WHITEPAPER

REVOLUTIONIZING THE INSURANCE INDUSTRY WITH CO-EXISTENCE:

Modernising legacy policy administration systems without replacement

ANKIT AGARWAL
EMEA SALES HEAD,
INSUREMO

VISHAL PAI
GLOBAL HEAD OF OPERATIONS,
INSUREMO

This white paper discusses the importance of modernizing and digitizing legacy policy administration systems in the insurance industry. It explores the challenges faced by insurers with outdated core systems and the benefits of adopting modern solutions. The paper also presents a case for co-existence and provides insights into the strategies and approaches that can be implemented to achieve successful policy administration system modernization.

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Executive Summary

Legacy policy administration systems constrain insurers in today's digital era. Monolithic architectures limit flexibility and scalability, impeding product innovation and distribution. The time and cost for change in systems for any innovative proposition often makes such ideas unviable and impedes experimentation. Modernization is an imperative, but a complete replacement, with its imminent risks, is not an easy solution either. Hence, this whitepaper from InsureMO examines core policy administration system challenges, the merits of modernization, and transformative solutions that can be used to modernize with lesser risk. Key insights include:

- Inflexible legacy systems stifle product customization and timely launches. Lengthy modifications burden IT resources and budgets.
- Digitized and connected systems evoke wider participation of partners in form of an Insurance ecosystem leading to operational efficiencies as well as better customer experience.
- Complete system replacement risks around like cost and time overruns breed modernization hesitancy. Effective modernization strategies with co-existence can mitigate these concerned and yet accelerate transformation.
- Modular architectures, open APIs, and consolidated platforms propel innovation, ecosystems integration, and enhanced customer experiences.
- InsureMO eases transitions as an insurance middleware platform. It bridges legacy and new systems for insurers pursuing refactoring or blackboxing approaches.
- InsureMO provides a range of consumable assets which aid in adopting different strategies for co-existence with legacy systems ; and with the possibilities of using more than one as it may be needed

Modernization unlocks competitiveness, but for legacy-laden insurers, the roadblocks seem daunting. With pragmatic solutions from InsureMO, carriers can innovate fearlessly and thrive in the digital age. This whitepaper illuminates the path forward.

The new case for modernization:
The Ecosystem Connection

The case for modernization of systems and processes has been there for the Insurance Industry for the last couple of decades. The drivers for which have been shifting gears since from being able to web-enabled in the early 2000s to focus on operational efficiencies, customer experience and analytics in 2010s. However, in this decade, the focus for Insurance Carriers is shifting from being the best to drive the business on their own to being an effective and efficient part of a modern Insurance ecosystem.

The insurance industry stands at an inflection point where Insurance is no longer a product which is sold and serviced by Insurance Carriers alone. Many ecosystems have emerged which have changed the way Insurance business is traditionally done. These ecosystems (such as Mobility, Health, Payment/Fintech, Travel, E-commerce, Industry Exchanges) are enabled by various digital platforms that have been successful in getting producers and consumers to interact with each other in more ways than one.

This whitepaper examines the imminent need to overhaul outdated PAS infrastructure amidst intensifying pressures. We analyze the limitations of legacy systems, benefits of digitization, and risks causing modernization delays. Pragmatic pathways to PAS transformation are presented, encompassing simplification strategies, modular architectures, and insurance middleware platforms.

The solutions to ease PAS modernization by bridging legacy and new environments can be approached in multitude of ways. This paper highlights InsureMO, an insurance middleware platform offering various assets that serve as essential tools in devising many different approaches- some immediate and some long-term at the same time.

For legacy-laden insurers, PAS modernization seems daunting, but it is indispensable. This whitepaper illuminates a clear roadmap. By taking decisive action, carriers can innovate fearlessly, maximize value, and thrive in the digital age. The time for modernization is now.

Challenges with Legacy Policy Administration Systems

Legacy policy administration systems, characterized by their outdated technology and monolithic architecture, pose several challenges for insurance companies. This section delves into the specific limitations that insurers face when dealing with these legacy systems.

Limitations of Flexibility and Scale

One of the primary challenges of legacy policy administration systems are their lack of flexibility and scalability. These monolithic architectures were designed in an era when insurers managed a limited number of products and distribution channels. As the insurance landscape evolved and expanded, these systems struggled to adapt. Modifying and scaling the architecture to accommodate new business requirements becomes increasingly complex and time consuming.

Furthermore, legacy systems often not designed for processing high volumes of data and transactions which are needed by current day propositions. This often results in performance bottlenecks and slower processing speeds.

Inability to Accommodate New Product Features and Variations

Legacy policy administration systems were not designed to easily accommodate innovative product features and variations needed in today's times. Insurers face constraints in terms of product innovation and customization. Implementing changes or introducing new product offerings requires extensive modifications, making the process time-consuming and costly.

Additionally, the slow time-to-market for new offerings is a significant challenge. Insurers operating with legacy systems struggle to keep up with the rapidly changing market demands. The inflexibility and complexity of these systems hinder insurers' ability to quickly launch new products, leading to missed opportunities and a competitive disadvantage.

Inhibit wider partner participation in the value chain

As the Insurance landscape have changed over the last couple of decades, the Legacy policy administration systems designed to create an efficient internal operational model, are no longer relevant in an operating model which seeks wider participation of industry partners across the Insurance value chain. Establishing connectivity with any kind of partners across Sales, Servicing and Claims becomes impossible without a complete overhaul of the Legacy system design.

Piling technical debt

Maintaining and modifying application code in legacy systems can be financially burdensome for insurers. Also, getting the right skill to make significant changes on Legacy technologies or code becomes a big challenge. Hence, over a period of time, the cost of not fixing problems in a timely manner with these legacy systems results in further aggravating the problems for the future.

Why Carriers are Slow to Modernize?

Modernizing policy administration systems is a critical initiative for insurance carriers to remain competitive in today's digital age. However, many carriers face challenges and delays in undertaking this transformation. This section explores the key reasons why carriers are slow to modernize and provides insights into mitigating the associated risks and overcoming organizational resistance.

Risk and Complexity of Data Migration

OOne of the major concerns that hinder carriers from modernizing their policy administration systems is the risk and complexity associated with data migration. Insurance companies rely on vast amounts of data, including policy information, customer data, claims history, and underwriting data. Ensuring the integrity and security of this data during the migration process is of paramount importance.

Carriers must carefully plan and execute data migration to minimize the risks of data loss, corruption, or unauthorized access. Implementing robust data governance practices, conducting thorough data quality assessments, and establishing secure data transfer protocols are essential steps in mitigating these risks. Additionally, adopting a phased approach to migration, validating data accuracy, and implementing comprehensive data backup strategies can help ensure a smooth and secure transition.

Resource and Cost Implications

Another significant factor contributing to the slow pace of modernization is the allocation of resources and the associated costs. Modernizing policy administration systems requires substantial investments in terms of time, manpower, and financial resources. Carriers often struggle with allocating the necessary resources while managing ongoing operations and maintaining business continuity.

To address this challenge, carriers must carefully plan and prioritize their modernization efforts.

Conducting a comprehensive resource assessment, engaging cross-functional teams, and securing executive sponsorship are essential steps in ensuring adequate resource allocation. Furthermore, carriers should conduct a thorough cost-benefit analysis, considering both the short-term implementation costs and the long-term return on investment (ROI). Demonstrating the potential cost savings, operational efficiencies, and competitive advantages resulting from modernization can help justify the investments.

Deferral of Large-Scale Transformation

Organizational resistance to change is a common hurdle that carriers encounter when attempting large-scale policy administration system transformation. The existing culture, established processes, and resistance to disrupt existing workflows can create significant barriers to change. Leadership buy-in and effective change management strategies are crucial to overcome this resistance and drive transformation.

To overcome organizational resistance, carriers should adopt a change management approach that involves clear communication, employee engagement, and collaboration. Creating a shared vision of the benefits of modernization, addressing concerns and fears, and providing training and support to employees are essential components of change management. Additionally, breaking down the transformation into manageable phases or pilot projects can help build momentum and demonstrate early successes, facilitating a smoother transition to modernized systems.

Towards Flexible and Digitized Product Platforms

Flexible and digitized product systems offer numerous benefits for insurance carriers. By adopting modern technologies and architectures, carriers can drive innovation, improve customer experience, and accelerate time-to-market for new products. Some key benefits include:

RAPID PRODUCT INNOVATION

Flexible product systems allow carriers to quickly create and launch new insurance products. By leveraging component-based configurations, carriers can easily adapt to changing market demands, introduce product variations, and tailor offerings to specific customer segments. This agility in product innovation enhances competitiveness and customer satisfaction.

ENHANCED CUSTOMER EXPERIENCE

Digitized product systems enable carriers to offer personalized and seamless customer experiences. Through digitization, carriers can provide self-service capabilities, enable online policy management, and deliver real-time quoting and policy issuance. These features enhance convenience, streamline interactions, and strengthen customer engagement.

EXPANDED DISTRIBUTION CHANNELS

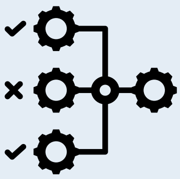
Modern product systems facilitate integration with various distribution channels, including digital platforms, partner ecosystems, and emerging technologies like mobile applications and virtual assistants. This expanded reach enables carriers to tap into new customer segments, increase market penetration, and drive revenue growth.

IMPROVED COMPLIANCE AND REGULATORY ALIGNMENT

Digitized product systems incorporate compliance and regulatory requirements into their architecture, ensuring adherence to legal frameworks and industry standards. Automation of compliance processes reduces the risk of errors, improves data accuracy, and enhances transparency in policy administration.

Transforming Operational Models with Modern IT Systems

Modern IT systems offer significant opportunities for carriers to enhance operational productivity and efficiency. By leveraging technologies such as cloud computing, automation, and advanced analytics, carriers can achieve the following benefits:

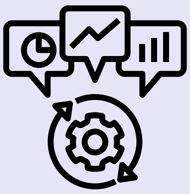


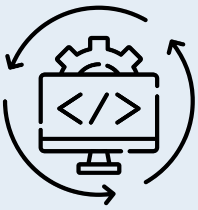
Aiming for “Zero-touch” processes

Connectivity enablers in the system can aid automation of a lot of operational tasks and provide these functions for self-services to customers. This aids in establishing an almost “zero-touch” operations that enhances overall productivity and customer experience.

Data-Driven Decision-Making

Insurance in today’s world can be a lot more profitable if it is based on analytics running on large amounts of relevant data. Many data aggregators have also emerged who specialize in gathering, processing and analyzing such data. A modern connected system enables Insurers to inculcate usage of such insights in offering Insurance, often on real-time basis.





Seamless Integration and Collaboration

Facilitate seamless integration with internal and external systems, fostering collaboration and data exchange. This integration streamlines communication between partners, enables cross-functional visibility, and promotes efficient information sharing. It improves collaboration across the insurance value chain, from underwriting and claims to distribution and customer service.

Significant top-line and bottom line impact

REDUCTION IN MANUAL PROCESSES

Automation of manual processes reduces the need for manual data entry, paper-based documentation, and repetitive tasks. This reduction in manual effort improves efficiency, minimizes errors, and lowers operational costs.

ENHANCED UNDERWRITING ACCURACY

Modern IT systems enable carriers to leverage advanced analytics and data driven underwriting models. This accuracy in risk assessment minimizes underwriting errors, reduces claim ratios, and improves overall profitability.

OPERATIONAL SCALABILITY

Scalable IT systems, such as cloud based architectures, provide carriers with the flexibility to scale their operations up or down based on demand. This scalability eliminates the need for significant upfront investments in infrastructure and allows carriers to align their costs with business volumes.

Modernizing product systems and leveraging advanced IT capabilities can result in significant cost savings and efficiency gains for carriers. Some key areas where cost savings and efficiency gains can be realized include:

Strategies and Approaches for Core System Modernization

Building a modern Connected Insurance ecosystem often requires different strategies for different organizations depending on business strategies, system constraints, risks and budgetary considerations too. These strategies are also adopted often in combination and may not always be adopted as the only strategy across the enterprise

Core PAS Repurposing Strategies:

Internal Structural Modifications:
Under the process of repurposing, the internal CorePAS architecture is modified to align with immediate business strategies, often incrementally, with the ultimate objective of minimizing reliance on legacy functions and data stores.

EXAMPLES OF APPROACHES FOR SUCH A STRATEGY:

Externalizing business functions of Legacy Core PAS to reduce its usage to system of record

Breaking down a monolithic core into made-for-purpose light-weight Apps around InsureMO

Specific replacement of Apps such as PA only or Claims Only or Billing-Collections Only using Apps built on InsureMO to offer ecosystem connectivity and participation in those business functions=

This approach allows the insurer to gradually migrate business functions out of their Legacy CorePAS and incrementally modernize without often the risk of complete migration.

Core Capabilities Augmentation Strategies:

Building an external Middle Office
In such an approach, a modern Middle Office can be built on top of existing CorePAS for handling the high volume, velocity and variation functions needed for Digital Connectivity

EXAMPLES OF APPROACHES FOR SUCH A STRATEGY:

Provide a high-performance API layer for ecosystems over existing CorePAS(one or mutliple) for Sales and Servicing transactions with higher digital customer touchpoints.

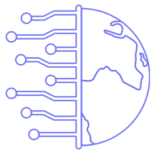
Implement a middle office solution to experiment with micro-insurance/embedded products which are "zero-touch" operationally handled completely using APIs

These solutions provide immediate business benefits and also create less/no impact on existing CorePAS architecture.

Role of Insurance Middleware Platforms like InsureMO

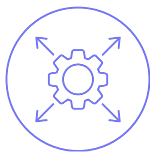
Insurance middleware platforms play a vital role in the modernization of policy administration systems. These platforms, such as InsureMO, provide insurers with flexible and scalable solutions that enable the seamless integration of modern technologies into their existing infrastructure. They act as a bridge between legacy systems and new digital capabilities, offering a wide range of functionalities and services to support insurers' modernization efforts.

Supports Core Modernization in many ways
InsureMO's Insurance APIs offer a modern back-bone to any kind of core modernization approaches adopted which may involve either co-existence with or replacement of existing CorePAS solutions



Enable Ecosystem Connectivity
InsureMO being API-centric makes Ecosystem connectivity and participation in Insurance sales and service possible

Digital proposition made viable
InsureMO's rich set of tools for experimentation with product or process innovations. Innovative digital propositions are now possible and also viable at low cost and faster time to launch



Scalable and Flexible for future needs
InsureMO's is built on modern architecture used by various other Digital industry and has the ability to scale up and adapt to the ever-changing demands of this industry

Flexibility and Agility:
InsureMO's distributed architecture enables insurers to easily configure and adapt the platform to their specific business needs. The component-based approach allows for flexible setup, supporting both traditional and digital insurance products. Insurers can quickly launch new products, introduce variations, and tailor offerings to different market segments, enhancing their competitiveness and responsiveness.

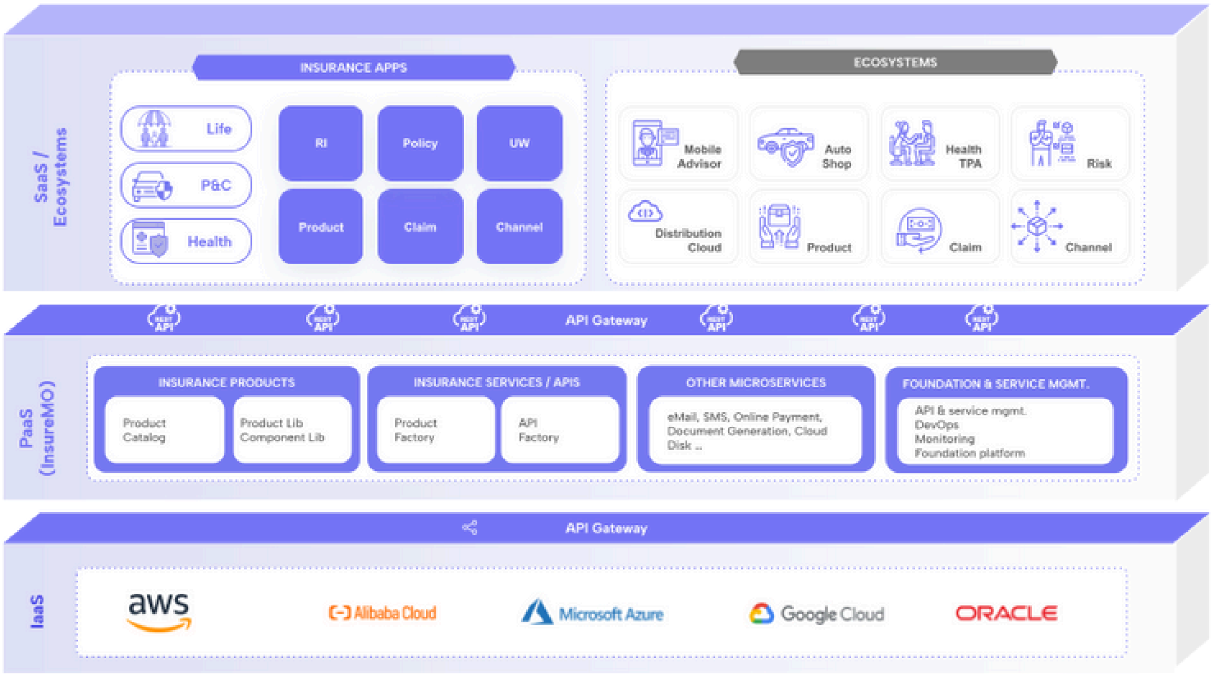
Ecosystem Integration:
InsureMO's open APIs facilitate seamless integration with external systems, such as third-party data providers, partner platforms, and digital channels. This integration enables insurers to leverage a broader ecosystem, tap into new data sources, expand distribution channels, and collaborate with external stakeholders. It promotes innovation and enhances insurers' ability to deliver personalized, customer-centric experiences.

Enhanced Efficiency and Productivity:
InsureMO's comprehensive set of features enhances operational efficiency and productivity. Built-in workflows and case management capabilities automate routine tasks, streamline processes, and reduce manual intervention. This automation improves speed and accuracy, minimizes errors, and frees up resources to focus on value-added activities. InsureMO empowers insurers to optimize their operations, improve service levels, and drive efficiency gains.

InsureMO:

The Insurance Middle Office

InsureMO offers a range of features designed to streamline policy administration and enhance operational effectiveness:



InsureMO provides a highly scalable, open and unified platform to modernize traditional monolithic core systems with lower risk and investments, by transforming them into a multi-tier architecture that can be integrated with existing user apps or new modern user apps, a scalable Middle Office (InsureMO), and any stable System of Record.

InsureMO is a global insurance infrastructure platform that revolutionizes the insurance landscape. Designed to meet the evolving needs of insurance carriers, managing general agents (MGAs), distribution channels, insurtech companies, and independent software vendors (ISVs), InsureMO is an insurance middleware platform-as-a-service (PaaS) with limitless capabilities. It empowers organizations to effortlessly integrate insurance components, products, and APIs, fostering innovation and scalability.

Trusted by global carriers, InsureMO's platform is designed to drive scalable growth and diversification across markets with a unified infrastructure, and to help product managers quickly create, configure, and manage any product for any ecosystem.

Why You Need InsureMO:

In the digital age, insurance demands have transformed, presenting challenges in Volume, Velocity, and Variation (the 3Vs). InsureMO addresses these challenges by offering:

Massive Volumes:
An elastic platform architecture that auto-scales to meet unpredictable digital business demands.

Massive Velocity:
Consumable components and assets for rapid service, product, and channel launches.

Massive Variation:
Product bundling and SKU management for extensive product innovation.

InsureMO equips the insurance ecosystem with products and APIs, enabling rapid innovation and deep connectivity for limitless scalability.

Different Audiences and Use Cases:
- Insurance Carriers, MGAs, and Brokers: Utilize InsureMO for core modernization and enhanced connectivity across marketing, sales, and servicing channels.
- Distribution Channels: Embed insurance into existing customer journeys, creating additional revenue streams while gaining valuable customer insights.
- ISVs and SaaS/Application Providers: Partner with InsureMO to integrate its components into your tech stack, enabling digital insurance use cases and expanding your product offerings.

InsureMO empowers the insurance industry with a dynamic platform that adapts to evolving business needs. It's the key to staying competitive and thriving in the fast-paced digital insurance landscape. Experience the power of InsureMO to revolutionize your insurance operations and embrace limitless possibilities.

contact@insuremo.com
insuremo.com

Create & Connect