CORE INSURANCE SYSTEMS AND DIGITALIZATION—HOW TO SPEED UP YOUR TIME-TO-MARKET

How quickly a company can innovate and create new products is a central success factor for today's insurance companies. Those organizations that rethink and pursue product-driven, model-independent management systems will be ahead of the rest in the race to grow and maintain their customer base.

In the age of digitalization, time-to-market is, and will remain, one of the key challenges for insurers. There is pressure to develop innovative products as quickly as possible and prior to there being a high level of competition on the market.

Innovation cycles are becoming increasingly shorter, especially when it comes to the timescales for testing new ideas for products. More and more companies float trial balloons, such as telematics rates or short-term coverages, in order to integrate market players into the innovation process. These new rates have to be both quick and flexible since no one can predict their actual market share and profitability. This poses a huge challenge for the insurance companies when it comes to their operational systems!

The greatest potential lies in policy systems, not in product systems

The focus on time-to-market is, in essence, nothing new. Ever since industrialization 1.0, it has preoccupied the insurance industry. However, what is new, is the awareness that it is not sufficient to simply accelerate the product development process or provide a central product system.

The real potential for shorter time-to-market lies in the operational systems, especially in policy management, quotation and application systems. Many of these systems are still host based. The work involved in upgrading such systems, so they can handle the new flexible structures, required to develop innovative products, would simply be too high.

Faster product development cycles can only be achieved if operational systems allow and support higher system speed. A higher degree of system flexibility is essential, as this is the only way new product structures and models can be mapped into quotation systems and be simultaneously managed in the policy and claims systems. How will this work?

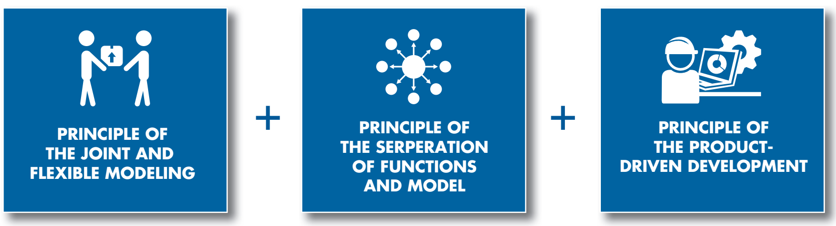
Increase speed with product-driven and model-independent core insurance systems

From experience, German-based industry expert Faktor Zehn, suggest the following three principles are crucial to achieving a shorter time-to-market:

- The principle of joint and flexible modeling

Product and contract are modeled together. Contract information and product characteristics are linked directly in the model.
Interfaces between product system and operational application are not necessary, and this accelerates the development cycles of the policy system tremendously.
The product model and the operational system can be adjusted simultaneously and easily, allowing for a quick reaction to new market conditions.

THE THREE PRINCIPLES OF ACCELERATING THE TIME-TO-MARKET



- The principle of keeping functions and model separate

A clear separation of operational functions and line-specific model leads to a high degree of flexibility. Functions such as historization, persistence, business transactions etc. can be made available and combined with flexible models that can be adjusted and extended at any time.

- The principle of product-driven development

User interface and content are often dependent on product rules and definitions. Instead of rigid programming or "standard" interfaces and processes, interface can be designed flexibly by accessing the product and contract model.

Successful acceleration of time-to-market put to practice

These principles have already been successfully put to practice by several German insurance companies, so it's not just a question of wishful thinking. The new policy system for auto of the SIGNAL IDUNA Group, for instance, is built entirely on a product-driven and model-independent architecture.

Functions such as data exchange of electronic insurance confirmations (the so-called eVB-Verfahren), business transactions, history management, and many others are based on the model. These functions can continue to be used without the need to change or enhance to the model. The system interfaces are product driven and can be extended to new rates with minimum effort.

This leads to enhanced product flexibility and to a significant increase in the level of automation. New innovative products, such as the telematics rate App-Drive, can be implemented in no time.

Apart from SIGNAL IDUNA, other German insurers, e.g. ERGO Direkt, AOK, and Versicherungskammer Bayern, rely on a product-driven and model-independent approach to modernize their operational insurance core systems.

Conclusion: Changing the way we think about core insurance applications

In the age of digitalization, insurance companies face growing pressure to innovate more quickly and reduce their time-to-market.

Many legacy systems and standard software solutions have fixed predefined structures that would require substantial customization to render them compatible with the products of individual insurance companies. If you want to reduce your time-to-market and create a competitive edge, product-driven and model-driven applications can help you implement and manage new products and services quickly.

Let's get the ball rolling.

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