

Imperatives for how to build for speed

POLICY ADMINISTRATION



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A clear picture is emerging of the future for carriers as they move into the unknown. All roads point toward the need for a new way of building and distributing products and services.

The traditional step-wise process - where data informs actuarial models, which then define specifications, that are built and distributed across channels, that are finally maintained by claims/billing systems - is no longer adequate. Data was once relegated to only what was manually captured (in structured spreadsheets) and inputted into isolated variables. Now, data needs to be collected across every interaction and almost instantaneously interpreted into insights that are fed into future product/service/channel development.

Timelines have shrunk as well - updates to products and services now need to happen within weeks (if not days), instead of months. The result is a model of building and distribution that resembles rapid, iterative “feedback loops” rather than traditional waterfall projects.

In the end, speed will characterize carriers’ survival. Speed in the ability to collect, analyze, and properly interpret data from constantly multiplying sources. Speed in the ability to update / change products and algorithms to reflect newly uncovered insights. Speed in the ability to launch into new channels and geographies at a moment’s notice.

Speed - because it doesn’t matter if carriers can correctly predict where things will be in five years’ time. As long as their organization is built on a platform that allows them to move fast and stay nimble, they’ll always be able to keep up and stay ahead of change.

Getting there is easier said than done. For many carriers, building for speed requires a 180-degree shift. It requires leadership to move away from thinking “What can we do with what we have today?” toward “What would I do if I could build this company from scratch?”

This view of the future requires a constant stream of data that is translated (by man or machine) into rich insights. It requires a nimble and insights-driven platform that is built for change - whether it be to ratings, to channels, or to scale.

Freedom within a common framework

Historically, products have been built from thousands of lines of heavily-customized code. As carriers have grown and evolved, code has remained scattered across channels and platforms, the result of hundreds or thousands of changes being written into every instance of each product. With no single source of change, updates are a time- and capital-intensive process.

Carriers must have a strong framework to build from, where core products share common definitions across the business. This way, if there is a change to a product or a rate, it can be made quickly and updated across all instances and iterations of the product. A seamless level of consistency ensures new products are customized from a common set of definitions, giving businesses room to grow their portfolio in a manageable way.

A test-and-learn environment

There is no room to experiment as launches are typically a one-shot deal. Mistakes are hard to fix, and their impact is difficult to measure, making them costly and semi-permanent in the short term. Furthermore, today’s rigid structure creates and reinforces a risk-averse environment.

Carriers need to be able to test products in a controlled environment so they can track results, make refinements, and perform “what-if” analyses before launching them. This ensures both the quality and impact of new offerings and fosters internal innovation, allowing new ideas to be developed in a lower-risk environment.

Shifting contracts and relationships

Policies tend to be inflexible in the way they are written and structured - typically available for fixed lengths of time or degrees of coverage. Terms tend to be focused on future damages instead of accounting for present day behavior or environments. This has set up carriers as reactive agents, called on to respond only after an event has occurred.

Pockets of the industry have started to move to a more flexible product hierarchy that allows for usage- and behavior-based contracts. Partially a response to emerging ownership and usage models (e.g., the sharing economy), these contracts essentially treat insurance like a utility. While the use of credits is old news, new data coming from a proliferating range of connected devices (e.g., IoT) have given carriers better ways to calculate risk and monitor conditions in real time. Carriers need to use these sources to build products and services that incentivize good (risk-preventative) behavior while decreasing the likelihood and magnitude of loss - a win-win all around.



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How do the latest policy admin systems help carriers differentiate their offerings and respond more fully to customers’ expectations?

Customer expectations are higher than ever, as experiences with businesses like retailers and banks drive acceptance of increasingly personalized products and services. Staying ahead means launching new, better products faster and less expensively; modern policy systems, built on open platforms that facilitate increased use of more and better data, allow carriers to react to market needs in real time - delivering relevant, attractive products at appropriate prices, not to mention configurable self-service portals for all channels. This ability to reach customers where, when, and how they want – and offer products that fit their real lives – is a critical differentiator.

How can insurers take advantage of analytics and business intelligence to gain a competitive advantage?

First and foremost, proper analytics is dependent upon the quality and quantity of data available. Actionable insights are most competitive when they are built on the full range of internal and external data delivered to the business when and where decisions are being made. With all of your data in one place - including transactional data, risk management data, pricing data, external data, and third-party data - you can improve the efficiency and effectiveness of your resources. Improving your operating environment with sophisticated business intelligence tools allows carriers to find and create new business opportunities that otherwise wouldn’t be available.

