Digital Transformation for Insurance

Using a Low-code Platform to Outdistance the Competition

In the digital economy, to compete and win means connecting data, people and processes at digital speed. Low-code platform technology can help insurers make the connections and rapidly address some of the industry's biggest historic challenges.

What is Low-code? Application development platforms that enable rapid application delivery with minimal hand-coding, and quick setup and deployment. – Forrester Research defining low-code development platforms

With a low-code platform approach, technology can be applied broadly, allowing an insurance company to gain multiple economies of scale. This is a substantial benefit, but it also presents those who want to use this approach in their organizations with a challenge — where to start?

This paper outlines four paths to accelerate competitive advantage:

1. Rebuild the customer experience
2. Address unmet customer needs
3. Make independent agents love you
4. Fill "white spaces" between current systems

INSURER ADVANTAGE IN THE AGE OF DIGITAL

The insurance business is becoming more competitive by the day. Products in the life & annuity and property & casualty segments have become so similar that internet comparison sites are the preferred way for consumers to shop. Side by side comparisons make shopping easier for consumers while making it harder for insurance companies to differentiate their products. This push to commoditization is not good for insurers' bottom lines and threatens their health. With products so easy to price compare, insurers who want to survive and thrive need to differentiate themselves in other ways such as:

• Getting new products to market faster
• Developing new insights to better price risks
• Providing service well beyond what's expected
• Simplifying regulatory compliance and reducing administrative costs

Key to all of these is having the right information, in the right place, at the right time. That means the most successful insurers will have the best work processes, the best information

technology systems supporting them, and an infrastructure that can adapt quickly as market conditions change.

Given the need for top quality information systems, it's ironic that while the insurance industry as a whole spends 15% more on IT than other industries, it lags behind in terms of technology effectiveness. A few steps back in time shows how we got here.

Insurers have long recognized their best method of competing was through outstanding processes. This led them to be early adopters of information technology. Most found commercially available software unable to fit their needs so they created their own custom applications. That helped in the short term, but over time those applications led to the creation of data silos which increased the need for manual processes and decreased the ability to leverage business intelligence to grow revenue through actions such as "next best offer" – some of the very things they were built to help. IT staffs recognized this and tried to help, but more often than not, the result was a lot of large, overlapping and duplicative applications, further exacerbating the problem.

Custom applications have become more and more expensive to maintain. Over half of an insurer's IT budget today goes to staff expense for maintaining legacy applications.[1] Those applications are brittle, hindering business teams that want to quickly bring new products to market to gain competitive advantage. Compounding this is that with a focus on maintaining older applications, insurers have been slow to adopt new technologies, most of which would require substantial application redevelopment. The result is that the constraints of an insurer's software applications are the limiting factor on their ability to compete, grow, and drive profits.

Business has changed, but insurer's applications have not. Insurance company staffs are adapting by creating manual processes where systematic ones are not available and buying "point" software solutions to address gaps within their specific areas. This results in operations that are optimized locally not centrally, a lack of visibility to manage and diagnose problems, and a lost focus on the customer. When viewed from 30,000 feet, an insurer's application landscape appears to have a few large monolithic applications and a "mushroom forest" of minor applications and manual processes instituted by people working around system limitations.

The costs of this situation are significant, but often are not obvious. Manual processes in claims lead to higher administrative costs, a disconnected experience causing frustrated customers not to renew, and higher losses from claims not resolved quickly. The same problems can lead to adverse selection in underwriting, as pressures to make fast decisions often lead to action before complete information is manually assembled. In policy and administration, poor systems lead agents to bring less business to you. Insurers have been slow to address these problems because the traditional path is to "rip and replace" core systems in policy and administration, underwriting, and claims. These are expensive, slow, and therefore risky projects.

But what happens when just one of your competitors figures out a better way?
By eliminating manual processes and stopping exceptions from clogging their operations, competitors can free up funds to invest in projects that will allow them to serve their agents better, improve risk valuation, and change their systems to focus on a better customer experience. As they use improved systems to select the best risks, they are sending the bad ones your way (it's truly a zero-sum game!). Small improvements today are allowing competitors to begin a virtuous cycle where they get stronger and stronger. That's the cost of not being at the leading edge, and not deploying the best technology.

How are they getting this advantage? Through improved business processes with access to critical information views, built faster using a low-code application platform that allows them to be agile enough to adapt quickly. Here's an overview of the path they are taking to get a few steps ahead of you.

PATH #1 – REBUILD THE CUSTOMER EXPERIENCE

Ellen Carney, a noted insurance industry analyst from Forrester Research Inc., wrote the following:

"Insurers are reorienting from business as usual, where actuaries and underwriter drive product creation and sales, to a "business-as-unusual" model in which insurers sell a customer experience."[2]

The rapid growth of technology in consumers' lives over the past decade has redefined what customers expect when they interact with a company. Gone are the days when consumers will tolerate slow turnarounds and being transferred from one person to another in search of a solution to an issue (a.k.a. business as usual). Consumers instead will quickly gravitate to the company who can provide them with the best product, service, or both.

The rewards for being that chosen company are substantial. Look no further than Apple's over $80B cash hoard for proof. The same technology that enables a better customer experience also spreads the word quickly when companies provide poor service, accelerating the negative impact on those companies who aren't keeping up. This is a double problem because companies cited in Facebook and Twitter for poor service are effectively blocked from using social media as a growth tool.

The steps some insurers take in rethinking the customer experience will invariably lead to demands for changes to current systems. Carriers have to be ready to provide applications on mobile devices to allow applying, filing, estimating, and paying claims on the go. For example, some insurers have already launched mobile applications that let shoppers get a quote simply by using their smart phone to take a picture of a car's license plate or their driver's license. Providing a quick response and quote requires automated coordination between policy & administration and underwriting systems, plus a number of ancillary systems and a mobile application. For some insurers, this could only be accomplished by a "rip and replace" approach, slowing the company's ability to quickly match or get ahead of the competition.

Leading insurers are redefining customer experience with digital low-code application platforms, requiring only a fraction of the cost and time of a "rip and replace" approach. They can model desired cross-functional processes spanning departmental boundaries and have them quickly converted into functional applications. Building solutions using a low-code platform allows them to consolidate existing systems and quickly gain competitive advantage. It produces more revenue and profit in the near term which they can use to reinvest in renovating core systems on their own schedule with minimal impact to customers. This approach keeps costs low, allows the highest return areas to be targeted first, and shortens the time to seeing benefits, all important components in delivering fast ROI.

Territory Insurance Office in Darwin, Australia took this approach in transforming its customer facing claims processes. With only a small IT team to service the entire business, and numerous legacy back-end systems involved, BPM provided the fastest way to streamline the process and overhaul the end-experience both for internal employees and customers. The project was delivered on-time, on-budget, and saw a multi-million dollar return in the first 12 months.

PATH #2 – ADDRESS UNMET CUSTOMER NEEDS

Customer churn has become a large problem for insurers, most notably in the property and casualty segment. A surprising amount of churn occurs in the first 90 days of a policy. What's at the root of this problem? Few insurers are taking measureable steps to "on-board" a customer and show them they have a strong insurance partner. Customers who are not effectively on-boarded are susceptible to competing offers and likely to interpret a minor hiccup as a sign of greater trouble and decide to take their business elsewhere.

Few (if any) of the over 50 different policy and administration systems on the market today are designed to assist with the human processes needed for on-boarding, as those often span multiple groups in an organization and require cross-system communication. This is especially true for unusual (and likely very profitable) clients. What are the costs of not addressing unmet needs? Some costs are easy to measure. Take churn for example. If you lose 5% of your new customers in the first 90 days, you've lost their expected future premium revenue AND your costs to find and entice them to sign up with you in the first place. (Hint: That's not a small number.)

Some might say that dealing with churn is just a cost of doing business and you need to expect it. Those are the insurers who ran away from the bear in their bare feet. The insurers who took the time to tie their shoes before running are the ones who have deployed BPM to coordinate on-boarding across different groups in the organization working on different systems. They don't consider churn an accepted part of doing business and are actively building buffers against the forces that drive churn. They are hanging onto their customers, picking up the ones you're letting go, and earning the right to ask for more business through upsell or cross sell.

Building customer-centric applications in low-code platforms is an ideal solution to this problem. Coordination across different groups, each with their own core systems, is one of the biggest technical and human challenges. Traditional systems approaches would take a long time and lots of money to implement. **Low-code software demands a fraction of the time and resources.** It can also leverage the Cloud and simple drag-and-drop, zero-code development to accelerate solution delivery. It enables rapid and broad user adoption through mobile consumption and social business interaction.

PATH #3 – MAKE INDEPENDENT AGENTS LOVE YOU

Picture the following scene. An independent agent is sitting in the office of the CEO of a $20M trucking business. The CEO is unhappy with his present insurance and has invited this agent to propose new options. The agent represents your company and several other insurers. The CEO says, "I've been really impressed by [insert your insurance company's name here] new advertising campaign. I'd like to get a proposal from them."

Can you imagine any of the following things going through the agent's head at this moment? Their application interface is so clunky. It will take me an extra hour to start the application. I know their ads are good, but their underwriting process is slow. The only way I can get a status update is to wait on hold on the phone. I don't have time for that. This trucking company is likely to require special underwriting work. I can never speak to their underwriters directly so we're unlikely to get a winning quote. I have to convince this CEO to go with another insurance company.

Here's what that agent might say next, "I agree their ads are good, but to get the best rate, we'll need good underwriter attention. I suggest we start with [insert your biggest competitor's name here]. They've done a lot of work to streamline their application process and I know I can get a conference call quickly with their

underwriting team. We can even start the application process right now on my iPad. As soon as I enter a few details from you, their team will have the information and already be at work. I'll check my dashboard later today and give you a time for a call with their underwriters."

In addition to streamlining processes and smoothing interfaces, making everything mobile is critical. The most innovative low-code platforms allow you to take any process and, immediately upon deployment, make it a mobile process.

How do you assess the value of independent agents who love you? As the example above shows, you can spend lots of money attracting prospective customers only to have them steered away from you by agents who don't enjoy working with you. The difference between being an agent's #1 choice and their #2 choice is huge. Nothing drives revenue more than satisfied agents. Make it easy for agents to work with you and they will steer more business your way. The trick here is keeping the cost of being their #1 choice low. Why spend money creating your own mobile applications when you can get them "for free" and have them directly integrate to your processes application.

PATH #4 – FILL "APPLICATION WHITE SPACES"

When legacy applications can't be adjusted to keep up with the pace of change in the market, information gaps occur. What results is unmanaged information housed in disconnected operational systems impeding collaboration and slowing decision making. People adapt any way they can, which usually means moving work through paper and e-mail. What happens through those mediums is less visible and causes managers to lose some control of their operation. This shows up in most inconvenient ways:

Customers see this when they get an unclear or evasive answer on the status of a claim that's clearly taking longer than it should to process. Underwriters see this when loss ratios rise and straight through processing rates drop. (Industry analysts note that half of underwriting decisions may ultimately be made by judgment calls because of insufficient information.[3])

Agents see this when they can't easily get status updates on applications they've submitted. Your product team sees this when they design new products, but can't quickly get them in the market. Your compliance staff sees this when they struggle with information for regulatory filings. You recognize this when new business shrinks and administrative costs rise.

Forward-thinking insurers have adopted low-code platforms in order to build customer-centric applications to quickly close information gaps and adapt interfaces to support changes in the market. Those using the most advanced platforms get the advantages of mobile communication because they can take any process developed on the platform and instantly make it a mobile process, working on all major platforms . For no additional development expense, adjusters in the field can take pictures and begin a claims case right from their mobile device. Traveling executives can make approvals and reroute work as needed, speeding response times.

When targeted at acute problems, low-code applications deployed in this way drive fast ROI because new applications can be configured rapidly to address specific problems. Often a simple bridge between applications or a new interface combining systems makes a huge difference. One P&C insurer is eliminating manual steps in underwriting, with a target of cutting the average time to underwrite a commercial policy from 40 hours to just

5 hours. The savings will allow underwriters to spend more time developing additional rate tiers and working directly with agents, increasing agent satisfaction and driving top line growth.

CONCLUSION

A low-code platform approach has proven to be the accelerant that enables insurers to rapidly refine their processes and interfaces to identify, attract, and retain only the best risks. Find out how insurers are leveraging the innovative features of the Appian low-code digital transformation platform – a fully integrated set of capabilities (no "stack"), mobile applications without extra development, as well as cloud and on-premises deployment.

Take the next step along the path to digital transformation and let Appian help fuel the best positive cycle, keep prices low and profits high.

1"Industry Essential: The US Insurance Market" by Ellen Carney, Forrester Research
2"Tech Opportunities in the North American Insurance Industry" by Ellen Carney, Forrester Research
3 Transforming Underwriting: From Risk Selection to Portfolio Management by Donald Light, Celent Communications

Appian

Appian provides a leading low-code software development platform that enables organizations to rapidly develop powerful and unique applications. The applications created on Appian's platform help companies drive digital transformation and competitive differentiation.

For more information, visit www.appian.com