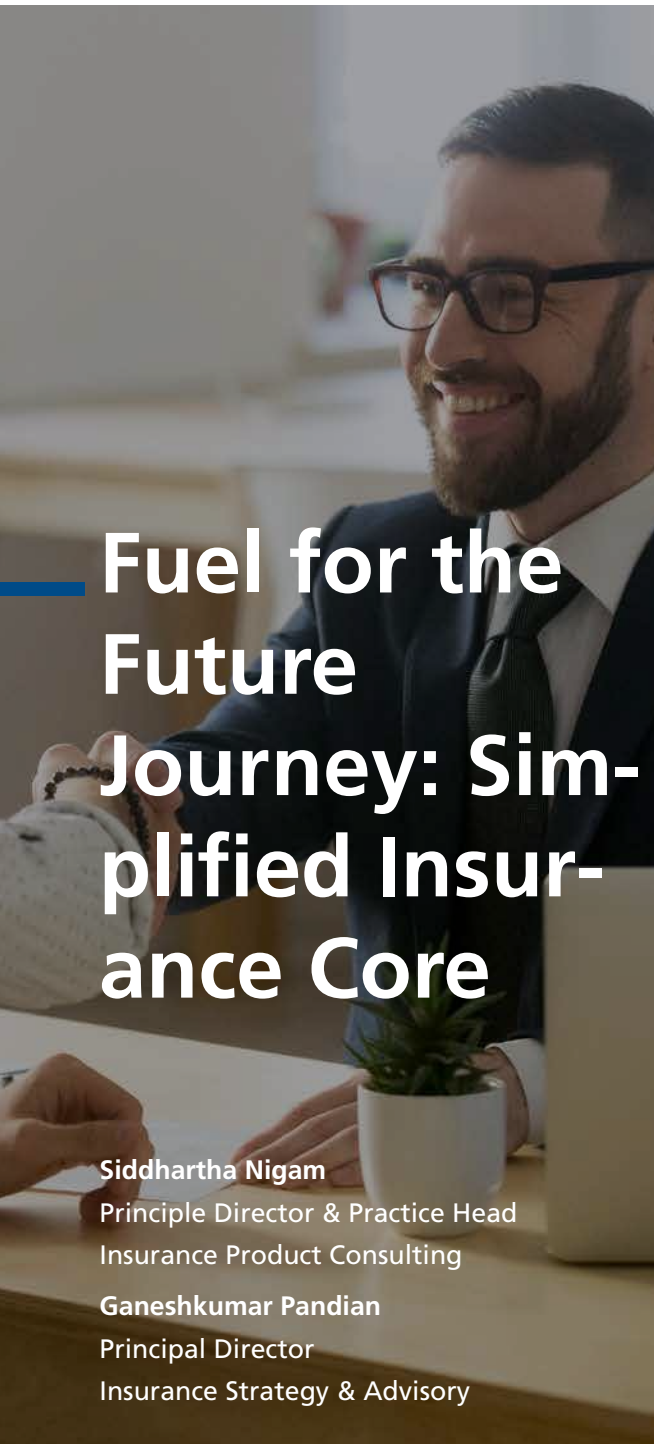
VOL 2 | Insurance Issue

LTIMindtree Insights

Shaping the Future of Insurance

By leveraging technology as a strategy





Fuel for the Future Journey: Simplified Insurance Core

Siddhartha Nigam
Principle Director & Practice Head
Insurance Product Consulting

Ganeshkumar Pandian
Principal Director
Insurance Strategy & Advisory

Abstract

Packaged implementations of core admin platforms have seen rapid growth, most insurance carriers are adopting commercially off-the-shelf (COTS) vs a handful of off-the-shelf building it from scratch. Over the years, investments in insurtechs have also increased substantially resulting in the confidence of long-term sustainability. As these insurance product companies are maturating in product engineering, they have an exciting roadmap, which includes new scope of offerings powered by the lasted development in the technological space. Further adoptions are going to change the way insurance companies of the future do business.

Future of Core admin platforms

Today's insurance carriers face the predicament of staying ahead of competition amidst business challenges like eroding market shares, administrative cost reduction targets, premium constraints, and mergers and acquisitions. Working on 20 or 30-year-old legacy core admin platforms only complicates the situation. The platforms are failing to support the carriers' need to meet the rising regulatory and consumer demands for compliance and security. As a result, insurance companies see an increasing need for investment in core admin platforms.

Historical perspective of the Core admin

Historically, insurance companies have built core admin platforms on mainframes. Many of these are still used to service the end customers. These applications provided custom-built solutions for the insurers and delivered reliable and high uptime.

Over the years, many insurance technology firms started offering niche modular applications focused on policy, billing, and claims as products. Most consulting firms would suggest insurance companies install the best-in-class application. For example, policy from product A, claims from B, and billing from C.

Insurance product companies continued to upgrade their technology and functionalities, improving their flagship modules into newer versions. They focused on designing a configurable system to cater to the unique needs of insurance carriers. These focused investments helped the industry accept standardized out-of-the-box core admin platforms as packaged products.

Current status of Core admin

Core admin OEMs expanded on their existing expertise in policy, billing, and claims through in-house development or acquisitions. Soon, they began developing full-suite capabilities. These acquisitions and enhancements allowed them to formulate multiple offerings, albeit with different technological stacks.

The key developments that are guiding the current Core admin advancements are as follows.

Cloud computing

Cloud is the primary driver of transformations in modern core admin platforms. Carriers are focusing their current investments on building their core-admin application cloud native on a single cloud platform. For example, Guidewire is on AWS, and Duck Creek is on Azure. If the developers find themselves in a multi-cloud situation due to an acquisition—say in the case of Duck Creek, which acquired an AWS-based product—the investments focus on moving them to the preferred cloud provider.

From Core to Core+

The definition of core itself is expanding from policy, billing and claims to distribution management, re-insurance, and portals; along with an integrated data warehouse and reporting capabilities.

User experience

Just a few years back, most core admin applications had a very rigid user interface (UI) structure, designed for a trained back-office user. Product companies lately have focused more on user experience (UX) and usability. Core applications are extending to persona-based portals, such as agent portals and customer engagement portals, among others. Each of these applications provides a rich UI and self-service capabilities to its target audience.

Pre-built API and integrations

A major challenge for carriers is integrating packaged products with other application and solution vendors. They had to put extra effort during every core application upgrade or when the solution vendors changed integration mechanisms. The new integration also slowed down the speed of implementing applications and go-to-market (GTM) timelines.

Building partnerships with solution providers enabled the core platform providers to provide carriers with a pre-built integration service. This, combined with the advantages of the cloud and regular upgrades, removes the uncertainty of keeping the system up to date.

Data services

Insurance is a data-driven industry. Collating huge amounts of data from core processes and applications is a key imperative. All OEMs have invested heavily in providing an operational data store (ODS) over the core admin platforms. The ODS provides pre-built reports for regular use and enables easy custom report creation. OEMs have also started providing limited geographic-specific regulatory reports. Data solutions will continue to take up a large pie of the investment budgets of product companies.

Low code

Gartner expects enterprises to increase the use of low code or no-code technologies in new application development by 70% by 2025, a significant uptick from less than 25% in 2020. Core admin product vendors are following the trend and designing proprietary tool sets with configurable systems and reducing the need for coding. These platforms are not only helping in rapid development, but also maintaining the unique requirements of each carrier.

Current concerns of the customers

- Can I port my application seamlessly from one cloud to another?
- How can I roll out products globally?
- How do I integrate with multiple agents to reduce the cost and time of quotes?
- Can data/AI help in real-time risk analysis?
- How can I reduce the cost by using VR?

Future of Core admin platforms

Platform providers will continue to leverage technology to enhance the core admin platform. As they increase their cloud investment, their SaaS offerings will become more robust. They will also expand the scope of their solutions through insurtechs, system integrators, and niche insurance solution providers. Their strategy will change from Core+ to Core++.

The key investment areas that will shape the future of insurance Core admin platforms are as follows.

Globalized localized products

Large tier 1 insurance companies are already implementing or seriously considering consolidating their core admin platforms. They want to benefit from cloud environments easy upgradeability and pre-built integrations on a global scale, which significantly lowers maintenance and upgrade costs.

Platform companies are upgrading their applications to offer extreme configuration, localization layers, and SaaS models for their offerings on a global scale. However, they need to address the challenges of multi-tenancy, data segmentation, and local regulations related to hosting and data handling.

Containerized applications

Gartner predicts that by 2027, over 90% of global organizations will be leveraging containerized applications in production. Large organizations do not prefer tying up with a single cloud provider. While it is not an immediate concern, as companies globally expand, they will want to mitigate the risk of using a single infrastructure for their global operations.

Open APIs

Insurance companies are increasingly transforming themselves into connected and valued partners from just an indemnifier of loss. On this journey, they are changing the applications they maintain as well as interconnecting them. However, data exchange between agents and carriers remains a major contention. We expect leading insurance carriers and OEMs to come together and develop a pre-built open API architecture-based core admin platform.

Use of AI/ML for risk analytics and claims

The insurance industry traditionally used outdated methods of predictive modeling in actuarial science, and localized knowledge for claims estimation and fraud deduction. However, with technological advancement, rapidly evolving core applications in insurance are consuming increasingly more information from various connected devices to deliver real-time risk analysis. These systems not only estimate claims loss accurately, but also help insurers to reduce the damage or rectify it through early warnings. The potential applications of AI/ML-based systems in the insurance field are enormous.

Use of metaverse and video streaming

Facebook founder, Mark Zuckerberg believes that “metaverse will be the successor to the mobile internet." The pervasiveness of virtual reality and its ability to provide individualized experiences will potentially change the way companies interact with their end customers. OEMs will invest in building their avatars and integrating with insurtech companies, to provide a unique sales experience in the metaverse. They will also have the capabilities of video streaming, coupled with Meta/AI/ML to provide a better claims experience.

To summarize, we regard the insurance industry as a late adopter of technology. However, based on investment trends, we see many powerful and sophisticated core admin products emerging in the related space.



About Author

Siddhartha is a BE in Computer Science and an MBA with over 22 years of experience in IT and insurance. He is recognized as a leading consultant and thought leader in insurance transformation. He has consulted customers in their journey in their journey for large and complex transformation and value realization. He was also instrumental in developing core insurance platforms for P&C and Life & Pensions.

He brings vast global experience in product engineering and implementation space. Currently, he is leading the practice and delivery of multiple global carriers and product companies in the journey of value realization through deep partnerships.

Siddhartha Nigam

PRINCIPLE DIRECTOR & PRACTICE HEAD
INSURANCE PRODUCT CONSULTING



About Author

Ganesh brings around 22 years of insurance experience in core and digital transformation areas. He has helped numerous insurers and brokers set up the operating model and implement COTS products successfully. He also brings insurtechs together to help in clients' transformation journey.

He holds a Bachelor's Degree in engineering from Madurai Kamaraj University.

Ganeshkumar Pandian

PRINCIPAL DIRECTOR
INSURANCE STRATEGY & ADVISORY

R!SKInsights

powered by FOSFOR

Making Underwriting Smarter

Data cloud ready, SaaS based solution driving shift left innovation in underwriting

For more information, please visit
https://www.ltimindtree.com/ltimindtrees-risk-insights-saas-solution/

LTIMindtree is a global technology consulting and digital solutions company that enables enterprises across industries to reimagine business models, accelerate innovation, and maximize growth by harnessing digital technologies. As a digital transformation partner to more than 700+ clients, LTIMindtree brings extensive domain and technology expertise to help drive superior competitive differentiation, customer experiences, and business outcomes in a converging world. Powered by nearly 90,000 talented and entrepreneurial professionals across more than 30 countries, LTIMindtree — a Larsen & Toubro Group company — combines the industry-acclaimed strengths of erstwhile Larsen and Toubro Infotech and Mindtree in solving the most complex business challenges and delivering transformation at scale. For more information, please visit www.ltimindtree.com.