Duck Creek Technologies

Solving for Tomorrow

The Future Playbook

A handbook on what it takes for P&C carriers to shape and win the future

WHAT WE'LL COVER

Why we're doing this

Spending our lives working on behalf of insurance has put us in the dual position of both outside observer and front lines change agent. We've lived the movements of this industry as a partner to carriers large and small in their quest to modernize core systems. As a result, we've developed a unique point of view on what it takes to win in this ultra-competitive world.

This work is the first in a series that aims to capture and share our collective wisdom as an organization for the benefit of those working in our industry. The current rate of change is a given. However, the question remains: How do leaders and organizations need to respond?

If we were to view the world through a pessimist's lens, we would say that insurers are in big trouble. ("Fat, complacent, and happy" were the words of one tech investor we interviewed.) Newer, leaner, and nimbler competitors are circling, finding ways to carve out a piece of the $1 trillion+ U.S. P&C insurance pie. But warnings and provocations without meaningful follow-up or guidance have not been helpful. Neither is treating every passing fad as the next game-changing force by which carriers will live and die.

We're here to help carriers find the signal through the noise. We will cover the topics that we believe will have a real impact on the future of this industry and filter out shiny objects that are more bluster than bite. Most importantly, we'll make sense of what all of this means for your business, your people, and your platforms—getting as specific as needed to help you forge a genuine path to the future.

01

What’s happening in our world

Major forces shaping our industry

To put some structure and direction around the key dynamics we're seeing, we've grouped them into three general buckets:

Tailwinds: Forces that increase the size of the opportunity.

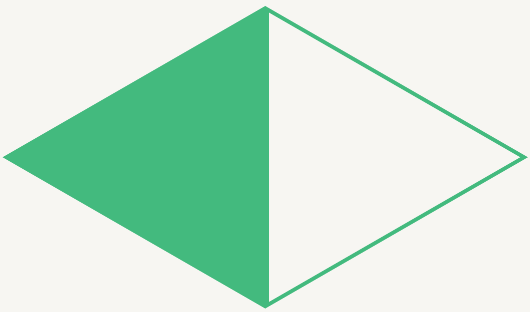
Headwinds: Forces that jeopardize the future.

Wildcards: Forces whose impact has yet to be defined.

Over the course of countless conversations, layered on top of decades of industry experience, dozens of themes emerged for each of these categories. Our team assessed each topic by maturity of idea and magnitude of potential impact (i.e., the ideas that have matured beyond hypothetical concepts or isolated pilots). We used these lenses to narrow the world down to the formidable forces that carriers need to address in the near- and medium-term.

In short, we believe that the carrier who is able to successfully capture the opportunities in the Tailwinds, neutralize the dangers in the Headwinds, and solve for the inherent complexities in the Wildcards is the carrier best able to build and sustain a true competitive advantage.

TAILWINDS



HEADWINDS

WILDCARDS

Tailwinds

01
Source: http://www.marketwatch.com/story/some-cool-insurance-products-are-finally-on-the-horizon-2016-10-27

01

Digital
Still just a buzzword (for now)

The word "digital" has evolved and morphed in meaning as quickly as the pace of technological change itself. As a result, the term has become an empty vessel at best and a meaningless buzzword at worst.

As it relates to insurance, the current focus is around emerging modes of interaction that give carriers access to a treasure trove of new information. If this data is used strategically and in the right combinations, it can lead to better products, new opportunities, and an altogether superior experience.

Two factors have been driving this recent conversation:

1. *Mobile*—as a tool for carriers to reach and service policyholders, but also as a way to collect behavioral data critical to improving risk understanding.

2. *Internet of Things*—a continuous feed that monitors the health and performance of assets and environments under coverage.

THIS DYNAMIC IN PERSONAL LINES

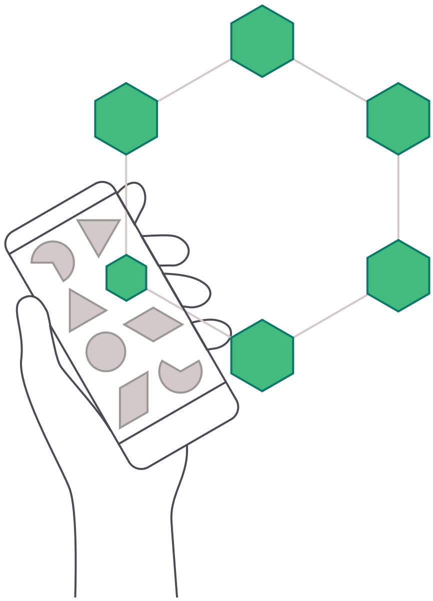
Meeting customers where they are

Even though digital-only carriers like Lemonade have become the darlings of this industry 01, and policyholders are demanding omnichannel experiences, the solution isn't to digitize everything. Instead, carriers need to consider how digital can co-exist with (and complement) in-person interaction. Understanding this equation will allow carriers to deliver products, services, and information effectively and efficiently across the appropriate channels.

Deeper insights

As carriers' relationships with policyholders deepen through digital interaction, so do the quality and quantity of information gathered. This is valuable fodder for carriers to hone their value proposition in the form of more tailored products (e.g., usage-based vs. fixed-price), a higher level of service, and a better way of working for employees and sales partners.

02
Source: https://www.cognizant.com/whitepapers/property-casualty-commercial-lines-underwriting-the-new-playbook-codex2031.pdf



THIS DYNAMIC IN COMMERCIAL LINES

More tailored offerings

Small businesses are a segment that lives between Personal and Commercial Lines in terms of needs and purchase behavior 02. Here, carriers have the opportunity to provide a tailored (omnichannel) experience and offer value that caters more specifically to this historically underserved segment.

A more attractive partner

On the mid- to large-enterprise side, the ability for carriers to analyze and act on insights from a growing number of digital touchpoints allows them build more profitable products, and offer more useful tools to the brokers who sell and manage these policies. This could be an important value-add to counter the Headwind of Changing Channels (covered in a later section).

An evolving role and value

Continuous monitoring lets carriers notify policyholders of impending events, offer tips to prevent damage, and even pre-fill claims before the First Notice of Loss. This ability paves the way for a fundamental shift in the role and value of carriers—from the folks you call when something bad happens to an active partner in keeping you and your possessions safe.

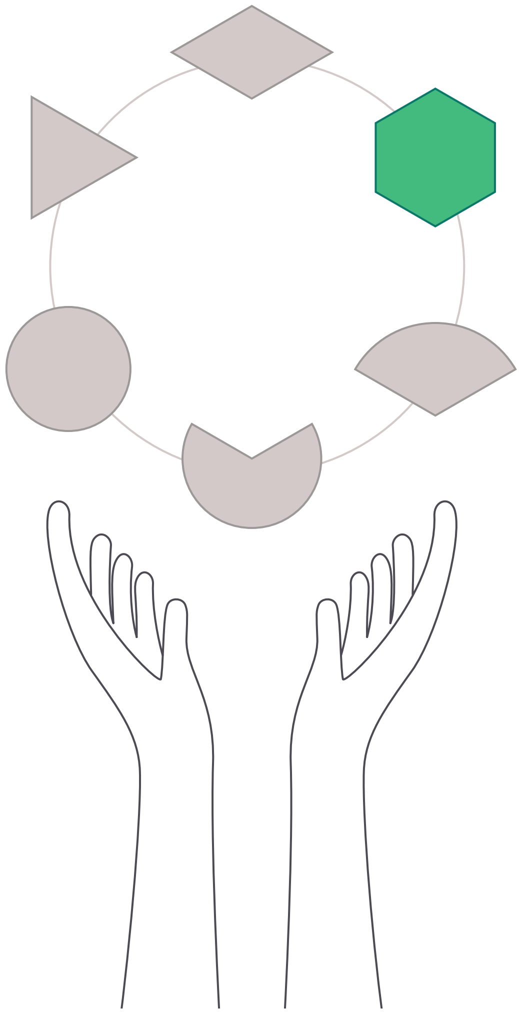
(Note: this dynamic also holds true for the Commercial Lines side)

03
Source: Top 25 Carriers: http://www.naic.org/documents/web_market_share_160301_2015_property_lob.pdf; researched individual companies by year founded from individual company pages

02

Diversity of assets
What's mine is yours?

If you were to wake up a ghost of an insurance professional from the turn of the century and asked him to price the risk of a car driven by hundreds of different drivers over the course of a single month, or the exposure of a business whose funds consistently changed hands across multiple continents and platforms in a matter of milliseconds—he'd ask to go back to sleep.



But the 20th century was when the vast majority of American insurance carriers were born 03. For many of today's incumbent carriers, the 21st century, with all of its innovation and disruption, is a scary place. On top of that, the emergence of the freelance economy, asset-sharing companies (e.g., Zipcar and Airbnb), and the impending proliferation of driverless cars are reshaping risk pools many times over.

THIS DYNAMIC IN PERSONAL LINES

A vacuum in coverage

Most policies that cover short-term or shared-ownership relationships provide either incomplete or inflexible terms. Carriers are unclear about the level of service these policies require, or the correct way to gather the information needed during the claims process. At an even more fundamental level, carriers do not know how to capture the risk to be priced into rating models.

Systems not designed for paradigm shifts

For most insurers, even the addition of a new field of information represents months of back-end build-out. A large-scale change that takes into account multiple owners, durations, and data formats is close to impossible for many back-end platforms on which carriers are operating.

THIS DYNAMIC IN COMMERCIAL LINES

Changing nature of assets

The prevalent practice of companies leasing unused inventory has long created complications for underwriters. Today, even companies' most important asset—their workforce—is no longer fixed, as freelancers and part-timers become more and more the norm. This has created pockets of opportunity for carriers to offer products and services catering to these short-term relationships. In the meantime, in the absence of appropriate coverage, employers/individuals bear the risk.

Changing nature of risk

Technology has changed the nature of risk pools. New payment methods have decreased transaction times and increased standards for security. Pre-collision sensors and driverless cars have the potential to minimize or even prevent man-made accidents altogether. At the same time, the implications of a loss event (like theft) are often misunderstood. For example, cyber attacks, data breaches, and machine mis-learnings have emerged as new threats that can jeopardize companies' very existences. These risks are not yet covered by traditional underwriting, opening up the market to first movers who can offer appropriate coverage.

Headwinds

04
Source: https://www.the-digital-insurer.com/wp-content/uploads/2014/10/372-evolution-revolution-how-insurers-stay-relevant-digital-world.pdf; starting page 114

03

Adverse selection

Racing off the edge of a cliff

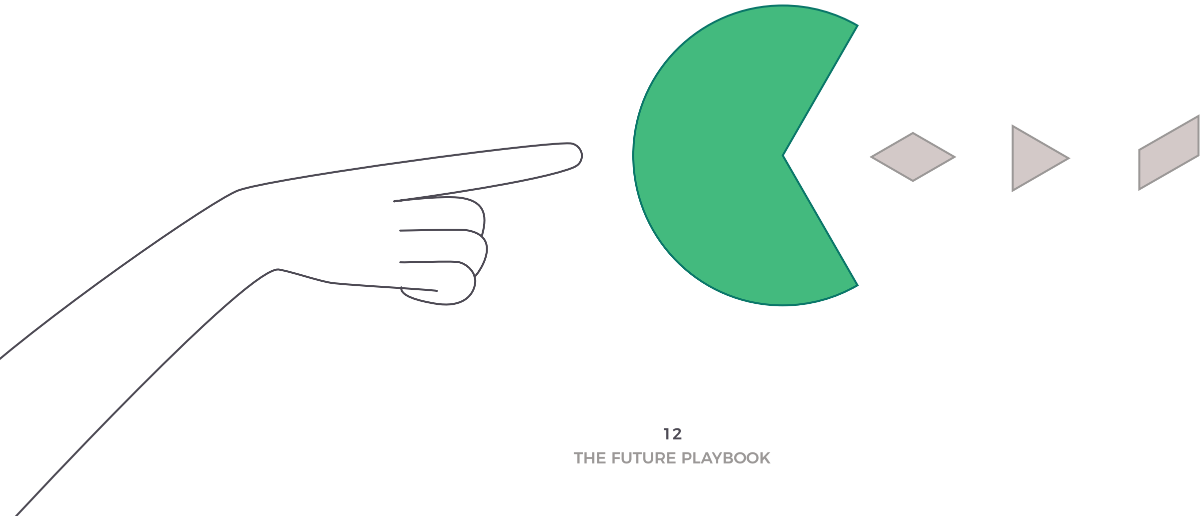
One of our interviewees described the dynamic of adverse selection as "A marathoner who's able to get to the water table first, drink as much as he needs, then knock over the table so those behind him will be dehydrated for the rest of the race." Needless to say, you don't want to be behind that person in the race.

In today's climate, two conditions have exacerbated the trend:

1. *The overall macro cycle*—This mature, highly-competitive space is still caught up in a soft market, where prospects have a great deal of bargaining power.

2. *The lopsided nature of loss*—The highest risk quintile of policies has the potential to produce nine times the amount of loss as the lowest risk quintile (04)—meaning that carriers who have a disproportionate number of these high-risk policies stand to lose up to nine times more than their competitors.

Carriers who are not able to accurately price their products and reduce their loss ratios are left to deal with inherently riskier policies that may eventually endanger their survival.



THIS DYNAMIC IN PERSONAL LINES

A harder act to follow

Price comparison/aggregator sites, coupled with the proliferation of digital disruptors (e.g., Lemonade, Besurance, and Haven) promising quotes within seconds, have put pressure on carriers to lower prices and reduce time to decision.

The downside of making it look easy

The jury is still out on whether these new players will maintain long-term profitability. Additionally, there is the question of how these easy/automated underwriting processes stand up against fraud. Insurers who sacrifice quality of underwriting for speed and price to compete recklessly with these newer carriers could be stepping into the trap of adverse selection.

THIS DYNAMIC IN COMMERCIAL LINES

Loss at a larger scale

Given the size of each individual commercial policy and the ever-increasing complexity of modern businesses, the impact of adverse selection is magnified. If rules and products are not able to account for the changing nature of risk in today's climate, it could result in massive losses for carriers. While the pace of change has made it harder and harder to build profitable products through traditional means, the ability to do so has become that much more important. The carriers who are able to learn and to adapt their products and services will be the ones who can extract maximum value from the most attractive prospects and avoid losses down the line. The carriers who aren't will be left with loss-making prospects and an uncertain future.

04

Changing channels
Biting the hand that feeds you

Fundamentally, channels are about the nature of power among customers, carriers, and their sales channel: who has it, why they have it, and how to respond to it. The nature of this relationship is playing out in almost direct opposition across Personal and Commercial lines—with agents being threatened with disintermediation on one side, and brokers dictating terms to carriers on the other side.

Underpinning these forces are core changes to clients' and consumers' needs—namely, buying behaviors driven by access to new channels and technologies.

THIS DYNAMIC IN PERSONAL LINES

Who has the power:

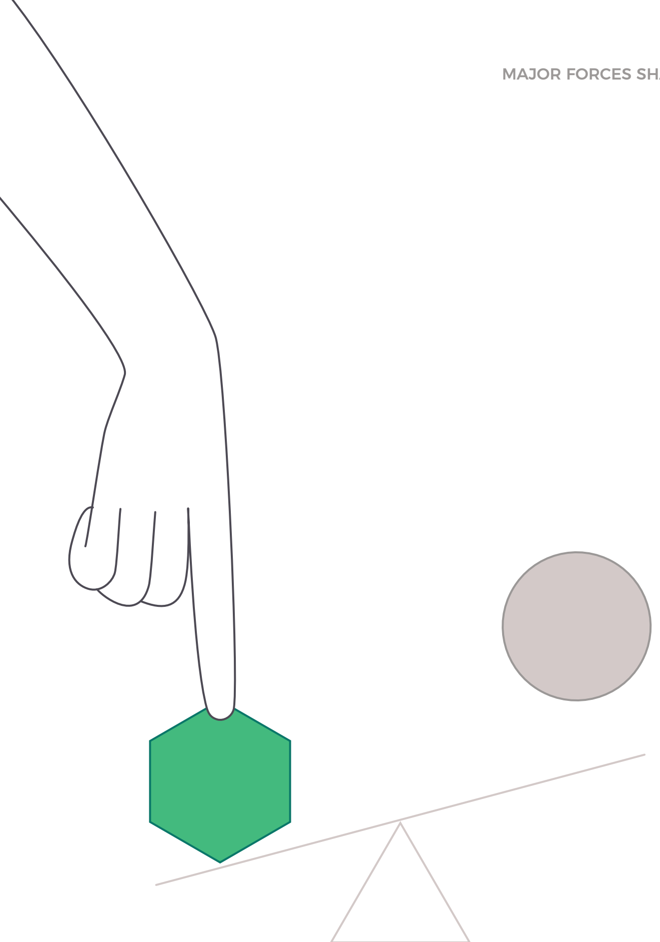
First, it's the policyholders—who are now used to online comparison shopping and demanding a higher quality of service. Second, it's carriers—as they build out the capabilities to be able to service needs and sell directly. In general, the move has been decisive—carriers are moving more of their sales online, going direct to the consumer, and cutting out agents.

Why they have it:

Sales commissions account for a double-digit cut out of the bottom line, and are seen as an obvious source of savings, especially as policyholders' preferences and buying behaviors have changed. The relative simplicity of these products allows for an easier and more complete translation to a direct sales model.

How to respond to it:

Carriers who, out of strategic preference, continue to rely on their agent channels, must reexamine and fortify the value their agents are able to provide. This has meant ensuring that agents have real-time access to information, a robust set of relationship-building tools and the permission they need to provide a layer of value that clients can't get from a website.



THIS DYNAMIC IN COMMERCIAL LINES

Who has the power:

Large Commercial brokers, who have a great deal of power, are demanding a higher quality of service, faster updates to products, and new ways to meet clients' needs/specifications. Carriers who can't respond quickly enough could be excluded from broker recommendations or shut out of the channel altogether.

Why they have it:

The evolving needs of corporate clients, coupled with the complexity of the products in the commercial lines space, have led to a reliance on brokers, who clients count on to properly recommend and negotiate policies. Aggregator models and exchanges are poised to make things more complicated—giving agents/brokers access to a broader (and often cheaper) set of specialized products outside of their immediate carrier relationships.

How to respond to it:

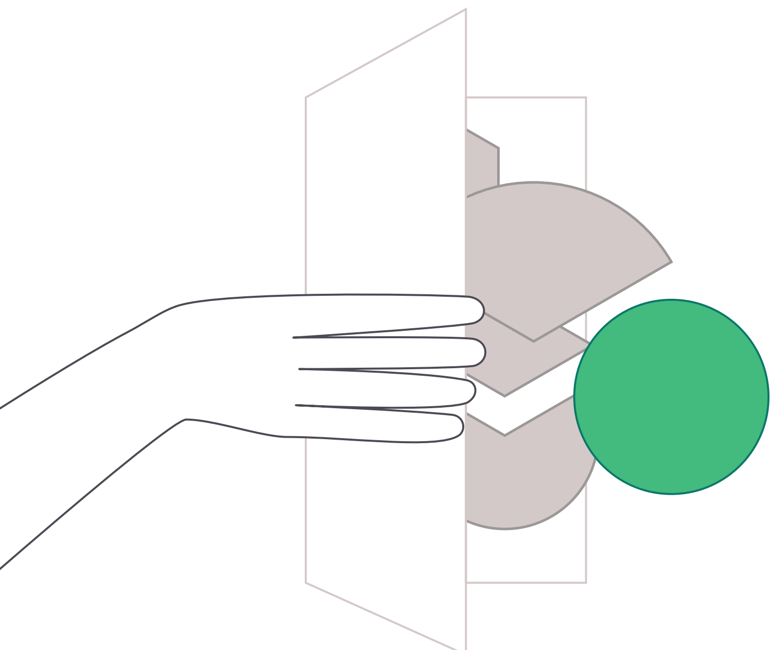
Carriers need to find ways to be truly responsive to broker expectations—not just at a superficial level, but in terms of fundamental changes to products and services. For Large Commercial, key underwriters need to be more relationship- rather than transaction-focused. Delivering product is no longer enough—being responsive and consultative have become key to maintaining broker/carrier relationships. For small and medium-sized enterprises (SMEs), insurers need to provide automated straight-through processing and collaboration between agents/brokers and underwriters.

Wildcards

05

Regulation
The excitement (and anxiety) of more changes

The entire industry is waiting to see what a newly-elected, business-friendly president and Congress will do to industry regulation. Since (federal) deregulation seems to be the prevailing direction (at least within the US; the opposite seems to be true in Europe), carriers find themselves either poised to take advantage of new opportunities or fearful that they'll get left behind.



05
Source: https://www.fastcompany.com/3066946/whats-the-fate-of-data-privacy-in-the-trump-era

06
Source: http://www.propertycasualty360.com/2017/01/11/trump-presidency-could-bring-momentum-to-much-need

07
Source: http://www.carriermanagement.com/news/2017/01/30/163685.htm

Data privacy

The first manifestation of this new regulatory shift has been the rollback of consumer privacy protections. This essentially gives internet service providers the ability to sell browsing data to private companies (05). This move could give insurance companies access to a rich new data source for their projections of individual risk. However, carriers also need to weigh the ethical and brand risk associated with this level of intrusion, even if such a practice is technically legal.

National Flood Insurance Program

This FEMA-run program, designed to provide government assistance in flood protection, is up for renewal in September. Currently, it is $23 billion in debt and the Trump administration has proposed cutting $190 million from the program, or even shutting it down altogether (06). This move would open the flood insurance market to privatization, giving carriers the opportunity to build new products and services. However, flood protection is a notoriously unprofitable line of business, so carriers need to be extremely cautious (and accurate in their pricing model) to avoid dealing with the fallout of adverse selection.

Federal vs. state oversight

Another regulation in question is the Federal Insurance Office (FIO), which could disappear if the Dodd-Frank Act is rolled back. The FIO has oversight into risk-related matters of insurance companies, including the kind of asset classes into which carriers can invest, and the types of risk they can cover. Removing these barriers could have a huge impact on insurers' investment strategies and open up alternative sources of revenue (07). Meanwhile, states continue to move toward tighter regulation, particularly around pricing practices. For the moment, state regulators appear to be in the driver seat for determining the immediate future of regulation.

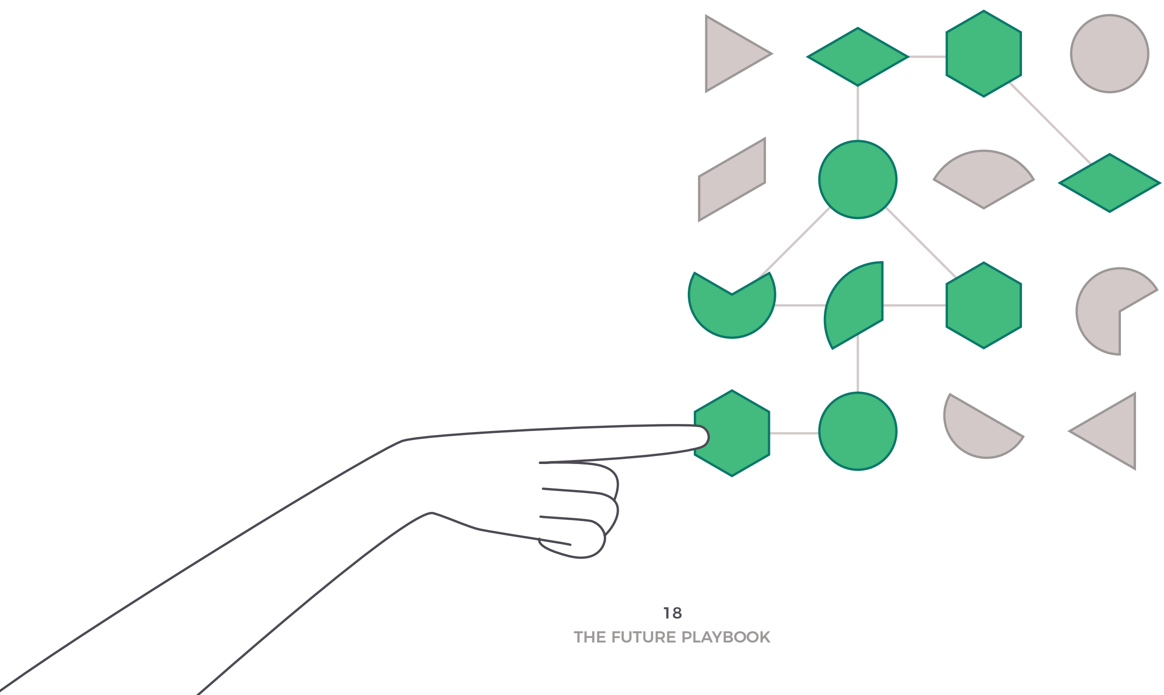
06

AI / Big Data

So close, yet still so far away

We've all sat through many tech presentations that start with the words "Imagine a world where..." But for carriers, it's never been about a lack of imagination. In no other industry has there been as wide of a chasm between collective ambition and back-end feasibility.

Carriers are watching with fascination (and dread) as boundaries blur between the imagined and the possible. As sensors feeding the Internet of Things are able to capture and predict reality at a fidelity never seen before, and machine learning is able to make sense of boundless quantities and formats of data, the future of this industry is being played out between hypothetical theory and technological feasibility.



08
Source: http://www.asiwi.com/2016/01/the-wondrous-evolution-of-insurance-technology/

The downside of being first

This is an ironic position for today's carriers to be in, as insurance companies have tended to be relatively early adopters of IT/software. In the 1960's, insurers and banks were on the cutting edge of IT—they were among the first to hire computer scientists and programmers to build their own solutions [08]. Unfortunately, by moving early and investing heavily in technology that used programming languages that quickly became outdated (who knew things would move as quickly as they did?), carriers have had to build out functionality in-house, leading to islands of automation/flexibility and function-rich silos separated from the rest of their organizations. This fragmented system has inhibited carriers' ability to capture, share, and utilize data needed to drive prioritization, design, and innovation for their products and services.

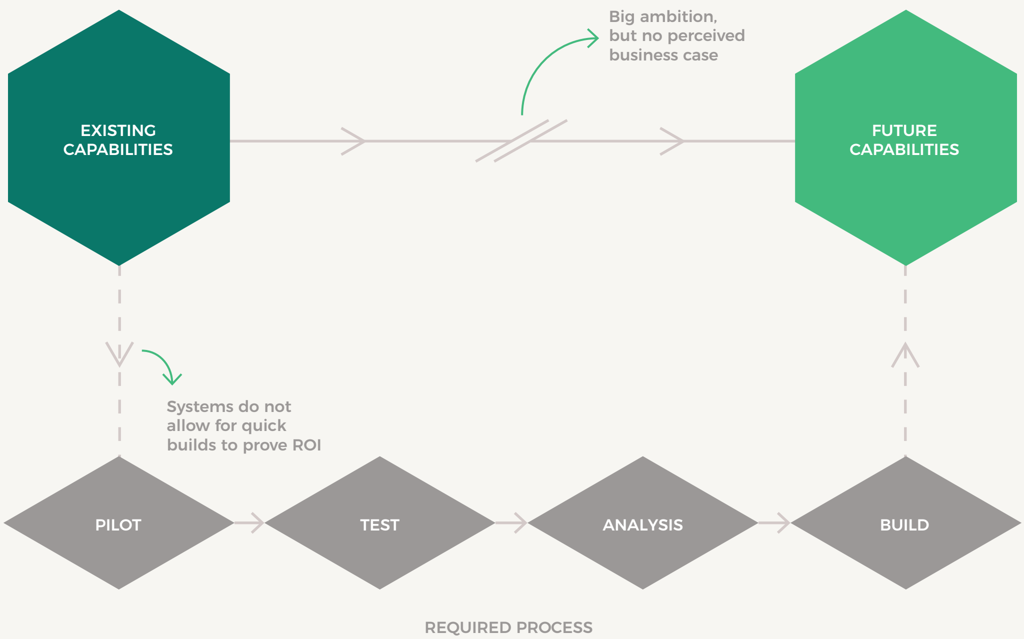
Finding the needle in the haystack

Within this highly fragmented and patched-up world, building a full-fledged data/insights team is a huge task. It requires everything from hiring the right talent, to setting up parameters around data collection and sanitation, to making sure that information is shared across organizational silos. There is also the issue of finding meaning in the different sources of collected data. Adoption of new technology has been slow and case studies are few, meaning that there is no industry rubric or set of best practices to lean on as carriers seek to connect findings to profitability, efficiency, or retention.

Chicken or the egg

This inertia is driven by the fact that new technologies cost a great deal and have yet to be proven in terms of business value—because there is no easy way to build this case.

Existing systems do not accommodate easy and quick builds—thus preventing testing and experimentation. By default, this makes all cases for product profitability and service efficiency strictly theoretical. When theoretical returns are presented to those who work in the business of putting tangible numbers to potential risk, they do not hold water.



The awkward "Now what?" moment

Let's assume that carriers are able to successfully stand up world-class analytics teams that can generate game-changing insights and promise to set new standards in product profitability and service delivery. Then the battle shifts to how to build these insights into actual rules and products. Here, once again, we run into the problem of legacy systems that force product code into siloes, leading to products built from a code "stew" devoid of thoughtful hierarchy, consistency, and definition. This, in turn, forces carriers to rewrite every line of code associated with a product for even minor updates. It also makes the ability to test new products with a limited audience and without disrupting existing operations a distant pipe dream.

07

SaaS

The promise of flexibility made real?

When it was first introduced, Cloud seemed to be the answer to the most pressing hurdles to adoption of new technology. It promised to reduce cost of ownership, level the corporate playing field, make updates seamless, and grow with your business.

For many industries, these promises have come true, and have changed the way companies are able to operate and grow. Within insurance, however, there remains a "wait and see" mentality. Questions will continue to surface around the benefits that Cloud holds for how policies are written, sold, and serviced. We believe that as carriers see more proof of concept, objections will wane—along with the barriers that have historically held back the industry.

Calling it what it is

Looking at the landscape of insurance technology vendors, many are promising a SaaS option that's essentially a privately-hosted product that is altogether different from their on-premises solution. For example, a vendor may have a feature-rich option that has to be installed on premises and another option that can be accessed via the Cloud. However, their Cloud option can only handle about 30% of what the on-premises option can handle. In fact, looking more closely, it's a different product altogether with a completely different code base.

In this scenario, carriers would have to decide how much functionality they're willing to sacrifice for flexibility. If they want a Cloud-accessible version of the on-premises product, they'd have to host it themselves. Any subsequent updates would be costly, as they still would have to be individually installed.

Marketing dollars and PR spin can stir up a lot of confusion, so it's imperative that carriers know the difference between on-premises, hosted, and SaaS, and the pros/cons of each delivery model.

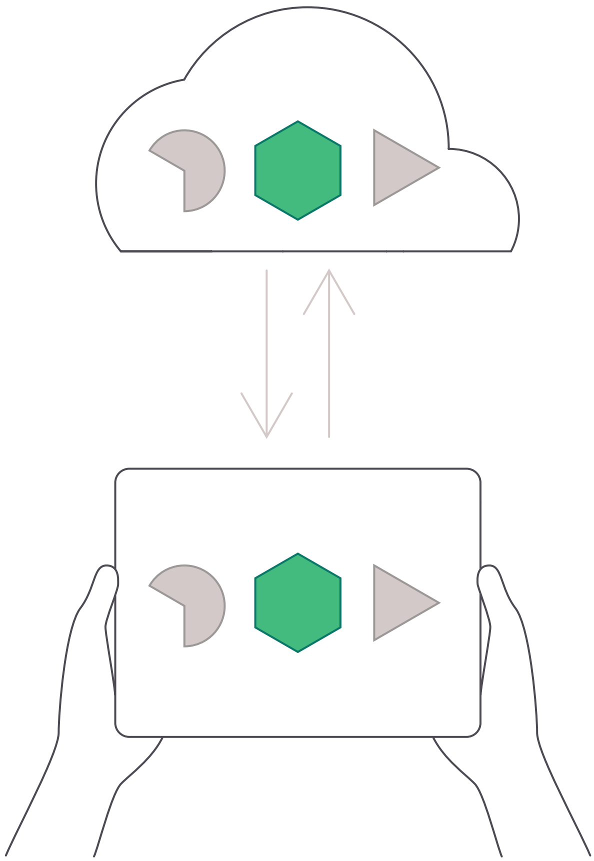
In the hosted (private Cloud) scenario, carriers have to communicate between their Cloud vendor (e.g., Microsoft Azure and AWS) and their technology partner whenever there is a glitch or an update, adding a layer of complexity. True SaaS works from a common code base, so updates (and glitches) are managed entirely by the technology partner.

In short, if you want to know if a product is true SaaS, ask your potential tech vendor how updates work—and what the total cost of ownership is to stay current.

	On-Premises	Hosted (private Cloud)	SaaS
Where it's hosted	Carrier	Microsoft Azure / Amazon Web Services, etc.	Technology Partner
Who manages IT	Carrier	Microsoft Azure / Amazon Web S ervices, etc.	Technology Partner
Who manages product	Carrier	Carrier	Technology Partner
Who manages updates	Carrier	Carrier	Technology Partner

A note on data security

It's impossible to talk about SaaS without talking about security risks. The perception is that by moving critical processes (quote, bind, first notice) onto the Cloud, it somehow feels like the front door of your business has been opened to the entire internet. However, as SaaS has started to become the standard in some industries, security technology has grown in sophistication and rigor. The day is quickly dawning that data is more secure (and more cost-effective to manage) on partner-maintained multi-tenant Clouds (with higher security compliance standards) than on private Clouds/data warehouses.



09
Source: Internal Duck Creek documentation on competitive intelligence from customer/prospect interviews

What to remember

The biggest upside of SaaS is that you'll always be up to date with the latest features and functions. This removes the burden of maintenance and upgrade from carriers' IT organizations, avoiding the scenario of upgrades becoming unaffordable (up to 75% of purchase price [09]), and leading to orphaned releases and outdated systems.

SaaS allows carriers to focus on differentiating themselves in more important ways through marketing, brand, customer experience, and risk models—not their IT systems. Advantage is created from business strategy configured into products and services, rather than developers customizing code.

02

What this adds up to

Implications for how carriers need to respond

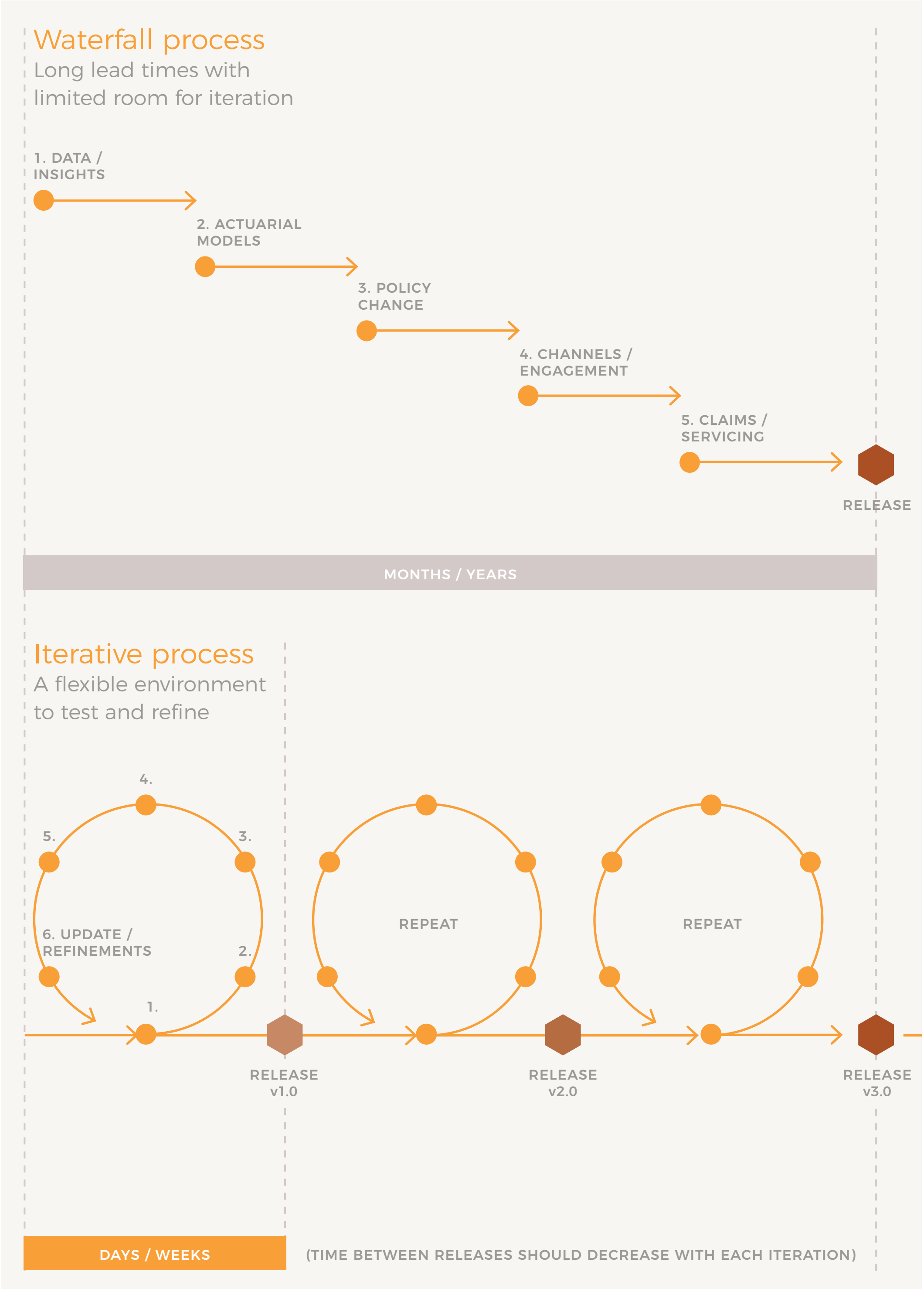
A clear picture is emerging of what all of this means for carriers as they move into the unknown. All roads point toward the need for a new way of building and distributing products and services.

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 the traditional waterfall project plan.


Waterfall process
Long lead times with limited room for iteration
1. DATA / INSIGHTS
2. ACTUARIAL MODELS
3. POLICY CHANGE
4. CHANNELS / ENGAGEMENT
5. CLAIMS / SERVICING
RELEASE
MONTHS / YEARS
Iterative process
A flexible environment to test and refine
4.
5.
3.
6. UPDATE / REFINEMENTS
2.
1.
REPEAT
REPEAT
RELEASE v1.0
RELEASE v2.0
RELEASE v3.0
DAYS / WEEKS
(TIME BETWEEN RELEASES SHOULD DECREASE WITH EACH ITERATION)

In the end, speed will characterize carriers' survival in this new marketplace.

1.
Speed in the ability to collect, analyze, and properly interpret data from a growing number of sources

2.
Speed in the ability to update/change products and algorithms to reflect newly uncovered insight

3.
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 are going to 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.

Case studies

01

Berkshire Hathaway Specialty Insurance (Specialty Lines)

Speed to build an entire business without IT slowing things down

SOLUTIONS USED

Duck Creek On-Demand—a SaaS-deployment of Duck Creek Policy and Claims.

BEFORE

Created in 2013, Berkshire Hathaway Specialty Insurance (BHSI) began with no IT infrastructure and no IT staff—but it needed to implement core systems for policy and claims.

With the luxury of building from scratch, they sought a modern, nimble solution that could support current and future business—at IT costs that are the lowest in the industry.

The team set out an extremely aggressive launch schedule—more than 40 products over the course of 18 months. Launching even one product in that time frame is challenging for most P&C carriers.

AFTER

Full suite launched within one year; two months for Claims go-live, and seven months for Policy go-live.

BHSI is currently live with 60+ products over five lines of business in 50 states and across six countries.

Because the SaaS system is able to flex and scale as the company grows, back-end capacity down the road is accounted for, as is future functionality via regular updates to the system.

BHSI's ability to hand off all technology issues to their SaaS vendor lets their workforce focus on business-related issues and value-added services.

02

Eastern Alliance (Commercial Lines)

Speed through smart automation to radically simplify a 20-step process

SOLUTIONS USED

Turnstile—Duck Creek's SaaS-based form-to-data conversion tool. Transforms data from ACORD PDFs into ACORD XML for upload into carrier systems.

AgencyPortal—Duck Creek's multi-channel distribution platform. Automates all key quoting and binding transactions between carriers and their producers.

BEFORE

65% of new business submissions were emailed from agents, despite an agent-facing portal option.

Internal manual keying of data into the policy system was time- and labor-intensive, as well as vulnerable to errors and incompleteness.

Bounce-backs and follow-ups for additional data were common.

Overall intake process for emailed forms took more than 20 steps and required three people to keep up with an email inbox.

AFTER

New Process: PDF forms attached to agent emails are sent to Turnstile; data from forms is converted to ACCORD XML and uploaded to AgencyPortal for underwriter validation; underwriter submits application to the policy system for completion.

The total number of manual steps has been reduced from 20 to six—a 70% savings.

A single individual now handles all submissions and, in most cases, achieves a same-day quote turnaround to agents.

Underwriters have all the data they need up front, saving time and allowing for collection of geographical information on declined policies—data important for future risk assessment.

03

National Tier 1 Carrier (Personal Lines)

Speed to market through modern systems that talk to one another

SOLUTIONS USED

Duck Creek Policy and Billing—These replaced outdated core systems for all Personal Lines products.

BEFORE

All business was conducted across separate policy, billing, and claims platforms, with information needing to be translated across multiple systems.

This construct slowed the carrier's ability to launch new products and provide service efficiently. It also limited distribution—particularly for complicated products that could only be sold through agents.

Most importantly, this environment constrained delivery of industry-leading levels of customer service. For a carrier that held Amazon as the gold standard for ease of doing business, this was unacceptable.

AFTER

Use of out-of-the box functionality laid the groundwork for Policy and Billing to talk to one another and enable seamless data transfer—allowing teams to focus on value-added activities rather than system customization.

This new architecture is able to isolate their configuration, allowing the creation of a test-and-learn environment that gives teams freedom to focus on innovation instead of being locked into releases.

This streamlined core system is able to reduce information lags and, by extension, time to market. Now, even the most complicated products can be built, tested, and sold all on one platform.

03

What carriers need to do

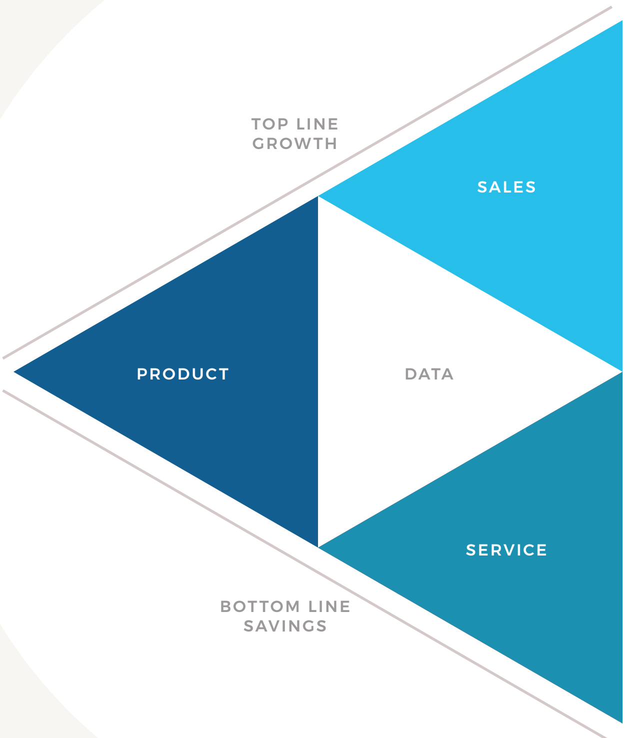
Imperatives for how to build for speed

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 about “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 that Product, Sales, and Service talk to one another via 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.

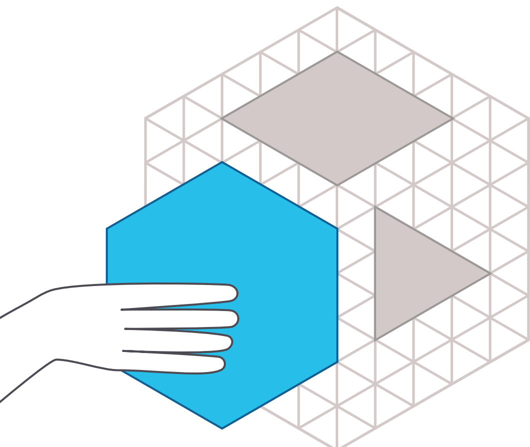
There is also the issue of ROI. As we said in the Big Data section, existing systems make it difficult for carriers to test and predict the financial outcome to products and services. Therefore, large-scale, system-level changes are an even harder sell for carriers who do not want to be guinea pigs for an unproven way of working. This new system must be able to isolate changes so carriers are able to test and refine concepts in a safe environment before full launch.


TOP LINE
GROWTH
SALES
PRODUCT
DATA
SERVICE
BOTTOM LINE
SAVINGS

01

Product

More tailored and profitable



Freedom within a common framework

Today's reality

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 the product. With no single source of change, updates are a time- and capital-intensive process.

Tomorrow's imperative

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 that new products are customized from a common set of definitions, giving businesses room to grow their portfolios in a manageable way.

A test-and-learn environment

Today's reality

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 track or measure, making them costly and semi-permanent in the short term. Furthermore, today's rigid structure creates and reinforces a risk-averse environment.

Tomorrow's imperative

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 new products to a broader market. 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

Today's reality

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.

Tomorrow's imperative

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 (i.e., 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.

02

Sales

Right products for the right channels

A real-time window

Today's reality

Outdated platforms that do not talk to each other have made access to information inconsistent across teams and channels. Without connectivity internally, carriers can't provide transparency externally. This has caused disruptions in agents' ability to provide timely information to prospects. This has also blocked policyholders' access to information related to their policies and claims.

Tomorrow's imperative

In order to free up agents and service teams, and also ensure a high quality of delivery, policyholders and agents alike must be allowed to connect to the same set of data across touchpoints—whether it's mobile, online, or in person. By empowering these groups to find information and resolve issues on their own, carriers and agents can focus on delivering more valuable advice and services.

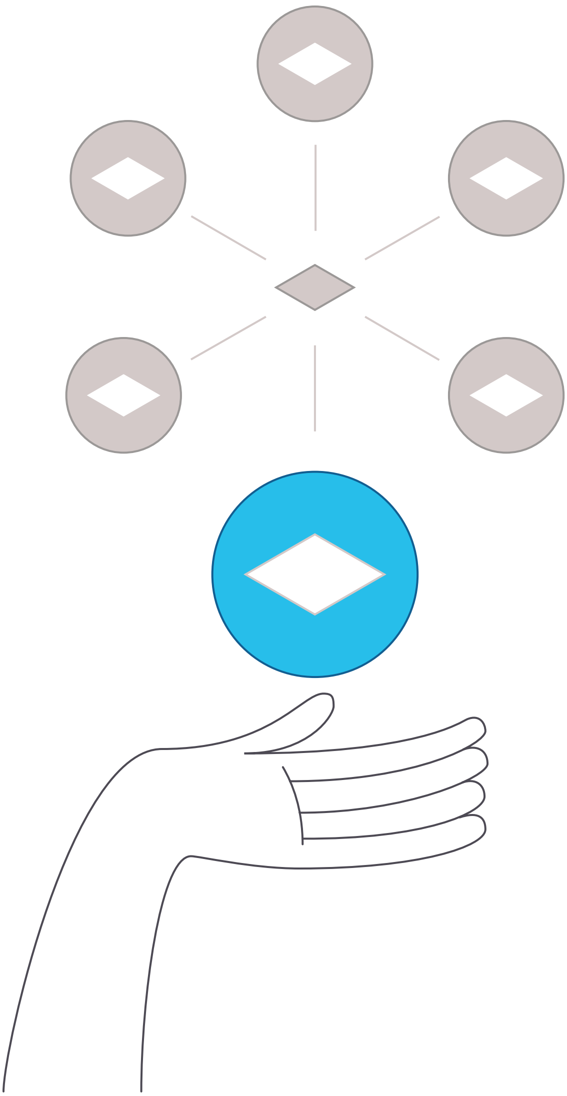
Ease of doing business

Today's reality

A simple, one-way relationship—carriers make the product and agents/brokers sell that product for a commission. Information lags between carrier and agent are common. Input from brokers can take months to be reflected in carriers' products or service delivery.

Tomorrow's imperative

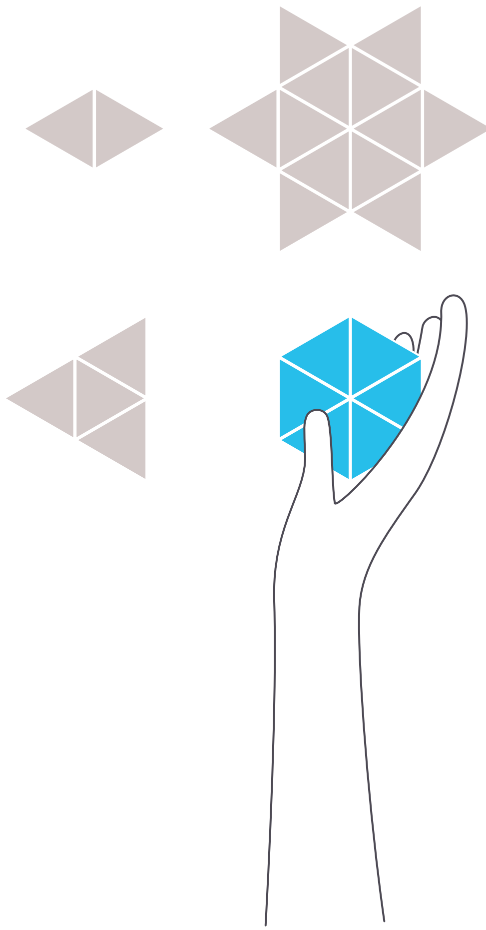
Carriers are expected to act like true partners. This means providing distribution partners with the tools to help them deliver a high level of service. This also requires greater transparency—giving agents/brokers immediate access to the information they need. More and more, this level of responsiveness is also expected at a deeper level—in the form of dynamic product and service updates that reflect policyholders' evolving risk profiles, needs and behaviors.



03

Services

More reliable, efficient, and cost-effective



Scalability

Today's reality

Scaling up is a slow process that requires months of building and rebuilding systems to handle new volume across the entire product, sales/distribution, and service cycle. Today, scale is inelastic. The high fixed costs required to build out systems that can accommodate peaks of traffic eat into profitability.

Tomorrow's imperative

Internal processes, systems and people must be prepared to accommodate new launches, geographies, and policyholders (and their evolving requests). This means carriers either need to make heavy upfront investments to expand overall platform capability, or move into flexible, pay-as-you-use contract models (SaaS) with their technology partners.

10
Source: Capgemini, Efma World Insurance Report 2015

Optimizing for efficiency

Today's reality

There is enormous pressure on carriers to do something about the 12%/12%/12% (G&A/ Loss Adjustment/ Sales Channel) cost equation. This structure has grown in part from carriers operating from a patchwork of legacy platforms. Many of these outdated and/or internally-built systems require scores of full-time employees to support and maintain. Lack of functionality has created operational constraints that are often solved with manual workarounds. This has led carriers to be overly reliant on human-to-human interaction.

Tomorrow's imperative

We are a half-century into carriers modernizing their systems. This shift has driven leadership to be more creative in the use of technology, and thoughtful about how to use employees where they are most valuable. It also means that carriers' employees need to rethink how they see their own role—from one of an operator/processor to one that's more of a creator/innovator.

Meeting you where you are

Today's reality

Within the P&C industry, interactions are still mostly happening person-to-person. However, customer norms around experience and delivery have been shaped by outside players. Due to the disjointed, documentation-heavy, and adversarial nature of the claims process, long lags between information capture, processing, and payout are common. Of the carriers who do offer self-service, back-end tie-in/functionality is limited. For example, customers can submit a FNOL on the front end, but carriers still need to print out and manually key in the information for the claim to be processed on the back end. Not surprisingly, customer satisfaction, particularly across the claims process [10], is low.

Tomorrow's imperative

The ability of carriers to reach and service policyholders across all channels is an existing expectation that will quickly become the standard way of operating. The carrier who is able to get there first will not only create an efficiency and a sales/experience advantage, but also an insights-related advantage. These digital interactions with policyholders and partners will give carriers a wealth of new data that can be used to create better products and deepen engagement.

04

Data

Captured, mined for insights, and put into action

Mining for Insight

Today's reality

There has been a proliferation of data created, driven by the increasingly omnichannel way in which customers interact with businesses. Most carriers have not been able to build processes and teams to fully capture, standardize, and analyze that data. Without these internal processes and capabilities in place, it is difficult for teams to make use of the data in a meaningful way.

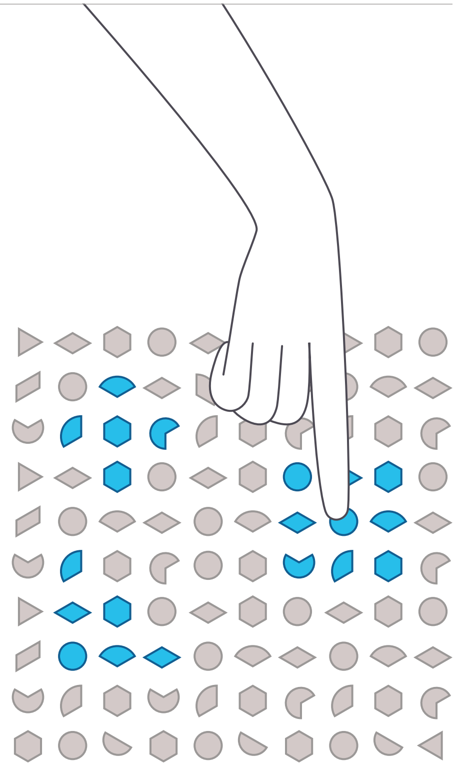
Tomorrow's imperative

Finding the needle of insight in the data haystack should become second nature as systems are automated to collect, sanitize, and share out relevant information. When they are, human energy can be focused on solving larger strategic questions around building a smarter business, a more profitable product set, and a more useful set of services.

Single view of the customer

Today's reality

Data is scattered in various formats and levels of fidelity across the organization. Analysis tends to be reactive and tactically-focused, rather than future-facing. Market research (e.g., segmentation) tends to be at too high a level to be mapped back to existing databases of behavioral data. There is no true insights-backed and agreed-upon view of customer behaviors and needs.



Tomorrow's imperative

Carriers need a robust and centralized view of how they are interacting with key policyholder groups. This single view of what's important needs to be widely shared across silos, so differing groups know what they are collectively working toward and how each group contributes to the overall experience. It should provide a roadmap that directs all product, sales, and service initiatives. By extension, this single source of truth holds everyone in the organization accountable to a more customer-centric way of collaborating and problem solving.

“In the midst of chaos, there is also opportunity”

Sun Tzu
Art of War

At the end of the day, we hope this work sheds some light on the dynamics and imperatives of our P&C world. While the sheer magnitude of the shifts we’ve described may seem daunting, we find energy and hope in the opportunities created by change. There has never been a more exciting time to be in our line of work—as the industry materially redefines and reshapes itself.

In this new world order, speed is competitive advantage and IT is an enabler of innovation. Getting there requires the right technology partner to move designs for the future from possibility to reality.

Duck Creek’s role in this extraordinary time is to help carriers bridge the gap between ambition and feasibility.

Let’s talk about your future, and how we can help get you there sooner.

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May
2017