



Duck Creek
Technologies

Buy vs. Build

Improving speed to market
in the insurance industry



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Introduction



“When you have to make a choice and don’t make it, that is in itself a choice.”

– William James

The technological needs of some organizations reflect the urgency of establishing strategic priorities and developing agile solutions that meet customer demands quickly and effectively. One of these strategic solutions will be the adoption of SaaS core systems models.

SaaS core systems offer lasting versatility by enhancing the ability to not only store central systems in the ‘cloud,’ but also to

provide services in upgrades, systems support, performance tuning and more, all of which strengthen the commercial agility and operational efficiency of companies.

However, the overarching question is – should a company develop its own software according to its specific characteristics, or would it be better to opt for an out-of-the-box solution developed by an insurtech?

Market Demands

The insurance sector was able to adapt during the pandemic, proving its robustness and flexibility. However, the health crisis was not the only risk it faced. There are dangers arising from massive digitization which require companies to be fast, agile, and efficient.

Among the challenges within the insurance sector, it is essential to work with SaaS solutions that facilitate seamless processing, quick decision-making, and the incorporation of new products and services.

Efficiency

Automation and efficiency are critical growth drivers for insurers, according to a study about *The New Standard in P&C and General Insurance* by Duck Creek. Creating greater levels of efficiency and execution is essential to achieving the insights, intelligence and innovation required in today's marketplace. By working efficiently, the sector will be able to reduce costs, simplify tasks, and focus the talent of its human resources on innovation.

Agility

To remain competitive and relevant in a changing world, leading insurers must be agile and reduce unnecessary costs. This includes unifying and simplifying their technology architecture. To do this, it is necessary to have platforms developed that allow insurers to quickly adapt to new technologies and new customer needs.

Optimized experiences

Internal processes, systems, and people must be prepared to accommodate new launches, geographies, and policyholders. This means carriers either need to make heavy upfront investments to expand overall platform capability or move into flexible, subscription contract models (i.e., SaaS) with their technology partners and leverage the insurtech ecosystem.



Buy vs. Build

The debate whether to buy an out-of-the-box SaaS solution versus build a solution in-house is focused on issues of the core competency of the software provider versus in-house talent and capabilities, together with questions around ownership of intellectual property, or the customization of the solution.

Human and Economic Cost

The development of a new general insurance management system can easily exceed one million hours across programming, testing, infrastructure provision, or any other activity related to the creation and deployment of software projects. In addition to the time commitment, carrying out the build process in-house requires allocating human resources and dealing with maintenance and update costs, which can easily represent an additional 41%¹ of the budget and lead to so-called “technical debt.” That is to say, an insurer’s budget to maintain the software outweighs the budget for innovation.

Personalization

Any company knows that personalization is key to business. Organizations seek a greater degree of adaptation to their requirements each time they develop custom software. However, focusing on this aspect can result in the failure to question outdated or inefficient internal processes or expose their limitations due to the origin of new product demands that have not been considered when designing the software.

Speed to market

As stated earlier, the internal development of a custom system takes many hours. In fact, it is rare that a custom system will be produced in less than a year and a half². In these 18 months, the market does not wait for the company to have its solution, but rather continues to constantly evolve. The probability of having to make changes to the initial specifications grows exponentially and increases the planned duration of the project.

Risks

Naturally, building or refactoring a system carries a high level of risk. Some of the risks are summarized below:

- Regulatory and normative changes that lead to relevant modifications of the initially defined functionalities
- Increasing difficulty in recruiting talent with the required technological qualifications
- Probability of not meeting the defined objectives, which results in unforeseen budget increases and project delays
- Focusing resources on the development of one’s own system makes it difficult to drive innovation successfully
- Hard coding functionality that should be configuration-based makes future desired software changes difficult

¹ Data from *The Mandate for Growing IT Spending in the Insurance Industry* from Compute Economics Avasant Research

² Data from DCT Research *The New Standard in Insurance*

Buy Evergreen SaaS Core Systems

Over the last decade, SaaS core systems architecture has matured significantly, giving customers better options and more choices. This evolution has gone hand in hand with the rapid maturation of the way data is handled, simplifying models and creating more flexible structures.

All of these factors give companies greater confidence in transitioning to cloud-based enterprise software via subscription services. The evolution and development of SaaS platforms also give buyers the option of testing specific components to determine use cases before deployment, as well as allowing traditional functionality to be extended through SaaS layers for greater flexibility and value.

In Duck Creek's case, low-code configuration tools, integrations within the insurtech ecosystem, open APIs, and a commitment to keeping software code separate from customer intellectual property, creates a trusted environment for insurers to adopt ready-made solutions built for the future.

Benefits

Duck Creek OnDemand provides the best of both worlds – software that comes pre-built and with ongoing upgrades and support, while also offering customization like a “build” solution. This gives insurers a lot of control over the development process.

PROS	Build	Buy	Hybrid: Duck Creek OnDemand
	• Complete control over development process • Solves a challenge that is truly unique to your organization • Own complete control of the code and IP	• Pre-built solution reduces time to market • Incorporates feedback from the broader P&C industry • Software is kept up to date and can evolve and grow with you	
CONS	Build	Buy	Hybrid: Duck Creek OnDemand
	• Time required to determine requirements, write code and integrate to other systems • Staying current with constantly changing business needs • Less functionality than vendor solution, and support challenges	• Less control over development process • One size fits all solution may not exactly fit your unique needs • Vendor lock in, and lack of portability of your own IP	

Conclusion



So, is it better to build core systems software in-house or buy out-of-the-box solutions from a vendor? The answer to this question is unique to each company. However, it is important to note that the “buy” decision has become significantly easier to reach with confidence in recent years. More companies are open to directing IT spending toward evergreen SaaS offerings. The SaaS advantage is its flexibility, allowing insurers to adapt to rapid changes.

With SaaS, companies can quickly pivot in a fast-paced world with the intelligence to navigate the path to success. By adopting SaaS solutions, internal technological resources can focus on the innovation of products and services thanks to the use of the insurtech ecosystem in the insurance sector.



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About Duck Creek Technologies

Duck Creek Technologies is a leading provider of core system solutions to the P&C and general insurance industry. By accessing [Duck Creek OnDemand](#), the company's enterprise software-as-a-service solution, insurance carriers are able to navigate uncertainty and capture market opportunities faster than their competitors. Duck Creek's functionally rich solutions are available on a stand-alone basis or as a [full suite](#), and all are available via Duck Creek OnDemand. For more information, visit www.duckcreek.com.

North America +1 833 798 7789

United Kingdom, Ireland, Europe +44 800 029 3523

Australia, New Zealand & Asia Pacific +61 1800 430 929

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