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The *Surprisingly* High Cost of Delaying Tech Adoption



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Executive Summary

Early adopters have taken advantage of powerful capabilities, such as data analytics, machine learning, artificial intelligence and more, to better meet customer expectations and gain a valuable advantage over the competition.

A recent research report found that only 52% of companies have prioritized adopting new technology as part of their digital transformation efforts.[1] The entire insurance industry has been slow to adopt new technologies, especially those with the potential to improve pricing and rating systems. This reluctance may be due to a number of factors—conservative CIOs taking a wait-and-see approach, the company's aversion to risk, and perceived budget constraints—but the reality is that now is the time to act.

Insurers that continue to delay the decision to adopt new technology do so at their own peril. Today, next-generation insurance platforms have already transformed the insurance industry.

This eBook will delve into the reasons why insurers have not focused on new technology before now while breaking down many surprising issues related to past approaches. It will also describe the nine capabilities every insurer should demand as they evaluate new rating and pricing technology. Finally, it will show you how **these capabilities create true business value that pays off where it matters most**:

- ✓ **Customer Acquisition & Retention**
- ✓ **Topline Revenue Growth**
- ✓ **Stronger Bottom Line**

1. Flexera 2020 CIO Priorities Report Survey

Failing to Make a Business Case for Change

Until recently, the latest pricing and rating engines and other specialized insurance technology weren't appealing enough to convince CIOs to make the switch. Most solutions lagged behind the advances found in other industry-specific technologies and didn't offer innovative new features or capabilities.

As a result, **previous technologies didn't do enough** to deliver the benefits and overall business value to justify replacing existing insurance systems.

Why Haven't Insurers Adopted New Technology Yet?

01

The sunk cost fallacy:

"We've already invested a lot of time, effort and money in the systems we have now."

02

The status quo works (kind of):

"I know there are new technologies out there, but we've gotten used to our current system."

03

No one ever gets fired for buying IBM:

"I want to stick with the safe option even though it really doesn't offer next-generation capabilities."

Old Tech is Painful

In reality, most insurers should have considered making a change long before now.

Many insurers are still struggling with old technology. Yet the financial industry continues to spend the majority of their IT budgets on maintaining legacy systems—which can even be as high as 75% for banks and insurance companies.[2]

For example, traditional pricing and rating systems tend to be individual siloed applications that require too much time and manual effort to attempt to make them work, causing **significant pricing delays and missed opportunities.**

There are many other challenges, too. Automation attempts are often based on primitive business rules or cumbersome workflows, which makes it nearly impossible to achieve the benefits of intelligent automation.

Despite these many challenges, many CIOs and business leaders continue to put off the decision to evaluate and adopt modern pricing and rating technology.

> **Old tech can't provide the real-time visibility, audit trails, and record-keeping insurers need for governance and compliance—unless of course you'd like to invest in extensive engineering. This subjects insurance companies to too much business risk.**



2. Applied Computing and Informatics, "Managing legacy system costs: A case study of a meta-assessment model to identify solutions in a large financial services company."

True Cost of Continued Delays

We have officially reached the point where **further delays hurt insurers' ability to compete** and put them a step (or two) behind the competition.

Continuing to rely on legacy pricing and rating solutions slows the overall time to market, which means the wrong insurance offers stay in the market much longer than they should.

It also makes it hard for insurers to quickly develop and deploy much more appealing offers—such as usage-based insurance, highly personalized bundles or add-ons—leading to missed opportunities.

Sticking with the status quo often leads to **higher ongoing costs tied to capital expenses** for which impact is difficult to track. Maintaining legacy systems with custom code and extensive involvement from IT may even cost more than investing in new technology. Plus, new cloud-based solutions are measured as operational expenses that can be fine-tuned to match business objectives on a regular basis.

Old technology can even affect an insurer's ability to recruit and retain top talent. Research from the State of the Software Report highlights the finding that more than **50% of employees are unhappy at work due to the software tools** they're using, and nearly **25% said they've considered leaving their job** for the same reason.[3] The longer a company continues to rely on legacy systems, the harder it may be to motivate employees to work with them or attract the next generation of employees who can make a difference.

3. G2, "The State of Software Happiness Report", 2019.

The true "cost" of legacy technology?

- Wasted Time
- Higher Costs
- Unhappy Employees
- Inability to Truly Compete

The Future of Insurance Technology, Delivered Today

Next-generation pricing and rating systems—*delivered in a single, end-to-end platform*—eliminate challenges caused by legacy systems and position insurers for maximum success.

The Tools You Need



Data & Model Management



Business Simulation & Decisioning



Real-time Deployment



Governance



Automation



Monitoring & Reporting

9 Capabilities All Insurance Solutions Should Offer

New advances in technology such as cloud, data analytics, machine learning, explainable AI, and more are now becoming game changers for the insurance industry.

The result? Innovative, forward-thinking insurers are able to **deliver much more personalized—and competitive—experiences and offers** for increasingly savvy customers.

All of this adds up to a scenario where major insurers wonder if now is the time to implement new technology capable of meeting changing customer requirements. *(Hint: the answer is "yes.")*

When it comes to evaluating new technology, the time is right, especially when that technology consists of nine critical innovations.

Let's take a closer look at each of these capabilities.

- ✓ True end-to-end platform
- ✓ Fully managed cloud
- ✓ Routine software updates
- ✓ Flexible architecture
- ✓ Intelligent automation
- ✓ Scalable monitoring
- ✓ Seamless deployments
- ✓ Governance and compliance
- ✓ Transparent lifetime costs

9 Capabilities All Insurance Solutions Should Offer (Cont'd)

01

A True End-to-End Platform

Modern insurance platforms offer all the tools for pricing and rating in a **single, intuitive and easy-to-use solution.**

These solutions combine pricing, data and risk modeling, automation, deployment, governance and compliance, and much more—everything insurers need to exceed customers' expectations and their own business goals.

Using these next-generation tools, insurance companies can develop and **deploy highly personalized, successful pricing strategies** that drive business growth, increase profits, and improve customer acquisition and retention.

02

A Fully Managed Cloud

Insurers should invest in vendors that have rigorous standards for systems architecture and security.

This should also include a fully managed cloud-based solution that offers benefits related to maintenance and software updates that **meet their exact business requirements with minimal support from internal IT resources.**

This helps free up internal IT teams for other projects and ensures that the costs of routine maintenance are included in the budgeted costs.

03

Routine Software Updates

When evaluating products and options, insurers should partner with a vendor that provides **regular, ongoing updates**, especially related to important product features and security enhancements.

Typically, these updates should occur every three to six months and it should be the vendor's responsibility to deliver these updates. This allows insurers to **take advantage of newly released efficiencies** while minimizing the amount of time and effort required of internal IT teams.

9 Capabilities All Insurance Solutions Should Offer (Cont'd)

04
Flexible Architecture

The most effective insurance platforms will offer the most flexible architecture possible while maintaining the highest security standards. For example, these solutions should allow easy API integrations instead of forcing pricing teams to export data, upload it into additional systems, and then perform manual QA processes. Any solution that lacks API capabilities will inhibit the ability to deliver personalized products to market.

The insurance solution should also deliver the ability to work with multiple data types and modeling tools within the platform. This gives pricing and product teams **maximum flexibility in working with different types of data** using their own preferred tools and approaches.

05
Intelligent Automation

Fast, efficient pricing is critical to any insurer's success, yet most approaches today still require too much manual effort.

With these solutions insurers can automate virtually every step of the pricing process, including complex tasks such as recurring data management business rules, price options and versions, and even simulations.

By creating much more intelligent workflows, such as automatically re-rating a book of business daily, insurance companies can **eliminate manual efforts required to download data, import it, and upload it to a new system**. This frees teams to spend their time analyzing data and looking for new business opportunities.

06
Scalable Monitoring

A true test of a potential pricing and rating system is if it can provide the right level of monitoring to provide actionable insight. For example, monitoring reports must be available on a timely basis to help teams determine if results dovetail with various prediction models and renewal rates.

Additionally, monitoring must be capable of comparisons to measure the gap between prediction and in-market prices. Ideally, this should be done through AI operationalization. This gives pricing teams the real-time visibility they need to **monitor the performance of pricing strategies against true business metrics.**

9 Capabilities All Insurance Solutions Should Offer (Cont'd)

07

Seamless Deployments

Manually re-keying pricing information or coding should not be part of any deployment process. Instead, deployment should only require a few simple keystrokes by authorized users.

Instantly **deploying your new pricing and personalization strategies, and delivering real-time responses** is a requirement for today's digital channels.

Seamless deployment is about more than speed to market. It's about empowering internal teams to focus on selecting the optimum deployment timeframes and channels to meet business KPIs.

08

Proven Governance & Compliance

Today, insurers should be able to take full advantage of automatic logging, recordkeeping and other controls to streamline your compliance burden.

The right solution provides detailed, comprehensive tracking capabilities to **improve risk management while automating and simplifying all compliance efforts**.

It should also include permission-based access with complete logging, detailed reporting, audit trails and powerful dashboards so users can see every aspect of your pricing and deployment process.

09

True—& Transparent—Lifetime Costs

Finally, any investment in a software-as-a-service (SaaS) solution should **include a carefully worded agreement that clearly outlines the various fees** for cloud services, software, professional services, and any other requirements. This agreement should also include an implementation timeline and other options, such as training services.

The vendor must describe all of the components of the engagement so insurance companies clearly understand both short- and long-term costs.

Additionally, implementations should be as autonomous as possible and enable internal teams to manage as much of the effort as desired, including the option to use third-party consultants as needed while keeping costs low.

The Industry's Most Comprehensive Pricing Platform

Only Earnix delivers a single, end-to-end solution for *everything insurers need to improve pricing- and rate-deployment strategies* and gain a valuable advantage over the competition.

Comprehensive Capabilities & Complete Business Results

Real-World Value

Domestic & General was able to **deliver 40x more plans with increased personalization** after implementing Earnix.

When looking to overcome challenges caused by outdated, legacy systems it is important to focus on technology that delivers the desired business outcome. Earnix delivers with the Earnix Price-It™ platform, our end-to-end pricing and rating solution built on industry-leading data science, powerful analytical modeling tools, machine learning, artificial intelligence and other advanced technologies.

The Earnix Price-It platform is available as a single, comprehensive solution—combining pricing, data and risk modeling, automation, deployment, governance and more—to give insurers everything you need to exceed customers' expectations and your own business goals.

Best of all, The Earnix Price-It platform delivers all the tools needed to model customer demand, run complex "what-if" scenarios, quickly deploy the optimum pricing strategy and comply with stringent regulatory requirements. It also eliminates the need for disparate, siloed pricing tools and third-party systems that can't deliver valuable business insights.

With the Earnix Price-It platform, insurers can **ensure prices are quoted in accordance with customers' behavior and risk**. You can also develop and deploy the right pricing to achieve specific goals, such as portfolio profitability and size, customer lifetime value, regulatory requirements, revenue growth and profitability.

Fastest Time to Value

All of these capabilities are delivered from a partner with a proven track record in successfully helping our customers realize rapid time to value.

Earnix offers fast, iterative deployment to provide significant value faster than you imagined. You'll increase your speed to market from years to months, months to days, days to mere minutes (or less).

Our teams are willing and able to support you at every step in your journey—all to improve your ability to predict, develop and deploy the ideal pricing strategy for your customers and your business.

Real-World Value

Within the first three months of using Earnix on 40% of their book of business, a major European carrier was able to achieve some impressive results:

- ↑ **28% increase in add-on sales**
- ↑ **0.42% increase in total policy conversions**
- ↑ **Increase of~2% GWP**



Don’t Delay on New Technology

Faced with increased competition, internet and mobile technologies that favor consumers, and other changing market dynamics, **insurers need a new pricing edge.**

Now is the time to take advantage of a single, end-to-end platform with advanced technologies and capabilities.



Drive tomorrow's pricing and rate deployment strategies today.

Champion the Right Tech Adoption at **Earnix.com**

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Earnix is a leading provider of mission-critical systems for global insurers and banks.

Through Earnix, customers can provide prices and personalized products that are smarter, faster, safer and in full alignment with corporate business goals and objectives. Earnix's solutions offer 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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