WHITEPAPER

How insurers can speed up strategic digital transformation with Guidewire

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attention. always.

As the insurance companies are taking a fresh look at the value chain towards offering a more digitized experience to the consumers, they are also revising their offerings, distribution models, and services. With more InsurTech coming into the market, the older modalities face serious competition. To step up their game, the traditional insurance companies need to modernize their core platforms or be left behind by the new players in the insurance industry.

Modernizing insurance - Adopting a digital transformation mindset

Modernizing the insurance value chain involves three defined imperatives - first-to-market advantage, reduced legacy revamping to fund innovation, and a differentiator in customer service for increased revenue.

To meet these imperatives, insurance companies need to adopt specific strategies:

- **First-to-market advantage:** Insurance companies need to anticipate the customers' needs for products and experience instead of waiting to hear from them, i.e., if they want to stay ahead and reach the market first. With the right tools and infrastructure, the company can convert the needs into products faster and make them available in the market that much sooner.

- **Fund innovation:** The incumbents in the insurance industry need to focus on innovation and new product development instead of pouring money into revamping the existing legacy systems. While the legacy systems are essential and cannot be removed completely, a part of the assigned budget to maintain them and for data-refreshes needs to be shifted to innovation.

- **Differentiator in the customer service:** Ease-of-use has become the byword in today's digital world. Customers are looking for quick resolutions to insurance claims and personalized service. Insurance companies need to create a differentiator to join the ranks of nontraditional players in the industry.

Legacy modernization: Step-by-step approach for agility and scalability

Legacy systems contain information based on outdated technologies but are still critical to day-to-day operations. Moving from legacy systems to an agile and digitally-enabled solution can be challenging but necessary to meet modern customers' needs. Since they are not easy to update or modify, legacy systems can impede innovation.

Benefits of modernizing legacy systems:

Gain a competitive advantage

By being one of the first to operate in an industry that is dominated by outdated technology, insurers can outperform their competitors with a modern and lightweight solution.

Become future-ready

Replacing legacy systems makes the business open to expansion by keeping pace with the latest technology. Moreover, new technology trends can create a culture of business agility and innovation.

Satisfy the customers

User experience standards with modern user-centric intuitive experience grants greater customer satisfaction and possibilities of an expanded customer base.

Improve performance and increase reliability

Modernization of legacy systems can lead to quicker response time and reduce security risks and related costs.

Steps to improve legacy modernization:

Assessment of the current legacy system

A study of the existing legacy system would be a start, including but not limited to the code, architecture, and UI, while keeping in mind the future of the business and potential growth.

Choosing the right approach

It may not be necessary to remove all existing products. Instead, evaluate the products and see if they need newer features only. Adopting agile practices can help in enhancing the product to deliver quick returns. Retaining a few products that serve specific tasks can be similarly valuable.

Rethinking the architecture

Legacy systems have a complex structure. When attempting to modernize the system, it makes sense to implement only the most important features. A microservice architecture will make the product more scalable. The new tools also need to be compatible with the existing ones. Prioritizing for the simplest solution and easy transition would serve the business best.

Choosing the technology stack

Reengineering the system requires a future-ready technology stack. The stack will depend on the product to improve performance, efficiency, and reliability.

Documentation for the future

Documentation of all reengineering processes is essential to develop best practices and refer back to the coding standards and development strategies. Software applications are easier to maintain and extend with clear documentation.

Creating support and retirement schedule for legacy systems

Archiving and documenting the solutions and having them accessible is critical to ensure support even after the new systems are up and running. You may want to hold off on retiring the legacy systems even after the new system is in place.

Budget for training and system updates

Employees need retraining in new technologies. In fact, guiding the employees on new software is critical for the success of the digital transformation. Technology continues to evolve, and updates are always in progress. Budgeting for staff training and keeping your product updated would be ideal.

Busting the myths – why transformation is always on the cards

Myth: There's no need to replacing the core platform in any situation
Reality: Many insurance companies depend on the hybrid cloud approach since it offers architectural flexibility to align technology with business goals. However, in today's rapidly changing marketplace, core legacy platforms are likely to face performance and scalability challenges in the very near-future. Eventually, the long-term solution would be replace end-to-end core platforms and migrate towards cloud-based platforms – thereby avoiding problems like insufficient flexibility or lack of remote access associated with monolith designs,

Myth: Going fully cloud is a one-time activity
Reality: While the near-future will be inevitably cloud-driven, it does not mean that insurers are under pressure to go cloud by executing a rip-and-replace strategy. Given how deeply embedded their existing core technology frameworks are, they can adopt an incremental cloud adoption approach. For instance, they can start by migrating non-core applications into the cloud environment. Of course, the journey does not stop even after going fully cloud. There must create and manage continuous improvement and innovation cycles to increase process efficiency and deliver better user experiences.

Myth: On-premises security is greater than cloud security any day of the week
Reality: Security has been cited by insurance companies as an obstacle to cloud adoption. Technically, it is true. What is often forgotten is that one of the primary reasons for security failures is the lack of in-house governance policies relating to the cloud. Gartner has even recently predicted that in a few years, nearly all cloud security failures will be due to the customer, not the security provider. No matter where the applications and systems are hosted, the ball is in the enterprise's court regarding their vulnerability.

Myth: Moving to the cloud will immediately save costs
Reality: Moving to the cloud does not involve heavy upfront infrastructure investments – but if not utilized the right way, it can lead to long-term expenditure. For example, if insurance companies are not on top of cloud software licenses and upgrades, they tend to incur a lot of unnecessary costs like shadow IT expenses. It is crucial to migrate the right workloads to the cloud in order to get the required ROI.

The cloud platform dilemma: Best-in-class vs. All-in-one

The race towards the cloud has created a new quagmire for insurance companies of all sizes. One of their key questions is – should they opt for SaaS-based applications like ERP, HRMS, and CRM or select an all-in-one solution suite (offered by a single vendor) to enable complete digital transformation.

Adopting such off-the-shelf cloud solutions decentralizes the journey of digital transformation, which can be useful for enterprises that are spread across multiple locations and time zones. It also gives each insurance function access to niche tools that help them achieve specific outcomes, along with continuous addition of new relevant features.

On the other side, teams uses different software stacks which have their own contract lifecycle. If the enterprise is unable to holistically manage all the vendor relationships, it can lead to lowered ROI. It may also demand ongoing workforce training without the vendor pitching in to help.

With the all-in-one suite of solutions, insurance companies can undertake a more holistic technology modernization while customizing it to meet enterprise needs. It simplifies the vendor management lifecycle, minimizes licensing costs, and reduces implementation time and effort. All-in-one suite of solutions also use unified workflows to ensure comprehensive data management. It equips the modern insurance provider to extract actionable business insights from master data sets.

On the flip side, there's always the risk of vendor lock-ins which makes it even more crucial for insurers to pick the right vendor from the get-go. Otherwise, all the investments already made (onboarding, learning, usage, etc.) may be lost for, literally, a lifetime. While it is easy to customize, the insurance provider must bear in mind that innovation takes place at the vendor's pace.

Another key consideration is whether a dedicated engineering team would be required during the post-transformation stage. It can end up distracting the focus away from business innovation and push the enterprise to blindly bring in more resources without a plan in place.

Ultimately, the onus is on the enterprise to work with a solution provider capable of helping them capitalize on the three pillars of transformation – enabling innovation, increasing scalability, and ensuring cost-effectiveness. If they already have a solid system in place which has been custom-built, it makes sense to modernize what is there - rather building something new.

Importance finding the right solution provider to enable transformation

Essentially, the modern customer is looking for personalized services and immediate action. This means that the insurance companies need to act quickly to retain their customer base and increase it to get a larger market share. And, the way forward is to become digitally transformed, i.e., the incumbents in the industry must act with business agility, develop products in-house or buy related products, and add microservices by deconstructing monolithic applications to improve distribution. But the question is - what are the factors to consider before selecting the right solution provider to help undertake this transformational journey? Let's look at the major considerations that should influence your solution provider selection process.

Cost

It is not surprising that the cost tends to take top precedent as far the selection process is concerned. Bringing innovation to insurance is a longer relationship than just a one-time activity. Hence, make sure that the licensing costs do not burn a hole in your budgets and find out if the overall costs are determined on a fixed basis or by the number of users or a set of required features.

Customizability

A reliable insurance solution provider gives companies the ability to customize the application to meet their business expectations. Hence, the provider should have already worked with insurance-specific use cases that are in line with their businesses. It also provides the option to adapt based on changing business demands while avoiding downtime or heavy expenses.

Domain expertise

In a highly regulated industry like insurance, one-size-fits-all solutions do not cut the mustard because they lack the intricate rules that are only inherent to the insurance lifecycle. Insurance companies also need to be doubly sure that the solution provider has the application expertise to meets evolving compliance and security needs.

Ease of upgrade

As earlier mentioned before, it may be advisable to continue working with certain legacy systems to handle some parts of an insurance process. It's why the ease of upgrade plays a pivotal role in the solution provider selection process. Since upgrades are handled by third parties, insurance companies often do not possess control over them. It is crucial for them to check if they can work with older versions of the applications in case the upgrade is not relevant to the business or conducive to their technology ecosystem.

Coexistence of physical and digital channels for omnichannel engagement

The change in customer behavior has changed the way the Insurance industry works. Offices, agents, policies are no longer enough to expand the market share. As in many other industries, customers are a step ahead of insurers when adopting new technology. Since the modern customer has greater access to information, exposure to global trends, and connectivity through social media, his expectations have also altered significantly. Customer demographics are also expanding, and the insurance industry needs to adapt to the needs of modern insurance buyers.

However, the insurance agent continues to co-exist alongside the digital medium intercepting the digital path seamlessly. The extended usage and contextual data define this physical-digital mix of channels. It is also an approach to refine risk, redefine the products, and enhance customer relationships.

Insurers have adopted the multichannel way to engage with their customers through mobile apps, games, and videos. These channels also include agents - virtual and real, websites, and social media. Insurers engage with customers of today using all these different channels purely at the customer's convenience. The role of such an omnichannel experience is to ensure a superior customer experience.

Insurance innovation: Where to start and how to begin?

Insurers are using advanced analytics to leverage data, boost risk transparency, mitigate damage, and offer personalized services. The need for digital transformation among the insurance sector has driven the companies to move their application and data to the cloud.

Cloud as a strategic investment

Moving to the cloud goes beyond operational efficiency. It answers the need for increased agility, gives easy access to technologies to greater possibilities of innovation, and the possibility of reducing infrastructure costs. Insurers can benefit by moving to the public cloud to leverage an IaaS platform to develop cost-effective solutions. It enables computing solutions to deliver IT agility and shorter implementation time.

Cloud-based solutions accelerate business growth by providing higher conversion rates. They also lead to retention rates and cross-selling.

Global expansion is more accessible through cloud solutions as they foster flexibility and standardization across different geographical locations.

Third-party collaboration, within the insurance ecosystem, with vendors and alliances to keep up with business needs is enhanced with quick deployment and testing through cloud services.
Cloud-based solutions are cost-efficient as they are less expensive than in-house, back-end servers for maintaining complex legacy systems and for licensing.

Role of automation in insurance modernization

There is an increasing reliance on digital technology from the insurance industry to assess claims, develop new products, and meet the modern customer's needs. The InsurTech wave has opened the door to cutting-edge technologies.

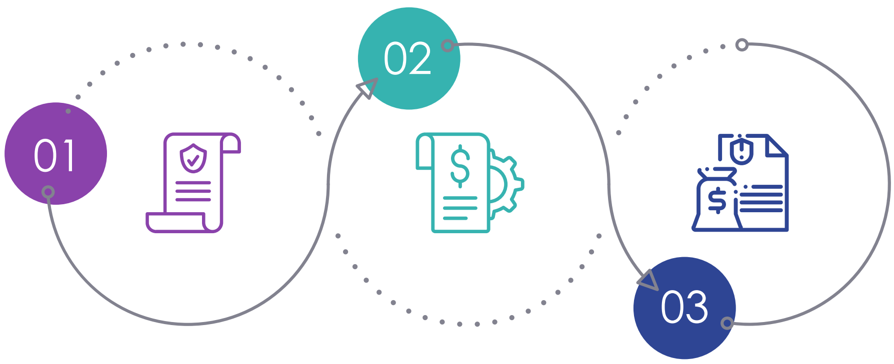
Automation in the insurance industry involves real-time data access and agile features in the core systems. Digitization helps insurers in product innovation and a faster time-to-market. The digitally integrated capabilities also facilitate a more user-friendly experience and enhanced customer experience. Automation can increase productivity beyond IT. It extends to an overhauling of existing operations and workflows to improve work in the organization.

Automation in Insurance plays a significant role in reducing the cost of core IT systems. It also lowers the loss-adjustment costs and increases accuracy in handling claims. While there are many benefits to automation, they need product rationalization and process changes to be most effective.

Better user experiences go beyond an omnichannel system of operations. It spans from streamlining internal processes and automating manual tasks to provide the best technological user experience at every phase of the customer engagement cycle. Digitization of the business extends to continuous communication and collaboration among all stakeholders.

Guidewire InsuranceSuite: Reimagining insurance journeys

Guidewire InsuranceSuite offers a line of solutions that ensure outstanding insurance experiences. Both customizable and scalable, they can help insurance providers stay competitive in a rapidly changing marketplace. As one of the most advanced platforms available, Guidewire covers business-critical parts of the insurance journey such as:



Policy management

Give policyholders a digital-first and omnichannel platform to increase adoption, unearth actionable insights to improve existing products, and take new products faster to market than ever before.

Billing management

Automate repetitive and time-consuming billing tasks and free your workforce to focus on adding strategic value while getting more invoicing flexibility and full complete account visibility.

Claims management

Ensure that claims teams have on-demand access to critical data in real-time, take the right business decision based on AI-driven data analytics, and increase customer satisfaction with digital self-service channels.

All of Guidewire's products and solutions are powered by automated processes and workflows that support straight-through processing. They come equipped with state-of-the-art features to increase operational efficiencies with cloud or hybrid solutions and improve user satisfaction with self-service capabilities. They also empower insurance companies with proactive risk management capabilities that include fraud prevention and recovery management.

Guidewire InsuranceNow: Unparalleled innovation

InsuranceNow from Guidewire is specially built for insurers, regardless of whether they have limited IT resources because they need a core system that increases agility without complexity.

Traditional systems are complex, needing larger teams to implement and integrate. InsuranceNow, on the other hand, gives the insurers greater freedom with a ready-to-go core platform that enables innovation and improved service. It is a complete platform that includes policies, billing, and claims.

It also provides greater insight into the market and analytics to make the right decisions. With less integration complexity, it allows easier upgrades and quick implementations, and staying current in the technology front. It is delivered through a cloud service, helping the insurer keep their core operations secure and compliant.

InsuranceNow helps increase business agility by capitalizing on business opportunities and responding to market demands quickly.

Guidewire's solutions help insurers innovate and grow by:

- Engaging with the customers and vendors is enhanced through digital transformation with omnichannel experiences and exceptional service delivery to the customer.
- Accelerating innovation through product development and harnessing the insurance ecosystem is made possible through Guidewire solutions.
- By reducing IT complexity, and improved business agility, the insurance sector can be optimized with automation. Streamlining the underwriting process helps in capturing opportunities in the market quickly to greater growth in profitable business.

How Aspire can help stabilize and modernize the insurance ecosystem

Aspire is known for its end-to-end domain experience in the insurance industry. It provides cost-effective solutions with core stack implementation and modernization through AI, ML, RPA, Cloud, and analytics.

Aspire brings to the table a Center of Excellence (COE) team to provide end-to-end Guidewire expertise - offering digital transformation services as a one-stop-shop managed services provider. Aspire's services include digitization, implementation, testing, migration - running the gamut, from consulting through to end-user support.

Insurers looking to corner the market through emerging technologies such as digital omnichannel distribution, automation, real-time risk insights, personalization, and robotic process automation, can avail the domain expertise and product engineering experience from Aspire's certified product specialists and testers in the Guidewire team.

Conclusion

The insurance industry is growing fast, trying to keep up with the new and nontraditional insurers in the market. In order to not only retain their market share but expand it, they need to leverage technology and modernization with AI, ML, and IoT with policies that reflect personal habits and trends.

Digital transformation is a big undertaking. Businesses need to take a phased approach to grow their business organically and stay ahead of the competition. Digital transformation is a fundamental shift and affects every business unit, the business partners, vendors, and customers.

For the insurer to rise to the challenge in the face of competition, aligning with technology partners that provide implementation expertise through managed services is the smart move. AI and ML with solid data analytics abound, and technology partners such as Aspire Systems can help insurers grow exponentially and faster.

About Aspire

Aspire Systems is a global technology services firm serving as a trusted technology partner for our customers. We work with some of the world's most innovative enterprises and independent software vendors, helping them leverage technology and outsourcing in our specific areas of expertise. Our core philosophy of "Attention. Always." communicates our belief in lavishing care and attention on our customer and employees.

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