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Driving ROI Through Digital Transformation

The Insurance IT Leader's Guide to Delivering Value

Table of Contents

Introduction	03
Today's Insurance IT Priorities	04
Legacy Systems Don't Support These Priorities	07
The Requirement	10
Moving Forward to the Ideal Solution	11
Next Steps to Achieving Greater ROI	20

Introduction

IT is being called upon to deliver robust return on investment (ROI), to partner more effectively with other business leaders, and to enable sustainable gains in customer acquisition, expansion and satisfaction.

Demonstrating IT leadership in the insurance industry today goes well beyond the traditional tasks of automating manual processes, maintaining the status quo and making incremental improvements in people, processes and technology.

Digital transformation has put customers front and center in every aspect of the business, and IT is being called upon to deliver robust return on investment (ROI), to partner more effectively with other business leaders, and to enable sustainable gains in customer acquisition, expansion and satisfaction. IT has become more deeply embedded in, and more critical to, business success than ever before.

We are witnessing a revolution in insurance globally, and the pace of change is accelerating. With new competitive realities, many insurers are realizing that their tools and infrastructure, constructed of numerous, disparate systems, with multiple points of failure, are simply not up to the task.

Current systems for pricing and rating in particular are costly to maintain and update, cannot react quickly enough to change, and work against the need to link organizations, business structures, and technologies.

This eBook lays out a roadmap to enable and accelerate your success in this new world. It first catalogs some of the most pressing issues for insurance IT leaders, both external market forces and internal legacy realities.

It then presents a technology solution that delivers a single, comprehensive, enterprise-wide tool for pricing and rating, allowing you and your colleagues to react more quickly to changing market conditions. A solution that breaks down “silos” of data and people across the organization, improving efficiency and governance.

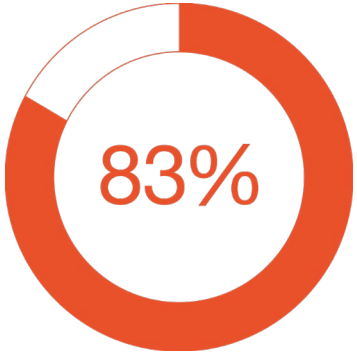
Learn about a cloud-native, SaaS-deployed, AI-driven solution that is much more intelligent, scalable and agile than the patchwork of disconnected technologies you are wrestling with today.

Today's Insurance IT Priorities

2020 and the first half of 2021 have been trying times for IT leaders. Previously-agreed-upon strategic priorities were replaced by urgent but tactical considerations.

While uncertainty still abounds, now is the time to return to more strategic pursuits—enabling digital transformation, generating real business value, partnering effectively with other business leaders, and introducing innovative enabling technologies.

Expectations are high, and the pressure is on.



In its 2021 CIO Survey, Gartner found that 83% of CIOs expect that the demand for new digital products will rise in 2021[1].

1. https://www.gartner.com/en/publications/top-priorities-for-it-leadership-vision-2021



> By 2024, 25% of traditional large enterprise CIOs will be held accountable for digital business operational results, effectively becoming ‘COO by proxy’.[1]

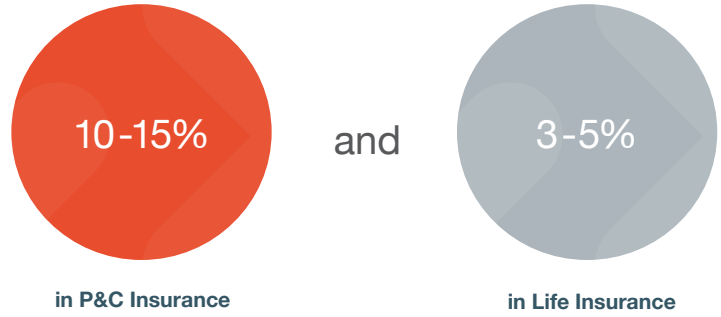
1. https://www.gartner.com/en/publications/top-priorities-for-it-leadership-vision-2021



> Boards of directors have given CIOs a clear mandate: Use technology to speed the enterprise faster to its business goals. Steady progress isn't enough anymore, though. Boards have CIOs focused on acceleration'.[2]

When executed well, the returns on investment are attractive and demonstrable. McKinsey[3] identifies underwriting and pricing as two of four key areas for insurance IT investment in 2021. They report that tools such as automated underwriting, fraud detection and modern pricing toolkits that address competitive pressures and allow for better quote customization, produced impressive improvements in profit margins.

Modern Tools Improve Profit Margins



in P&C Insurance

in Life Insurance

2. https://www.gartner.com/en/publications/top-priorities-for-it-leadership-vision-2021

3. https://www.mckinsey.com/industries/financial-services/our-insights/insurance-blog/will-your insurance-it-investments-pay-off

Legacy Systems Don't Support These Priorities

Gartner[4] projects that global IT spending will increase on average only 2% in 2021, lagging the general rate of inflation, and making smart IT investment decisions more critical than ever.

Despite these lofty expectations, Gartner[4] projects that global IT spending will increase on average only 2% in 2021, lagging the general rate of inflation, and making smart IT investment decisions more critical than ever. As a forward-looking IT leader, your priorities match those of your business, particularly when it comes to delivering on the promise of digital transformation and showing the highest possible ROI on your IT investments.

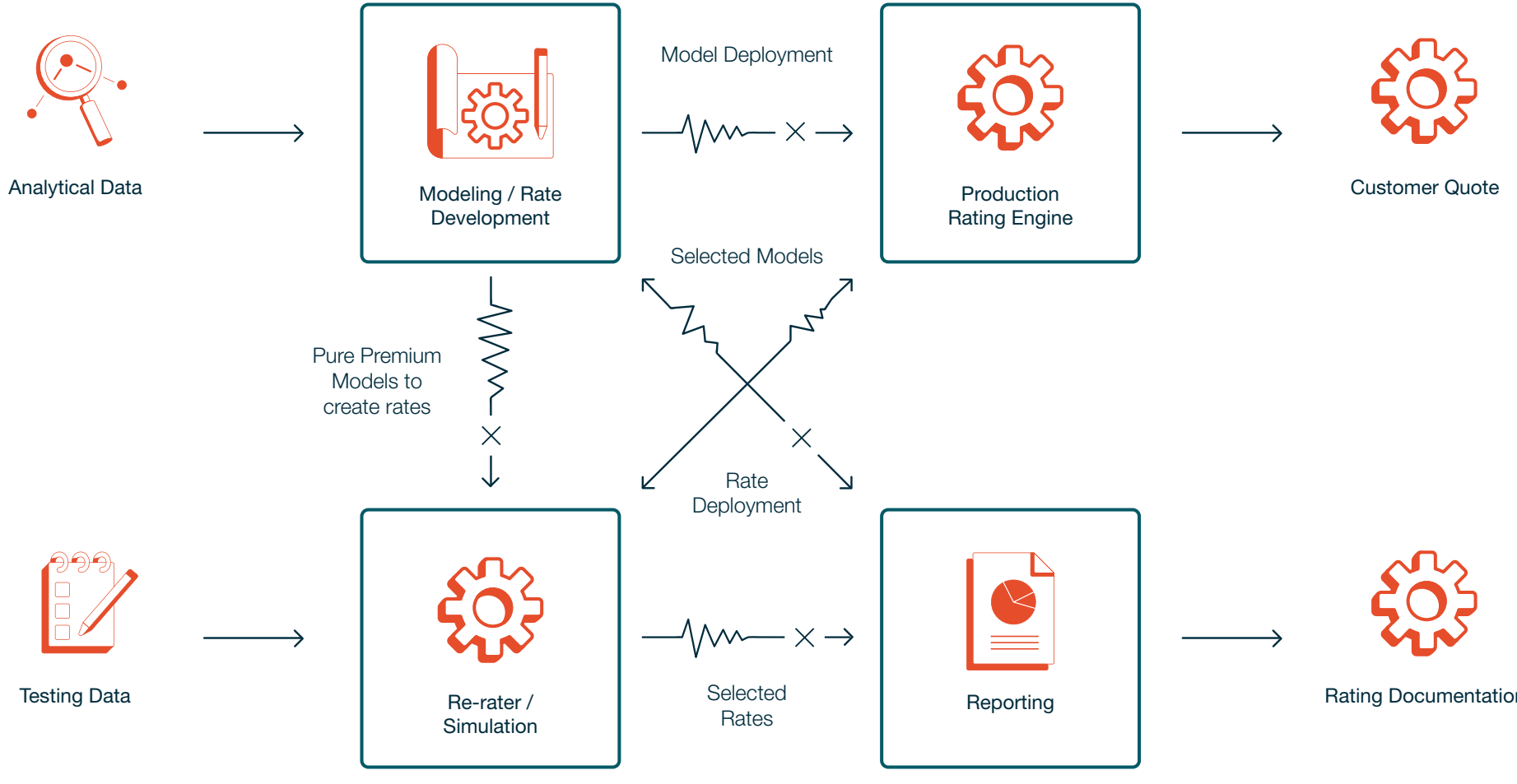
But, like many insurers today, you are all too often plagued by legacy systems that stand in the way. This is particularly challenging when looking at mission-critical pricing and rating processes, the "siloed" nature of the organizations that perform these functions, and the technology employed to support them.

The illustration on the following page depicts the situation that is all too common.

4. Gartner, op. cit.

Legacy Business and IT Infrastructure for Pricing and Rating

Multiple Handoffs, Conflicting Data Sources, Complex and Costly Maintenance



Today's Business Challenges Demand Multiple Solutions

As an IT leader, you may have inherited such a legacy patchwork. In this world, often constructed many years ago, every handoff between business functions and software components (depicted as the explosions in the figure) introduces time lags and opportunities for errors, inefficiencies, miscalculations, and governance issues.

Today, when speed, accuracy and agility are required to service external audiences, these legacy systems damage the customer experience (CX)—to the outside world your company appears disjointed, error-prone and slow react to customers, prospects, salespeople and agents.

The business side of the house has realized that this legacy infrastructure is hindering its ability to capture the customer-centric benefits of digital transformation, and is hungry to reduce the time required to bring new products to market, to have powerful AI-driven analytics in its arsenal, and to reduce regulatory overhead. They are looking to you as their IT partner to bring their tools and infrastructure into the 21st century, and to do it quickly.

01

Break down

the "siloes" between user, operational and marketing data to provide a "single source of truth".

02

Provide solutions

that scale quickly to support product line expansion, geographic diversification & M&A strategies.

03

Escape the bonds

of outmoded "on-premise" deployments.

04

Introduce technologies

such as artificial intelligence (AI) & machine learning (ML).

05

Reduce

lifecycle deployment and maintenance costs.

The Requirement: A Comprehensive, End-to-End Solution Architecture

Given the pressing needs of the modern insurance business, and the limitations and failures inherent in the traditional approach, a new set of requirements has arisen.

This "future state" requires a single, comprehensive, enterprise-wide solution for pricing and rating, characterized by all of the following:

- Hosted on **state-of-the-art infrastructure** that is better than internally-deployed systems.
- **Open architecture** that can be integrated with upgrades & new functionalities as they become available.
- A technology platform that is **flexible, agile, and scales easily** as business grows
- From a functional standpoint, **a way to simplify and speed rate testing and analysis**; re-rate quickly on an as-needed basis with strong governance. A major contributor to ROI, agility, and business success.

Moving Forward to the Ideal Solution

In contrast with outdated traditional legacy approaches, you now need a solution architected & deployed in a Software-as-a-Service (SaaS) mode that is a single, comprehensive, integrated whole.

The **ideal solution is self-contained, with built-in functionality** in all three key areas of pricing and rating:

01

Advanced Analytics

The ideal solution harnesses AI and machine learning-powered analytical pricing, and simulates a nearly-infinite set of pricing strategies, so users can implement the best one quickly. Deliver new & unparalleled performance to meet customers' needs, and continuously monitor pricing against business objectives & competition. Advanced analytics include everything needed to complete the entire process of modeling, rate development, simulation, and reporting in a single environment.

02

Provide solutions

With pricing strategy set, all pre-production staging & testing takes place within the solution, ensuring there is a cohesive whole, and all is performing as expected prior to deployment. By replacing piecemeal testing & re-testing of various components in a disconnected system, your IT team is more efficient & cost-effective, freeing up resources for more strategic tasks.

03

Final Deployment & Launch

The move to production in this environment is smooth and seamless.

With its cloud-native architecture, deployment and scaling are automatic and effortless.

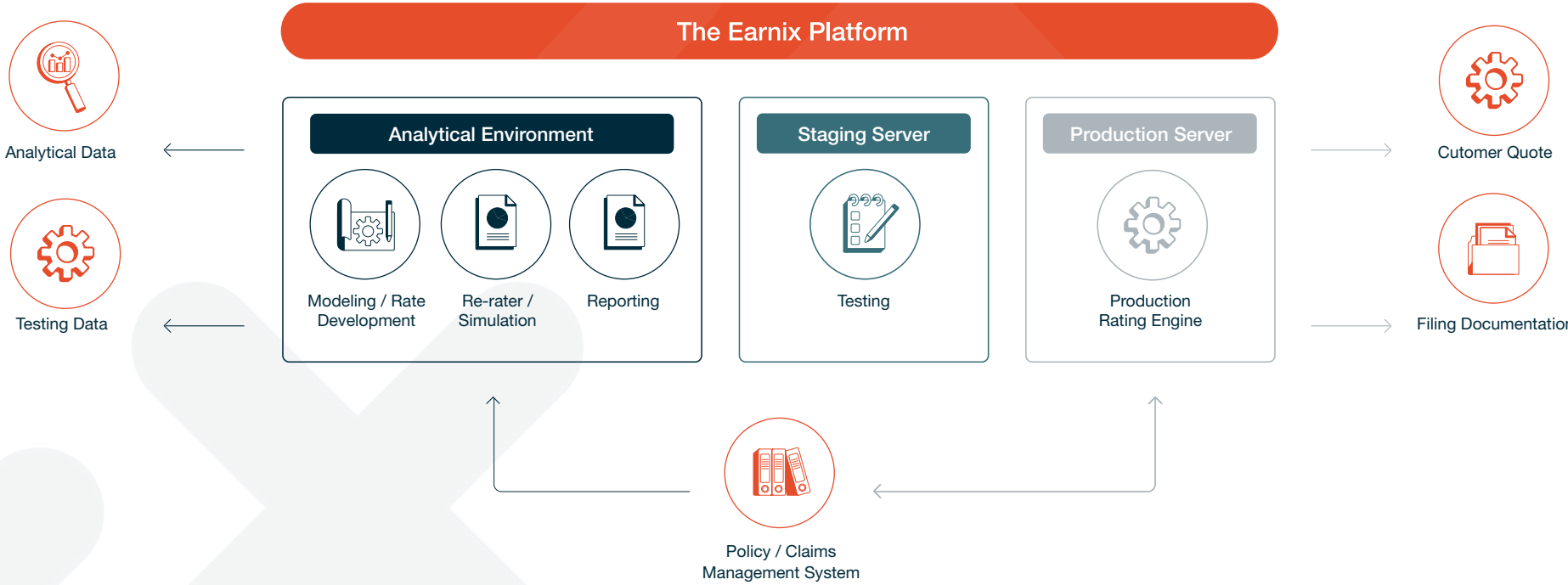
The End Result

You and your team now deliver a complete, comprehensive pricing and rating environment, architected from the ground up as a single-tenant SaaS solution, making it flexible, scalable, secure and instantly responsive to growing business needs.

When compared with the legacy approach, this modern architecture offers many distinct advantages, all of which contribute to a **solution that is agile, safe, drives business value, and delivers unparalleled return** on your IT investment.

The Future – A Fully-Integrated Architecture

Zero Handoffs, a Single Source of Truth, Smooth Implementation



While IT team members work together, each role has unique challenges. The right solution addresses everyone’s struggles.

Let’s meet the IT Team!



Team Member #1

John

CIO

Goals and Challenges

- Wants to be “new school CIO”, but is saddled with many legacy systems and a long-term workforce resistant to change
- Under pressure from CEO and Board of Directors to deliver business results, not just “keep the lights on”
- Increasingly asked to incorporate new digital technologies, SaaS/cloud architectures, to move much faster, but unsure about the safety and security of those technologies

The Earnix Impact

- ✓ Allows him to bring various functions across the business together, both organizationally & technologically
- ✓ Be more responsive to changing business conditions
- ✓ Partner with other business leaders
- ✓ Contribute to the “bottom line” and deliver quantifiable ROI
- ✓ Modernize pricing & rating systems without years-long projects



Team Member #2

Sarah

Sr. VP Innovation & Digital Transformation

Goals and Challenges

- Charged with raising company’s digital profile and providing better customer experience (CX), as she did at her previous employer
- Bring new products and services to market faster, reinvigorate a “tired” product set that is losing market share to the competition (including to her former employer)
- Act as “change agent”, bringing agile thinking to all parts of the business

The Earnix Impact

- ✓ Drive creative thinking around new products and bring them to market faster, test new products and pricing, and iterate quickly
- ✓ React faster than ever before to competitive moves, especially pricing strategic changes
- ✓ Prove that agile thinking works in IT, then apply it all over the company
- ✓ Enhances cross-functional cooperation, thinking, working through challenges



Team Member #3

David

Head of Pricing and Rating

Goals and Challenges

- Hearing from sales more frequently that competition gets products to market faster, with more attractive pricing – is beginning to see attrition to competitors
- Needs to balance meeting aggressive market needs with profitability goals (not “give away the farm” to gain market share)
- Wishes for the ability to create ‘what-if’ pricing scenarios & stay ahead of the competition

The Earnix Impact

- ✓ Bring new products to market faster, respond better to competitive offerings, keep the sales team and agents happy
- ✓ Increase quoting volume significantly, without hiring an army of analysts and hurting the “bottom line”
- ✓ Quotes get completed exponentially faster, without manual intervention
- ✓ Can think more strategically with newly added time



Team Member #4

Lakshmi

Chief IT Architect

Goals and Challenges

- Nearly impossible to bring new functionality to legacy systems to accommodate growth – updating on-premise systems takes months to procure and provision new hardware, stage & test, work with vendors to upgrade & expand the software
- Legacy architecture built out over years, interactions between components prone to errors, communication issues & regulatory failures
- Inertia built up around policy management system that took years to implement, cost millions initially and now costs millions in annual maintenance
- Eager to incorporate new digital technologies, SaaS/cloud architectures, to move faster than ever, but frustrated by keeping aging architecture working – seeking a new job at more progressive firm

The Earnix Impact

- ✓ Time required to build out pricing algorithms cut significantly
- ✓ Integrating Earnix and connecting it with legacy policy management is smooth, and proceeds in manageable, incremental phases (no “rip and replace”)
- ✓ Earnix architected “from the ground up” as a single-tenant SaaS solution, cloud-native, hosted at a leading global hosting partner
- ✓ System scales seamlessly and effortlessly with growth



Team Member #5

Alexis

VP of Compliance

Goals and Challenges

- Rein in various data repositories scattered around organization, which causes confusion across departments and results in errors, re-work, & regulatory exposure
- Stretch the resources of her thin regulatory staff, as she has been told she cannot hire until next fiscal year
- Give her team confidence that they're working with reliable data, and that they can sign off on rate testing and re-rating without worry

The Earnix Impact

- By bringing about a "single source of truth", rate testing time reduced dramatically
- Reduced errors and re-work
- Regulatory filings have been cut from weeks to hours
- Her staff has confidence in their decisions and submissions



Team Member #6

Benjamin

Director of IT Operations

Goals and Challenges

- IT Ops staff is worn out by the weeks required for data preparation for actuarial staff – Benjamin annoys them further by stating "there's got to a better way!" in daily standup meetings
- Never worked with an on-premise applications configuration – can't understand why all applications aren't SaaS and why change is so slow
- Recently struggled when an upgrade to one of the company's on-premise systems failed when attempting to scale from a small pilot group to a wider deployment

The Earnix Impact

- Average time of data preparation for actuarial work cut considerably – his staff admits he was right, there was a better way – they're also happy to regain their nights and weekends
- After convincing "old school" IT team to try Earnix, they admit that uptime statistics for the hosted solution far exceed on-premise configuration, and remote users are more easily & reliably supported
- When additional users need to be added to Earnix system, Benjamin says "Done, next?"
- Can now focus on more strategic pursuit of bringing Earnix telematics functionality in-house ASAP

Team Members Compelling Benefits



John
CIO

Commended by Board of Directors for contributing to increasing overall profit margins in first year after Earnix implementation

Operating budget savings converted to new staff for development of three-year strategic plan for wider rollout of AI/ML, SaaS, open-source development environments

Announcement of merger with competitor greeted confidently with readiness



Sarah
Sr. VP of Innovation & Digital Transformation

Time to bring new products to market reduced dramatically

Now that pricing updates have been turned from weeks of tedium to just minutes, now applies this agile approach to other business functions

Chairing task force of customer experience, sales, marketing, IT, and operations to develop entirely new product lines



David
Head of Pricing & Rating

Has been able to increase quoting volume with no increase in analytics staffing

Quoting times cut significantly, quote conversions are up, with no adverse impact on product line profitability

Drives additional revenue streams and beats the competition by expanding through the implementation of Earnix's state-of-the-art telematics app.

Compelling Benefits Continued

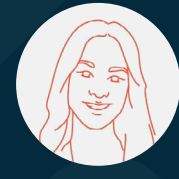


Lakshmi
Chief IT Architect

Process of building out revised pricing algorithms cut considerably

Earnix integration with existing policy administration system works perfectly, no need for “rip and replace”, migration proceeds at whatever pace we choose

Testing with policy management system indicates response times below the specification



Alexis
VP of Compliance

Complete audit trails, detailed records and powerful reporting capabilities ensure fast, easy access to all activity — providing a critical edge in complying with even the most stringent regulation challenges

Manual steps to streamline compliance efforts are automated, saving time and effort

No longer losing sleep over the threat of an audit



Benjamin
Director of IT Operations

Average time for data preparation for actuarial work cut

Hosting platform consistently demonstrates up-time is better than ever

Earnix system scaled effortlessly from small pilot to numerous production users

Next Steps to Achieve Greater ROI

Earnix is the optimal solution for pricing and rating in the insurance industry. Insurers have seen dramatic results in their ability to move more quickly with the market, deliver a more personalized experience to customers and prospects, and accelerate value creation.

Apply some of the proven approaches recounted here to your own business, and you'll appreciate the dramatic impact you can deliver. And, that impact is closer than you might think – implementation of the Earnix solution from start to finish can be completed in just a few months.

Why suffer any longer with the sluggishness, unnecessary overhead and ongoing risks associated with an outdated, disconnected system?

The time to move was yesterday. The case for increased ROI is now.

IT leaders have used Earnix to contribute significantly to the bottom line, align more closely with their business counterparts, and to make their own staffs more productive and more satisfied.



Drive tomorrow's pricing and rate deployment strategies today.

Start Your Journey

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Earnix is a leading provider of mission-critical systems for global insurers and banks. Through Earnix, customers are able to provide prices and personalized products that are smarter, faster, and safer in full alignment with corporate business goals and objectives. Earnix's customers deliver over 1 billion quotes per year through Earnix's solutions, offering systemized, enterprise-wide value with ultra-fast ROI. Earnix has been innovating for Insurers and Banks since 2001 with offices in the Americas, Europe, Asia Pacific, and Israel.

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