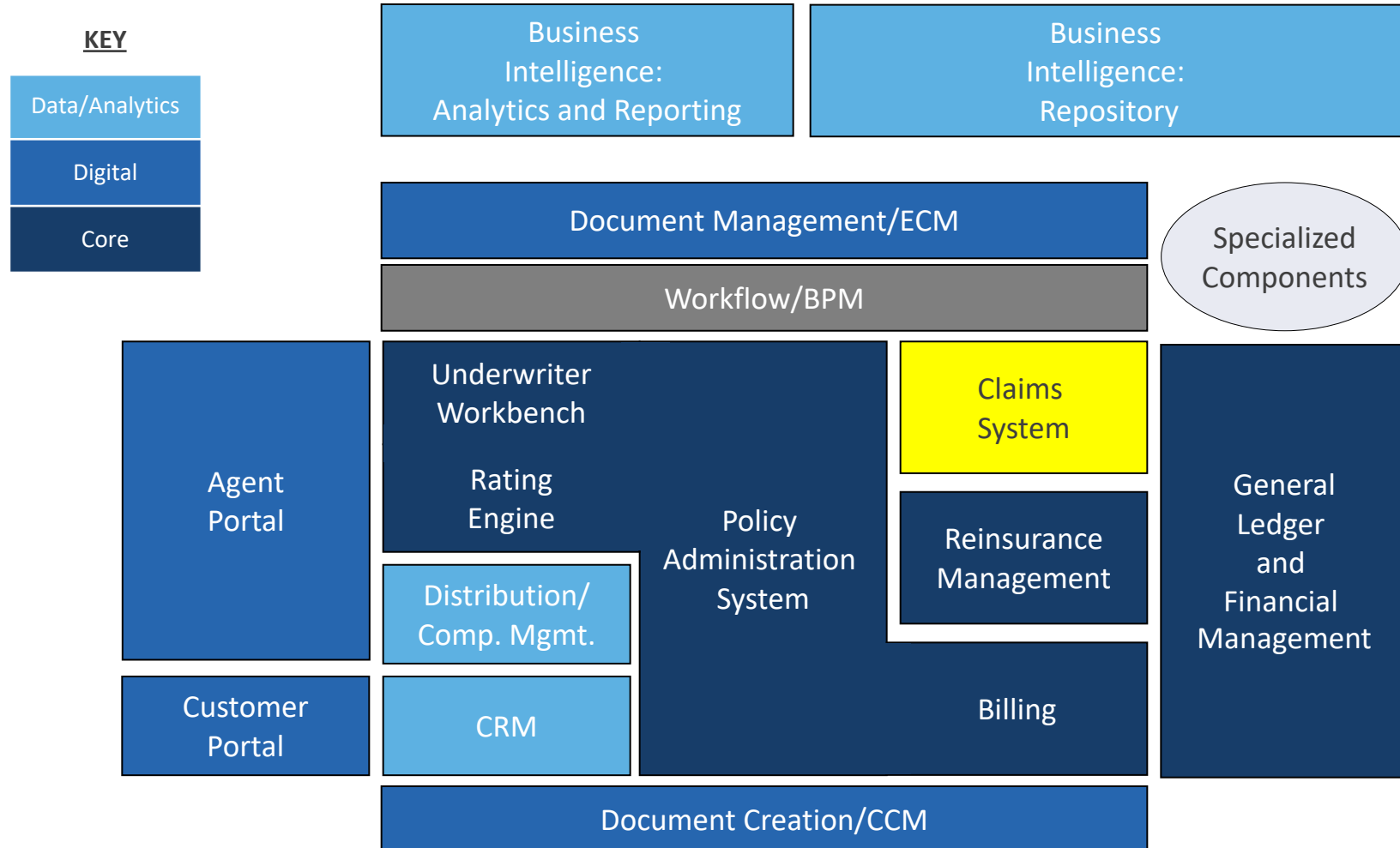
## History of Policy/Billing/Rating/Underwriting

While these components are still sometimes sold standalone, most deals see them bundled together.



## History of Claims

Over the last fifteen years, claims systems have gone through a major investment and modernization cycle, as insurers went from seeing them as a cost to a value driver



## History of Reinsurance

**Reinsurance has not yet had the same kind of modernization/investment cycle.**

- Unlike many other areas, reinsurance systems are still legacy platforms running COBOL on a mainframe or entirely Excel/Access-based manual processes.
- Most insurers have yet to see investment in modern reinsurance as a value driver rather than a cost.
- Is the industry poised to recognize the organizational value and revenue opportunity from investment into reinsurance systems?



# Modernization Success Story

**NEW MEXICO**  
**MUTUAL**<sup>SM</sup>

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COVERAGE @ WORK<sup>SM</sup>



# Keys to Modernizing Reinsurance Operations



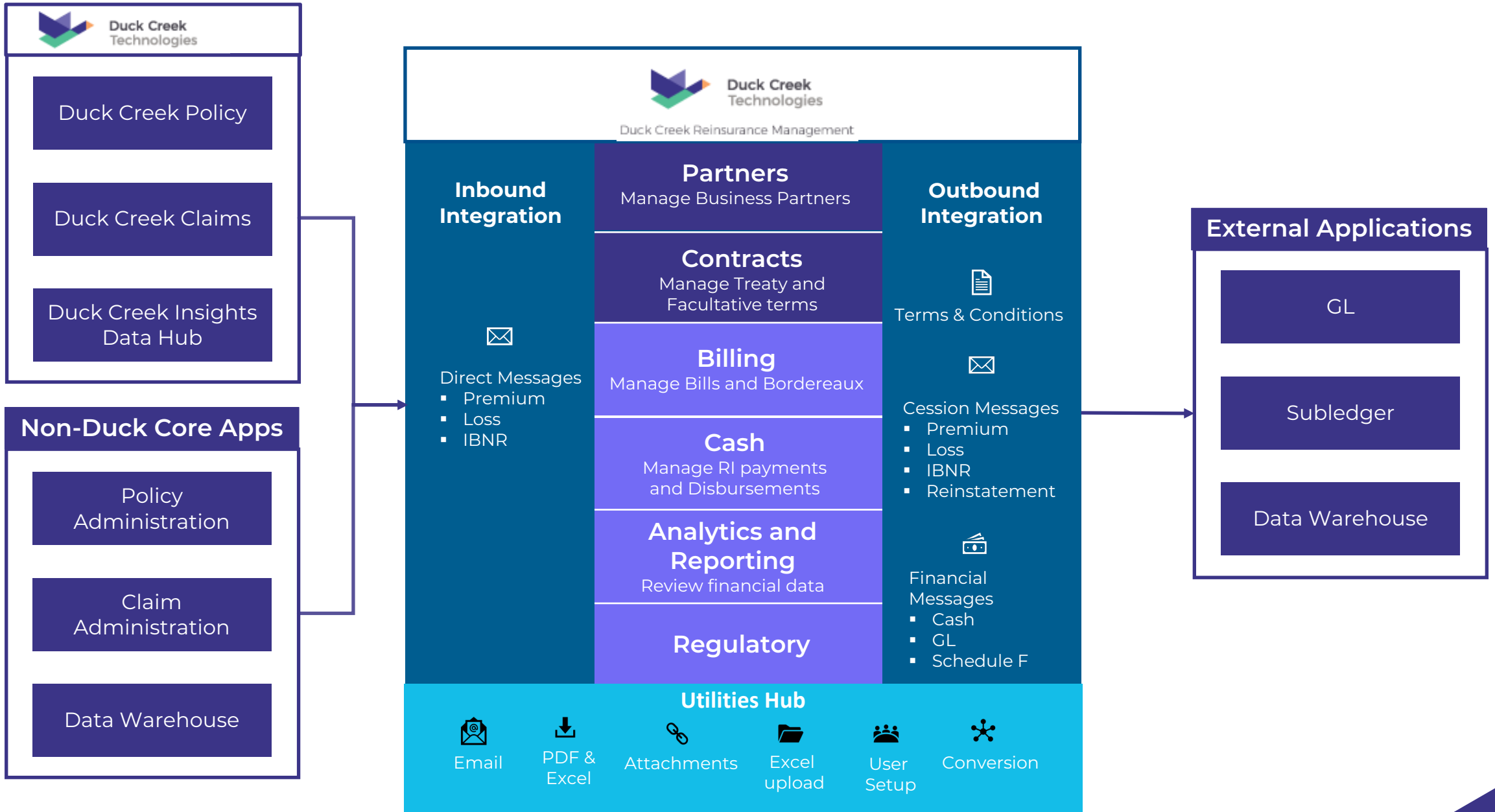
Automate as much as possible



Audit-proof the business



Identify actionable insights



Thank you for joining us! **Q&A will now begin.**



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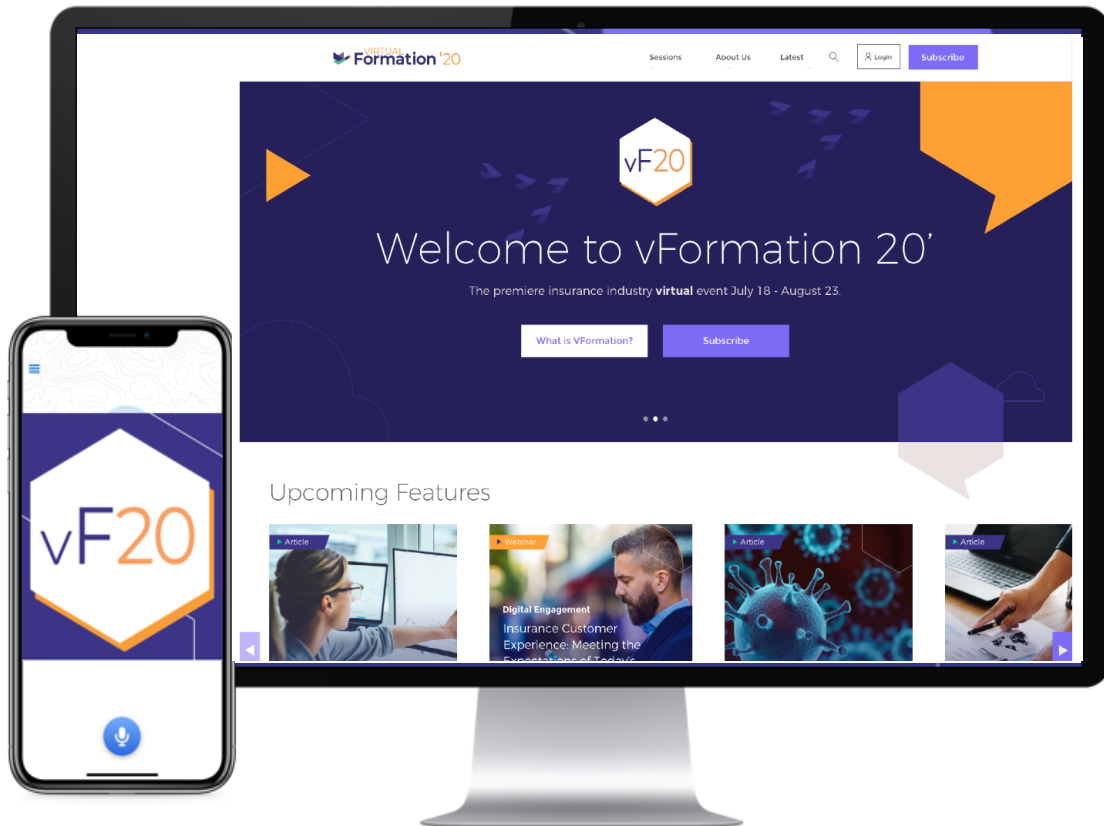
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## Coming June 1!

### Upcoming Sessions:

- Billing Fireside Chat
- How SaaS is helping carriers stay ahead of the pace of change

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